



Condensed Quarterly Financial Statements

U N A U D I T E D

September 30, 2019

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Condensed Balance Sheets

Expressed in thousands of US dollars (unless otherwise stated)

	September 30, 2019	June 30, 2019
Assets		
Cash.....	\$ 52,411	\$ 85,819
Investments - Trading (including securities transferred under repurchase agreements) - Note B.....	1,713,097	1,569,504
Derivative assets, net - Note C.....	6,166	428
Non-negotiable, non interest - bearing demand obligations - Note D.....	109,414	109,917
Reinsurance recoverable - Note F.....	342,381	354,800
Prepaid premium ceded to reinsurers.....	389,929	266,181
Other assets - Notes B, G and I.....	27,408	32,980
TOTAL ASSETS	\$ 2,640,806	\$ 2,419,629
Liabilities and Shareholders' Equity		
LIABILITIES		
Reserve for claims, gross - Note F.....		
Specific reserves for claims.....	\$ 3,136	\$ 3,124
Insurance portfolio reserve.....	551,525	566,635
Reserve for claims - gross.....	554,661	569,759
Unearned premiums and commitment fees.....	591,441	422,545
Derivative liabilities, net - Note C.....	272	6,901
Other liabilities - Notes B, H and I.....	134,484	100,681
Securities sold under repurchase agreements and payable for excess cash collateral received - Note B.....	14,889	61
TOTAL LIABILITIES	1,295,747	1,099,947
CONTINGENT LIABILITIES - Note E		
SHAREHOLDERS' EQUITY		
Capital stock - Note D		
Authorized capital (186,587 shares - September 30, 2019 and June 30, 2019)		
Subscribed capital (177,331 shares - September 30, 2019 and June 30, 2019)	1,918,721	1,918,721
Less uncalled portion of subscriptions.....	1,552,599	1,552,599
	366,122	366,122
Retained earnings.....	1,032,356	1,007,608
Accumulated other comprehensive loss - Note J.....	(53,419)	(54,048)
TOTAL SHAREHOLDERS' EQUITY	1,345,059	1,319,682
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,640,806	\$ 2,419,629

See accompanying notes to condensed quarterly financial statements

Condensed Statements of Income

Expressed in thousands of US dollars

	Three Months Ended September 30,	
	2019	2018
INCOME		
Net premium income - Note E.....	\$ 29,768	\$ 29,599
Income from investments - Note B.....	9,052	5,767
Miscellaneous income.....	5	37
Total income.....	<u>38,825</u>	<u>35,403</u>
EXPENSES		
(Decrease) increase in reserves, net - Note F		
(Decrease) increase in reserves, excluding translation gains.....	(198)	9,841
Translation gains	<u>(2,907)</u>	<u>(421)</u>
(Decrease) increase in reserves, net.....	(3,105)	9,420
Administrative expenses (including Pension service cost) - Notes G and I.....	13,835	12,751
Pension credit (excluding Pension service cost) - Note G.....	(241)	(445)
Translation losses - Investments and other assets.....	3,588	611
Increase in reserves and total expenses.....	<u>14,077</u>	<u>22,337</u>
NET INCOME.....	<u>\$ 24,748</u>	<u>\$ 13,066</u>

See accompanying notes to condensed quarterly financial statements

Condensed Statements of Comprehensive Income

Expressed in thousands of US dollars

	Three Months Ended	
	September 30,	
	2019	2018
NET INCOME.....	\$ 24,748	\$ 13,066
OTHER COMPREHENSIVE INCOME - Note J		
Amortization of unrecognized net actuarial losses.....	565	270
Amortization of unrecognized prior service costs.....	64	65
Total other comprehensive income.....	629	335
COMPREHENSIVE INCOME.....	\$ 25,377	\$ 13,401

Condensed Statements of Changes in Shareholders' Equity

Expressed in thousands of US dollars

	Three Months Ended	
	September 30,	
	2019	2018
CAPITAL STOCK		
Balance at beginning of the fiscal year.....	\$ 366,122	\$ 366,122
Paid-in subscriptions.....	-	-
Ending Balance.....	366,122	366,122
RETAINED EARNINGS		
Balance at beginning of the fiscal year.....	1,007,608	925,176
Net income.....	24,748	13,066
Ending Balance.....	1,032,356	938,242
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance at beginning of the fiscal year.....	(54,048)	(30,480)
Other comprehensive income.....	629	335
Ending Balance.....	(53,419)	(30,145)
TOTAL SHAREHOLDERS' EQUITY	\$ 1,345,059	\$ 1,274,219

See accompanying notes to condensed quarterly financial statements

Condensed Statements of Cash Flows

Expressed in thousands of US dollars

	Three Months Ended September 30,	
	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net income.....	\$ 24,748	\$ 13,066
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
(Decrease) increase in reserves, net - Note F.....	(3,105)	9,420
Translation losses - Investments and other assets	3,588	611
Net change in:		
Investments - Trading, net.....	(123,143)	(29,566)
Other assets and liabilities.....	(112,537)	(66,111)
Unearned premiums and commitment fees.....	177,237	92,856
Net cash (used in) provided by operating activities	<u>(33,212)</u>	<u>20,276</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH.....	<u>(196)</u>	<u>429</u>
Net (decrease) increase in cash.....	(33,408)	20,705
Cash at beginning of the fiscal year.....	<u>85,819</u>	<u>41,419</u>
CASH AT END OF THE PERIOD.....	<u>\$ 52,411</u>	<u>\$ 62,124</u>

See accompanying notes to condensed quarterly financial statements

Notes to Financial Statements

Note A: Summary of Significant Accounting and Related Policies

Basis of Preparation

These unaudited condensed quarterly financial statements should be read in conjunction with the audited financial statements for the fiscal year ended June 30, 2019 and notes included therein. The condensed comparative information that has been derived from the June 30, 2019 audited financial statements has not been audited.

Multilateral Investment Guarantee Agency's (MIGA or the Agency) condensed quarterly financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accounting policies used in the presentation of the interim statements are consistent with the accounting policies used in the financial statements for the fiscal year ended June 30, 2019.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Due to the inherent uncertainty involved in making these estimates, actual results could differ from those estimates. Significant judgments have been made in areas which management views as most critical with respect to the establishment of the reserve for claims and the related reinsurance recoverable.

On November 13, 2019, the Acting Executive Vice President and Chief Executive Officer and the Vice President and Chief Risk, Legal & Administrative Officer, authorized the condensed quarterly financial statements for issuance, which was also the date through which MIGA's management evaluated subsequent events.

Reporting Developments

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The ASU and its subsequent amendments require that a lessee recognizes on the balance sheet the assets and liabilities that arise from all leases with a lease term of more than twelve months. The recognition, measurement, and presentation of expenses and cash flows by the lessee will primarily depend on the classification of the lease as finance or operating. The accounting applied by a lessor remained largely unchanged, with some targeted improvements. As MIGA currently does not have direct leasing arrangements with any lessors, the Agency's adoption of the ASUs effective from the quarter ended September 30, 2019 did not have an impact on its financial statements

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Notes to Financial Statements

Note B: Investments

The investment securities held by MIGA are carried and reported at fair value. As of September 30, 2019, the majority of the Investments – Trading is comprised of Government and agency obligations and Time deposits (47.0 % and 41.5%, respectively), with all instruments being classified as Level 1 and Level 2 within the fair value hierarchy.

A summary of MIGA's investment portfolio as of September 30, 2019 and June 30, 2019 is as follows:

In thousands of US dollars

	<i>Fair Value</i>	
	<i>September 30, 2019</i>	<i>June 30, 2019</i>
Government and agency obligations	\$ 804,494	\$ 612,562
Time deposits	710,286	756,783
Asset-backed securities	198,317	200,159
Total investments - Trading	<u>\$ 1,713,097</u>	<u>\$ 1,569,504</u>

MIGA manages its investments on a net portfolio basis. The following table summarizes MIGA's net portfolio position as of September 30, 2019 and June 30, 2019:

In thousands of US dollars

	<i>Fair Value</i>	
	<i>September 30, 2019</i>	<i>June 30, 2019</i>
Investments - Trading	\$ 1,713,097	\$ 1,569,504
Cash held in investment portfolio ^a	42,576	80,818
Receivable for investment securities sold ^b	4,220	11,065
	<u>1,759,893</u>	<u>1,661,387</u>
Derivative assets		
Currency forward contracts	4,180	322
Currency swaps	2,075	430
Others ^c	2,350	184
	<u>8,605</u>	<u>936</u>
Derivative liabilities		
Currency forward contracts	(324)	(2,407)
Currency swaps	(1,498)	(643)
Others ^c	(34)	(4,297)
	<u>(1,856)</u>	<u>(7,347)</u>
Payable for investment securities purchased ^d	(22,048)	(5,165)
Securities sold under repurchase agreement and payable for cash collateral received ^e	(15,744)	(123)
Net investment portfolio	<u>\$ 1,728,850</u>	<u>\$ 1,649,688</u>

a. This amount is included in Cash on the Condensed Balance Sheet.

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

c. These relate to To-Be-Announced (TBA) securities, swaptions, exchange traded options and futures contracts.

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

e. Includes Cash Collateral received of \$855 thousand (June 30, 2019 - \$123 thousand), of which excess cash collateral totaled NIL (June 30, 2019 - \$61 thousand).

(Continued)

Notes to Financial Statements

The following table summarizes the currency composition of MIGA's net investment portfolio as of September 30, 2019 and June 30, 2019:

In thousands of US dollars

	September 30, 2019		June 30, 2019	
	Carrying Value	%	Carrying Value	%
US Dollars	\$ 1,596,655	92.4	\$ 1,499,261	90.9
EURO	129,809	7.5	147,449	8.9
Other	2,386	0.1	2,978	0.2
	<u>\$ 1,728,850</u>	<u>100.0</u>	<u>\$ 1,649,688</u>	<u>100.0</u>

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 on the Condensed Statements of Income.

The following table summarizes MIGA's Income from investments during the three months ended September 30, 2019 and September 30, 2018:

In thousands of US dollars

	Three Months Ended	
	September 30, 2019	September 30, 2018
Interest income	\$ 8,586	\$ 7,778
Realized losses	(9,758)	(471)
Unrealized gains (losses)	10,224	(1,540)
	<u>\$ 9,052</u>	<u>\$ 5,767</u>

The following table summarizes MIGA's income from derivative instruments, reported as part of Income from investments, which mainly relates to interest rate futures, options, covered forwards and currency swaps for the during the three months ended September 30, 2019 and September 30, 2018:

In thousands of US dollars

	Three Months Ended	
	September 30, 2019	September 30, 2018
Interest income	\$ 561	\$ 296
Realized (losses) gains	(9,590)	1,501
Unrealized gains (losses)	8,877	(1,074)
	<u>\$ (152)</u>	<u>\$ 723</u>

(Continued)

Notes to Financial Statements

Fair Value Disclosures

The following tables present MIGA's fair value hierarchy for investment assets measured at fair value on a recurring basis:

In thousands of US dollars

	Fair Value Measurements on a Recurring Basis			
	As of September 30, 2019			
	Level 1	Level 2	Level 3	Total
Government and agency obligations	\$ 359,004	\$ 445,490	\$ -	\$ 804,494
Time deposits	32,002	678,284	-	710,286
Asset-backed securities	-	198,317	-	198,317
Total investments - Trading	<u>\$ 391,006</u>	<u>\$ 1,322,091</u>	<u>\$ -</u>	<u>\$ 1,713,097</u>

In thousands of US dollars

	Fair Value Measurements on a Recurring Basis			
	As of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Time deposits	\$ 22,005	\$ 734,778	\$ -	\$ 756,783
Government and agency obligations	217,308	395,254	-	612,562
Asset-backed securities	-	200,159	-	200,159
Total investments - Trading	<u>\$ 239,313</u>	<u>\$ 1,330,191</u>	<u>\$ -</u>	<u>\$ 1,569,504</u>

During the three months ended September 30, 2019 and September 30, 2018, there were no fair value hierarchy inter-level transfers.

Valuation Methods and Assumptions:

Investment Securities:

Investment securities are classified based on management's intention on the date of purchase, their nature, and MIGA's policies governing the level and use of such investments. These securities are carried and reported at fair value or at face value, which approximates fair value.

Where available, quoted market prices are used to determine the fair value of trading securities. Examples include most government and agency securities, futures contracts, exchange-traded equity securities, Asset-backed Securities (ABS) and Mortgage-backed Securities (MBS). For instruments for which market quotations are not available, fair values are determined using model-based valuation techniques, whether internally-generated or vendor-supplied, that include the standard discounted cash flow method using marked observable inputs such as yield curves, credit spreads, and constant prepayment rates. Where applicable, unobservable inputs such as constant prepayment rates, probability of default and loss severity are used. Unless quoted prices are available, time deposits are reported at face value which approximates fair value, as they are short-term in nature.

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Notes to Financial Statements

Securities purchased under resale agreements, Securities sold under repurchase agreements, and Securities lent under Securities lending agreements:

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

Securities Lending, Borrowing and Repurchases:

MIGA may engage in securities lending and repurchases against adequate collateral, as well as secured borrowing and reverse repurchases (resale) of government and agency obligations and ABS. 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 September 30, 2019 and June 30, 2019, there were no amounts which could potentially be offset as a result of legally enforceable master netting arrangements.

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

In thousands of US dollars

	September 30, 2019	June 30, 2019
Securities transferred under repurchase agreements	\$ 14,891	\$ -
Liabilities relating to securities transferred under repurchase agreements	\$ 14,889	\$ -

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.

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

(Continued)

Notes to Financial Statements

The following table presents the disaggregation of the gross obligation by class of collateral pledged and the remaining contractual maturities for repurchase agreements that were accounted for as secured borrowings as of September 30, 2019:

In thousands of US dollars

	September 30, 2019		
	Remaining contractual maturity of the agreements		
	Overnight and continuous	Up to 30 days	Total
Repurchase or security lending agreements			
Government and agency obligations	\$ 14,889	\$ -	\$ 14,889
Total liabilities relating to securities transferred under repurchase or security lending agreements	\$ 14,889	\$ -	\$ 14,889

There were no repurchase agreements that were accounted for as secured borrowings as of June 30, 2019.

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 Sheets as the accounting criteria for treatment as a sale have not been met. As of September 30, 2019 and June 30, 2019, MIGA had not received securities under resale agreements.

Credit Exposure:

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

ABS holdings are investment grade, and therefore, do not pose a significant credit risk to MIGA as of September 30, 2019. However, market deterioration could cause this to change in future periods.

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Notes to Financial Statements

Note C: Derivative Instruments

MIGA uses currency forward contracts, currency swaps, options, futures contracts and TBA securities to enhance the returns from and manage the currency risk in its investment portfolio.

Derivative contracts include currency forward contracts, TBA securities, swaptions, exchange traded options and futures contracts, currency swaps and interest rate swaps. Currency forward contracts, currency swaps and interest rate swaps are plain vanilla and are valued using the standard discounted cash flow methods using market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

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 as of September 30, 2019 and June 30, 2019:

In thousands of US dollars

Type of contracts	September 30, 2019	June 30, 2019
Currency forward contracts and currency swaps		
Credit exposure	\$ 6,256	\$ 752
Exchange traded options and futures ^a		
Notional long position	30,000	65,300
Notional short position	261,800	389,900
Others ^b		
Notional long position	63,000	55,000
Notional short position	11,000	2,000
Credit exposure	99	184

a. Exchange-traded instruments are generally subject to daily margin requirements and 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 International Swaps and Derivatives Association, Inc. (ISDA) 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.

(Continued)

Notes to Financial Statements

The following tables summarize information on derivative assets and liabilities (before and after netting adjustments) that are reflected on MIGA's Condensed Balance Sheet as of September 30, 2019 and June 30, 2019. The effects of legally enforceable master netting agreements are applied on an aggregate basis to the total derivative asset and liability position. The net derivative asset positions have been further reduced by the cash collateral received.

In thousands of US dollars

	September 30, 2019					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented
Currency forward contracts	\$ 239,959	\$ (235,779)	\$ 4,180	\$ 64,871	\$ (64,547)	\$ 324
Currency swaps	134,576	(132,501)	2,075	107,789	(106,291)	1,498
Others ^a	2,350	-	2,350	34	-	34
	<u>\$ 376,885</u>	<u>\$ (368,280)</u>	<u>\$ 8,605</u>	<u>\$ 172,694</u>	<u>\$ (170,838)</u>	<u>\$ 1,856</u>
Amounts subject to legally enforceable master netting agreement			(1,584)			(1,584)
Net derivative positions at counterparty level before collateral			<u>\$ 7,021</u>			<u>\$ 272</u>
Less:						
Cash collateral received ^b			(855)			
Net derivative exposure after collateral			<u>\$ 6,166</u>			

a. These relate to TBA securities, swaptions, exchange traded options and futures contracts.

b. Does not include excess collateral received.

In thousands of US dollars

	June 30, 2019					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented
Currency forward contracts	\$ 60,712	\$ (60,390)	\$ 322	\$ 200,121	\$ (197,714)	\$ 2,407
Currency swaps	31,386	(30,956)	430	13,170	(12,527)	643
Others ^a	184	-	184	4,297	-	4,297
	<u>\$ 92,282</u>	<u>\$ (91,346)</u>	<u>\$ 936</u>	<u>\$ 217,588</u>	<u>\$ (210,241)</u>	<u>\$ 7,347</u>
Amounts subject to legally enforceable master netting agreement			(446)			(446)
Net derivative positions at counterparty level			<u>\$ 490</u>			<u>\$ 6,901</u>
Less:						
Cash collateral received ^b			(62)			
Net derivative exposure after collateral			<u>\$ 428</u>			

a. These relate to TBA securities and futures contracts.

b. Does not include excess cash collateral received of \$61 thousand.

(Continued)

Notes to Financial Statements

Fair Value Disclosures

The following table presents MIGA's fair value hierarchy for derivative assets and liabilities measured at fair value on a recurring basis:

In thousands of US dollars

	<i>Fair Value Measurements on a Recurring Basis</i>			
	<i>As of September 30, 2019</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Derivative Assets:				
Currency forward contracts	\$ -	\$ 4,180	\$ -	\$ 4,180
Currency swaps	-	2,075	-	2,075
Others ^a	2,250	100	-	2,350
	<u>\$ 2,250</u>	<u>\$ 6,355</u>	<u>\$ -</u>	<u>\$ 8,605</u>
Less:				
Amounts subject to legally enforceable master netting agreements				1,584
Cash collateral received				855
Derivative Assets, net				<u>\$ 6,166</u>
Derivative Liabilities:				
Currency forward contracts	\$ -	\$ 324	\$ -	\$ 324
Currency swaps	-	1,498	-	1,498
Others ^a	-	34	-	34
	<u>\$ -</u>	<u>\$ 1,856</u>	<u>\$ -</u>	<u>\$ 1,856</u>
Less:				
Amounts subject to legally enforceable master netting agreements				1,584
Derivative Liabilities, net				<u>\$ 272</u>

a. These relate to TBA securities, swaptions, exchange traded options, and futures contracts.

(Continued)

Notes to Financial Statements

In thousands of US dollars

	<i>Fair Value Measurements on a Recurring Basis</i>			
	<i>As of June 30, 2019</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Derivative Assets:				
Currency forward contracts	\$ -	\$ 322	\$ -	\$ 322
Currency swaps	-	430	-	430
Others ^a	-	184	-	184
	<u>\$ -</u>	<u>\$ 936</u>	<u>\$ -</u>	<u>\$ 936</u>
Less:				
Amounts subject to legally enforceable master netting agreements				446
Cash collateral received				62
Derivative Assets, net				<u>\$ 428</u>
Derivative Liabilities:				
Currency forward contracts	\$ -	\$ 2,407	\$ -	\$ 2,407
Currency swaps	-	643	-	643
Others ^b	4,296	1	-	4,297
	<u>\$ 4,296</u>	<u>\$ 3,051</u>	<u>\$ -</u>	<u>\$ 7,347</u>
Less:				
Amounts subject to legally enforceable master netting agreements				446
Derivative Liabilities, net				<u>\$ 6,901</u>

a. These relate to TBA securities.

b. These relate to TBA securities and futures contracts.

Note D: Capital Stock

At September 30, 2019, MIGA's authorized capital stock comprised 186,587 (186,587 – June 30, 2019) shares, of which 177,331 (177,331 – June 30, 2019) 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 September 30, 2019, \$366,122,000 (\$366,122,000 – June 30, 2019) has been paid in; and the remaining \$1,552,599,000 (\$1,552,599,000 - June 30, 2019) is subject to call.

At September 30, 2019, MIGA had \$109,414,000 (\$109,917,000 – June 30, 2019) in the form of non-negotiable, non-interest bearing demand obligations (promissory notes), relating to the initial capital subscriptions.

(Continued)

Notes to Financial Statements

A summary of the changes in MIGA's authorized, subscribed and paid-in capital during the three months ended September 30, 2019 and fiscal year ended June 30, 2019:

	Initial Capital		Capital Increase		Total	
	Shares	(US\$000)	Shares	(US\$000)	Shares	(US\$000)
At September 30, 2019						
Authorized:						
At beginning of fiscal year	108,028	\$ 1,168,863	78,559	\$ 850,008	186,587	\$ 2,018,871
New membership	-	-	-	-	-	-
At end of period	<u>108,028</u>	<u>\$ 1,168,863</u>	<u>78,559</u>	<u>\$ 850,008</u>	<u>186,587</u>	<u>\$ 2,018,871</u>
Subscribed:						
At beginning of fiscal year	108,028	\$ 1,168,863	69,303	\$ 749,858	177,331	\$ 1,918,721
New membership	-	-	-	-	-	-
At end of period	<u>108,028</u>	<u>\$ 1,168,863</u>	<u>69,303</u>	<u>\$ 749,858</u>	<u>177,331</u>	<u>\$ 1,918,721</u>
Uncalled portion of the Subscription		(935,091)		(617,508)		(1,552,599)
Paid-in Capital		<u>\$ 233,772</u>		<u>\$ 132,350</u>		<u>\$ 366,122</u>
At June 30, 2019						
Authorized:						
At beginning of fiscal year	108,028	\$ 1,168,863	78,559	\$ 850,008	186,587	\$ 2,018,871
New membership	-	-	-	-	-	-
At end of fiscal year	<u>108,028</u>	<u>\$ 1,168,863</u>	<u>78,559</u>	<u>\$ 850,008</u>	<u>186,587</u>	<u>\$ 2,018,871</u>
Subscribed:						
At beginning of fiscal year	108,028	\$ 1,168,863	69,303	\$ 749,858	177,331	\$ 1,918,721
New membership	-	-	-	-	-	-
At end of fiscal year	<u>108,028</u>	<u>\$ 1,168,863</u>	<u>69,303</u>	<u>\$ 749,858</u>	<u>177,331</u>	<u>\$ 1,918,721</u>
Uncalled portion of the Subscription		(935,091)		(617,508)		(1,552,599)
Paid-in Capital		<u>\$ 233,772</u>		<u>\$ 132,350</u>		<u>\$ 366,122</u>

(Continued)

Notes to Financial Statements

Note E: Guarantees

Guarantee Program

MIGA offers guarantees or insurance against loss caused by non-commercial risks to eligible investors and lenders 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 a financial obligation by a state-owned enterprise.

MIGA considers the guarantee contracts it issues to be short-duration contracts. Short-duration contracts are contracts for which the issuer recognizes premiums received as revenue over the period of the contract in proportion to the amount of insurance coverage provided.

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

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 on current, standby and future interest. At any given point in time, MIGA is at risk for amounts placed on current. The maximum amount of contingent liability (gross exposure), representing MIGA's exposure to insurance claims (current), as well as standby and future interest coverage for which MIGA is committed but not currently at risk, totaled \$21,628,669,000 as of September 30, 2019 (\$23,326,647,000 – June 30, 2019).

The composition of MIGA's gross exposure as of September 30, 2019 and June 30, 2019 was as follows:

In thousands of US dollars

	<u>September 30, 2019</u>	<u>June 30, 2019</u>
Gross exposure (Maximum amount of contingent liability)*	\$ 21,628,669	\$ 23,326,647
Of which:		
Current amounts*	17,154,667	17,115,626
Standby and Future interest amounts*	4,488,963	6,211,021

* Amounts represent maximum contingent liability under each category and are not necessarily additive.

Trust Fund Activities

MIGA also acts as administrator of some investment guarantee trust funds. MIGA, on behalf of the trust funds, issues guarantees against losses 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. Guarantees issued by MIGA on behalf of trust funds had a total outstanding gross exposure of \$24,823,900 as of September 30, 2019 (\$24,823,900 – June 30, 2019).

Reinsurance and Other Ceded Exposures

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

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Notes to Financial Statements

rating agencies (Standard & Poor's, A.M. Best, Moody's and Fitch). The minimum rating required for private reinsurers is A by S&P or Fitch, A2 by Moody's and A- by A.M. Best. 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. As of September 30, 2019, the project limit states that MIGA may cede no more than 90 percent of any individual project. Similarly, the portfolio limit states that MIGA may not reinsure more than 70 percent of its aggregate gross exposure.

In addition, MIGA administers the Conflict-Affected and Fragile Economies Facility (CAFEF), a donor partner-funded trust fund utilizing a reinsurance structure under which MIGA issues guarantees and cedes to the CAFEF an initial loss layer, for eligible projects. As of September 30, 2019, out of \$477,086,000 (\$494,675,000 – June 30, 2019) in gross exposure under this arrangement on MIGA's own account, amounts ceded to CAFEF under the initial loss layer totaled \$40,095,800 (\$41,289,200 – June 30, 2019).

MIGA is also able to cede exposures to International Development Association (IDA) under the MIGA Guarantee Facility (MGF), one of the four facilities set up under the IDA18 IFC-MIGA Private Sector Window (PSW) to promote investment in IDA-only and FCS countries. Under this facility, MIGA issues guarantees and cedes exposures to IDA through a risk sharing arrangement on a first loss basis or risk participation akin to reinsurance, for eligible projects. As of September 30, 2019, MIGA's gross exposure on projects utilizing this facility was \$410,485,000 (\$428,762,000 – June 30, 2019), and the amount ceded to IDA under the first loss layer totaled \$85,863,100 (\$88,787,000 – June 30, 2019).

The table below provides a reconciliation between MIGA's gross guarantee exposure and net exposure as of September 30, 2019 and June 30, 2019:

In thousands of US dollars

	September 30, 2019	June 30, 2019
Gross guarantee exposure	\$ 21,628,669	\$ 23,326,647
Less: Ceded exposures		
Facultative and Treaty reinsurers	(13,675,428)	(14,901,586)
CAFEF	(40,096)	(41,289)
IDA PSW - MGF (Note I)	(85,863)	(88,787)
Net guarantee exposure before exposure exchange	<u>7,827,282</u>	<u>8,294,985</u>
Less:		
Exposure Exchange Agreement (Note I)	(3,300)	(191)
Net guarantee exposure	<u>\$ 7,823,982</u>	<u>\$ 8,294,794</u>

MIGA can also provide both public (official) and private insurers with facultative reinsurance. As of September 30, 2019, total insurance exposure assumed by MIGA, primarily with official investment insurers, amounted to \$218,533,000 (\$218,533,000 – June 30, 2019).

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Notes to Financial Statements

Premiums, fees and commission relating to direct, assumed, and ceded contracts for the three months ended September 30, 2019 and September 30, 2018 were as follows:

In thousands of US dollars

	Three Months Ended	
	September 30, 2019	September 30, 2018
Premiums written		
Direct	\$ 203,050	\$ 132,043
Assumed	142	151
Ceded	(162,772)	(108,522)
	<u>\$ 40,420</u>	<u>\$ 23,672</u>
Gross premium income		
Direct	\$ 59,891	\$ 59,250
Assumed	558	566
	<u>60,449</u>	<u>59,816</u>
Premium ceded	(38,564)	(37,602)
Net Premium Earned	21,885	22,214
Ceding commission and other fees	9,865	9,563
Brokerage and other charges	(1,982)	(2,178)
Net Premium Income	<u>\$ 29,768</u>	<u>\$ 29,599</u>

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 reserve 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 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 September 30, 2019, the maximum net exposure which may be assumed by MIGA is \$1,000 million (\$820 million – June 30, 2019) in each host country and \$300 million (\$250 million – June 30, 2019) for each project.

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Notes to Financial Statements

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 500 percent (500 percent – June 30, 2019) of the sum of MIGA's unimpaired subscribed capital, retained earnings, accumulated other comprehensive income (loss) and net insurance portfolio reserve plus 100 percent of gross exposure ceded by MIGA through contracts of reinsurance. Accordingly, at September 30, 2019, the maximum level of guarantees outstanding (including reinsurance) may not exceed \$29,258,153,000 (\$30,373,011,000 – June 30, 2019).

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 September 30, 2019 and June 30, 2019 are as follows:

In thousands of US dollars

	September 30, 2019		June 30, 2019	
	Exposure in Top Five Countries	Exposure in Top Ten Countries	Exposure in Top Five Countries	Exposure in Top Ten Countries
Gross Exposure	\$ 8,752,092	\$ 12,337,272	\$ 9,048,099	\$ 13,265,159
% of Total Gross Exposure	40.5	57.0	38.8	56.9
Net Exposure	\$ 2,024,941	\$ 3,281,414	\$ 2,128,745	\$ 3,452,388
% of Total Net Exposure	25.9	41.9	25.7	41.6

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.

The regional distribution of MIGA's portfolio at September 30, 2019 and June 30, 2019 are shown in the following table:

In thousands of US dollars

	September 30, 2019			June 30, 2019		
	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
East Asia & Pacific	\$ 2,636,298	\$ 789,133	10.1	\$ 2,624,140	\$ 732,443	8.8
Europe & Central Asia	5,087,987	1,760,809	22.5	6,579,630	2,180,957	26.3
Latin America & Caribbean	4,294,228	1,325,132	16.9	4,323,124	1,349,429	16.3
Middle East & North Africa	2,937,158	1,006,612	12.9	2,979,152	1,047,762	12.6
South Asia	972,525	492,707	6.3	1,000,067	498,491	6.0
Sub-Saharan Africa	5,700,473	2,449,589	31.3	5,820,534	2,485,712	30.0
	<u>\$ 21,628,669</u>	<u>\$ 7,823,982</u>	<u>100.0</u>	<u>\$ 23,326,647</u>	<u>\$ 8,294,794</u>	<u>100.0</u>

(Continued)

Notes to Financial Statements

The sectoral distribution of MIGA's portfolio at September 30, 2019 and June 30, 2019 are shown in the following table:

In thousands of US dollars

Sector	September 30, 2019			June 30, 2019		
	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
Agribusiness	\$ 78,715	\$ 77,575	1.0	\$ 77,330	\$ 76,633	0.9
Financial	7,026,022	1,970,857	25.2	7,358,436	2,131,246	25.7
Infrastructure	10,995,900	4,394,493	56.2	12,267,940	4,650,769	56.0
Manufacturing	503,964	396,953	5.1	520,018	413,008	5.0
Mining	1,322,916	346,436	4.4	1,322,916	346,436	4.2
Oil and Gas	740,454	252,625	3.2	784,187	278,917	3.4
Services and Tourism	960,698	385,043	4.9	995,820	397,785	4.8
	<u>\$ 21,628,669</u>	<u>\$ 7,823,982</u>	<u>100.0</u>	<u>\$ 23,326,647</u>	<u>\$ 8,294,794</u>	<u>100.0</u>

Note F: Reserve for Claims and other Exposures

MIGA's reserve for claims and other exposures primarily comprise of the Insurance Portfolio Reserve (IPR) and Specific Reserve for Claims.

The following table provides an analysis of reserve for claims as of September 30, 2019 and June 30, 2019:

In thousands of US dollars

	September 30, 2019			June 30, 2019		
	IPR	Specific Reserve for Claims	Total	IPR	Specific Reserve for Claims	Total
Gross Reserve for Claims	\$ 551,525	\$ 3,136	\$ 554,661	\$ 566,635	\$ 3,124	\$ 569,759
Less: Reinsurance recoverable ^a	(332,638)	-	(332,638)	(344,631)	-	(344,631)
Net Reserve for Claims	<u>\$ 218,887</u>	<u>\$ 3,136</u>	<u>\$ 222,023</u>	<u>\$ 222,004</u>	<u>\$ 3,124</u>	<u>\$ 225,128</u>

a. As of September 30, 2019, excludes \$9,743 thousand (June 30, 2019 - \$10,169 thousand) reinsurance recoverable associated with retroactive reinsurance contracts, which is included in the Reinsurance recoverable on the Condensed Balance Sheet.

(Continued)

Notes to Financial Statements

The following table provides the composition of reinsurance recoverables at September 30, 2019 and June 30, 2019:

In thousands of US dollars

		September 30, 2019	June 30, 2019
Prospective reinsurance	- IPR	\$ 332,638	\$ 344,631
	- Specific reserve for claims	-	-
		332,638	344,631
Retroactive reinsurance	- IPR	9,743	10,169
		\$ 342,381	\$ 354,800

As of September 30, 2019, the excess of reinsurance recoverable associated with the retroactive reinsurance contracts over the related premium ceded amounted to \$2,876,500 (\$3,762,800 – June 30, 2019) and is reported as deferred gains under Other liabilities on the Condensed Balance Sheet.

The net (decrease) increase in reserves for claims reflected in the Condensed Statement of Income for the three months ended September 30, 2019 and September 30, 2018 comprised changes in the Insurance Portfolio Reserve and Specific reserve for claims as follows:

In thousands of US dollars

	Three Months Ended	
	September 30, 2019	September 30, 2018
(Decrease) increase in Reserves:		
Insurance Portfolio Reserve	\$ (210)	\$ 9,870
Specific reserve for claims	12	(29)
(Decrease) increase in reserves, before translation adjustments	(198)	9,841
Foreign currency translation adjustments	(2,907)	(421)
(Decrease) increase in reserves, net	\$ (3,105)	\$ 9,420

For the three months ended September 30, 2019 and September 30, 2018, MIGA's claims reserving methodology remained unchanged.

(Continued)

Notes to Financial Statements

The change in Insurance Portfolio Reserve before translation adjustments for the three months ended September 30, 2019 and September 30, 2018 were attributable to the following factors:

In thousands of US dollars

	Three Months Ended	
	September 30, 2019	September 30, 2018
Changes in portfolio size and risk profile, net	\$ (5,386)	\$ 699
Changes in host country risk ratings, net	3,854	10,040
Changes in discount rate	1,645	(838)
Others	(323)	(31)
(Decrease) increase, net	<u>\$ (210)</u>	<u>\$ 9,870</u>

The foreign currency translation adjustment reflects the impact on MIGA's Insurance Portfolio Reserve revaluation of guarantee contracts denominated in currencies other than US dollar and managed by holding equivalent amounts in the same currency in the Investment portfolio. 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 Condensed Statements of Income.

Insurance Portfolio Reserve (IPR)

The IPR reflects provisions set aside for losses and is calculated based on the long-term historical experiences of the non-commercial political risk insurance industry and the default history of the sovereigns and sub-sovereigns, adjusted for MIGA's claims history.

The following table provides an analysis of the changes in the gross IPR for the three months ended September 30, 2019 and fiscal year ended June 30, 2019:

In thousands of US dollars

	Three Months Ended	Fiscal Year Ended
	September 30, 2019	June 30, 2019
Gross IPR, beginning balance	\$ 566,635	\$ 450,100
Less: Reinsurance recoverables	<u>(344,631)</u>	<u>(239,616)</u>
Net IPR, beginning balance	222,004	210,484
(Decrease) Increase in reserves before translation adjustments	(210)	12,796
Foreign currency translation (gains)	<u>(2,907)</u>	<u>(1,277)</u>
(Decrease) Increase in reserves, net of reinsurance	(3,117)	11,519
Net IPR, ending balance ^{a,d}	218,887	222,004
Add: Reinsurance recoverables ^b	<u>332,638</u>	<u>344,631</u>
Gross IPR, ending balance ^c	<u>\$ 551,525</u>	<u>\$ 566,635</u>

a. As of September 30, 2019 represents 2.8% of Total Net Exposure (June 30, 2019 - 2.7%).

b. As of September 30, 2019, excludes \$9,743 thousand (June 30, 2019 - \$10,169 thousand) reinsurance recoverables associated with retroactive reinsurance contracts which is included in the Reinsurance recoverables on the Condensed Balance Sheet.

c. As of September 30, 2019 represents 2.6% of Total Gross Exposure (June 30, 2019 - 2.4%).

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

(Continued)

Notes to Financial Statements

Specific Reserve for Claims

The Specific Reserve for Claims is composed of: (i) reserves for pending claims and (ii) reserves for contracts where a claimable event, or events that may give rise to a claimable event, may have occurred, and a claim payment is probable, but in relation to which no claim has been filed. 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. MIGA's Legal Affairs and Claims Group reviews any pre-claim situations and claims filed and, together with MIGA's Finance and Risk Management Group, recommends provisioning parameters for MIGA Management to approve on a quarterly basis. MIGA's Guidelines and Procedures for Assigning Provisioning Parameters to MIGA's Specific Reserve specify the basis on which such parameters are determined.

Claims probability: For a contract where a claim payout is deemed probable (i.e., more likely than not), the claims probability is normally set at 75%.

Severity: This parameter reflects the expected quantum of MIGA's claims payment. For a contract in the claims reserve, this is typically the amount of the claim filed, whereas for an equity contract in the probable loss reserve this parameter will normally be set at 100 percent, unless there is more specific information. For contracts covering debt and loans, the parameter will be set at the percentage of the maximum aggregate liability equaling the scheduled payments in default and future payments for which a claim payment is probable.

Expected recovery: This parameter is expressed as a percentage of the contract's maximum aggregate liability and is based on an internal assessment of the host country's creditworthiness. For this purpose, each host country is assigned to one of four risk groups, where each group has a defined standard expected recovery level. Depending on the host country category, standard expected recovery periods are applied. In addition, for the War and Civil Disturbances, the expected recovery is assumed to be zero.

Because the parameters applied in determining the Specific Reserve are based on the facts and circumstances at the time of the initial determination, subsequent quarterly re-assessment of the parameters occasionally results in an increase or decrease to the previously assessed estimates. Changes in the estimates of the Specific Reserve reflect the effect of actual payments or evaluation of the information since the prior reporting date.

Notes to Financial Statements

The following table provides an analysis of the changes in the gross specific reserve for claims for the three months ended September 30, 2019 and fiscal year ended June 30, 2019:

In thousands of US dollars

	Three Months Ended September 30, 2019	Fiscal Year Ended June 30, 2019
Gross Specific reserve for claims, beginning balance	\$ 3,124	\$ 3,121
Less: Reinsurance recoverables	-	-
Net Specific reserve for claims, beginning balance	3,124	3,121
Increase in Specific reserve for claims, before translation adjustments		
- Current year	-	-
- Prior years	12	3
	12	3
Foreign currency translation losses (gains)	-	-
Increase in specific reserve for claims, net of reinsurance	12	3
Net Specific reserve for claims, ending balance	3,136	3,124
Add: Reinsurance recoverables	-	-
Gross Specific reserve for claims, ending balance	\$ 3,136	\$ 3,124

The gross Specific Reserve for Claims as of September 30, 2019 and June 30, 2019 is comprised of:

In thousands of US dollars

	September 30, 2019	June 30, 2019
Reserve for pending claims	\$ 1,956	\$ 1,948
Probable loss reserve	1,180	1,176
Gross specific reserve	\$ 3,136	\$ 3,124

For the purpose of short-duration contracts disclosures, MIGA's material lines of business are: Political Risk Insurance (currency inconvertibility and transfer restriction, expropriation, war and civil disturbance, and breach of contract) and Non-honoring of financial obligations. Since MIGA has not had any claims history on the Non-honoring product since its introduction, the disclosures below pertain solely to Political Risk Insurance.

MIGA generally creates a claim file for a policy at the contract level by type of risk coverage and recognizes one count for each claim filed by the guarantee holder and for which a claim reserve has been created. For the purposes of the claims development tables presented below, the Agency counts claims for policies issued even if the claims are eventually closed without a payment being made.

For the purpose of short-duration contracts disclosures, incurred and paid claims information include both the probable loss reserve and reported claims for each accident year.

(Continued)

Notes to Financial Statements

The following tables present information about incurred and paid claims development as of September 30, 2019, net of reinsurance, and cumulative claim frequency. The tables include unaudited information about incurred and paid claims development for the years ended June 30, 2011 through 2019, which is presented as supplementary information:

Political Risk Insurance: Incurred Claims (Specific and Probable Loss Reserves), Net of Reinsurance

<i>In thousands of US dollars</i>												
Reported Claims												
For the Fiscal Year Ended June 30, (Unaudited)										Period Ended		
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 Q1	Probable Loss Reserve	Cumulative number of Reported Claims
Accident Year												
2011	-	-	-	-	-	-	-	-	-	-	6,082	1
2012	-	3,833	8,232	5,350	4,303	4,303	4,303	4,303	4,303	4,303	5,593	1
2013	-	-	5,166	299	273	273	273	273	273	273	6,905	-
2014	-	-	-	-	-	-	-	-	-	-	1,752	1
2015	-	-	-	-	363	363	363	363	363	363	-	2
2016	-	-	-	-	-	4,458	4,458	4,458	4,458	4,458	-	-
2017	-	-	-	-	-	-	1,215	2,268	2,270	2,278	595	3
2018	-	-	-	-	-	-	-	-	-	-	1,175	2
2019	-	-	-	-	-	-	-	-	-	-	1,176	-
2020	-	-	-	-	-	-	-	-	-	-	1,180	-
Total										<u>11,675</u>		

Political Risk Insurance: Cumulative Claim Payments, Net of Reinsurance

<i>In thousands of US dollars</i>										
For the Fiscal Year Ended June 30, (Unaudited)										Period Ended
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 Q1
Accident Year										
2011	-	-	-	-	-	-	-	-	-	-
2012	-	-	-	-	4,303	4,303	4,303	4,303	4,303	4,303
2013	-	-	-	-	273	273	273	273	273	273
2014	-	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	363	363	363	363	363	363
2016	-	-	-	-	-	-	4,458	4,458	4,458	4,458
2017	-	-	-	-	-	-	322	322	322	322
2018	-	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-	-
Total										<u>9,719</u>
Outstanding liabilities before 2011, net of reinsurance										-
Liabilities for claims, net of reinsurance										<u>1,956</u>

(Continued)

Notes to Financial Statements

The following table presents a reconciliation of the net incurred and paid claims development tables to the liability for claims on the Balance Sheet:

In thousands of US dollars

	September 30, 2019	June 30, 2019
Specific Reserve for claims, Net of Reinsurance	\$ 3,136	\$ 3,124
Reinsurance recoverable	-	-
Gross Specific Reserve for Claims	<u>\$ 3,136</u>	<u>\$ 3,124</u>

The following table presents supplementary information about average historical claims duration as of September 30, 2019:

Average Annual Percentage payment of Incurred Claims by Age, Net of Reinsurance

Years	1	2	3	4	5	6	7	8	9	10
Political Risk Insurance	11%	11%	11%	14%	0%	0%	0%	0%	0%	0%

Note G: Pension and Other Post Retirement Benefits

International Bank for Reconstruction and Development (IBRD) is the plan sponsor and MIGA, IBRD and International Finance Corporation (IFC) participate in a defined benefit Staff Retirement Plan (SRP), a Retired Staff Benefits Plan and Trust (RSBP) and a Post-Employment Benefits Plan (PEBP) that cover substantially all of their staff members, retirees and beneficiaries.

The SRP provides pension benefits and includes a cash balance plan. The RSBP provides certain health and life insurance benefits to eligible retirees. The PEBP provides certain pension benefits administered outside the SRP.

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. 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.

(Continued)

Notes to Financial Statements

The following table summarizes MIGA's respective share of the costs associated with the SRP, RSBP, and PEBP for the three months ended September 30, 2019 and September 30, 2018:

In thousands of US dollars

	Three Months Ended September 30, 2019				Three Months Ended September 30, 2018			
	SRP	RSBP	PEBP	Total	SRP	RSBP	PEBP	Total
Benefit Cost								
Interest cost	\$ 1,929	\$ 302	\$ 258	\$ 2,489	\$ 2,042	\$ 302	\$ 228	\$ 2,572
Expected return on plan assets	(2,932)	(427)	-	(3,359)	(2,951)	(401)	-	(3,352)
Amortization of unrecognized prior service cost ^a	14	44	6	64	15	44	6	65
Amortization of unrecognized net actuarial losses ^a	250	-	315	565	59	-	211	270
Net periodic pension (credit) cost, excluding service cost	\$ (739)	\$ (81)	\$ 579	\$ (241)	\$ (835)	\$ (55)	\$ 445	\$ (445)
Service cost ^b	1,879	437	363	2,679	1,593	354	285	2,232
Net periodic pension cost	<u>\$ 1,140</u>	<u>\$ 356</u>	<u>\$ 942</u>	<u>\$ 2,438</u>	<u>\$ 758</u>	<u>\$ 299</u>	<u>\$ 730</u>	<u>\$ 1,787</u>

a. Amounts reclassified into net income (See Note J - Accumulated Other Comprehensive Loss).

b. Included in Administrative Expenses on the Condensed Statement of Income.

Note H: Other liabilities

The following table provides the composition of Other liabilities as of September 30, 2019 and June 30, 2019:

In thousands of US dollars

	September 30, 2019	June 30, 2019
Payable for pension and other postretirement benefits	\$ 47,334	\$ 47,009
Payable to reinsurers and brokers	27,727	10,981
Payable for investment securities purchased	22,048	5,165
Payable to affiliated organizations - Administrative and other services	18,286	17,203
Deferred gains	2,876	3,763
Miscellaneous	16,213	16,560
	<u>\$ 134,484</u>	<u>\$ 100,681</u>

Note I: Transactions with Affiliated Organizations

Shared Services and Joint Business Development Agreement

MIGA contributes its share of the World Bank Group's corporate costs. Payments for these services are made by MIGA to IBRD, International Development Association (IDA) and IFC based on negotiated fees, charge backs and allocated charges where charge back is not feasible.

MIGA transacts with affiliated organizations by entering into shared service agreements relating to administrative and shared services such as, office occupancy costs, computing services, and communication charges, among others. Transactions with IBRD and IFC also include brokerage fees paid for referral and due diligence services on jointly-developed guarantee projects.

(Continued)

Notes to Financial Statements

Total fees paid by MIGA reflected in the Condensed Statements of Income for the three months ended September 30, 2019 and September 30, 2018 are as follows:

In thousands of US dollars

	Three Months Ended	
	September 30, 2019	September 30, 2018
Fees charged by IBRD/IDA	\$ 2,302	\$ 2,217
Fees charged by IFC	813	450

At September 30, 2019 and June 30, 2019, MIGA had the following (payables to) receivables from its affiliated organizations with regard to administrative and other services and pension and other postretirement benefits:

In thousands of US dollars

	September 30, 2019			June 30, 2019		
	Administrative & Other Services ^a	Pension and Other Postretirement Benefits ^b	Total	Administrative & Other Services ^a	Pension and Other Postretirement Benefits ^b	Total
IBRD/IDA	\$ (11,096)	\$ 14,972	\$ 3,876	\$ (8,693)	\$ 14,993	\$ 6,300
IFC	(8,807)	-	(8,807)	(8,510)	-	(8,510)
	<u>\$ (19,903)</u>	<u>\$ 14,972</u>	<u>\$ (4,931)</u>	<u>\$ (17,203)</u>	<u>\$ 14,993</u>	<u>\$ (2,210)</u>

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

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

Exposure Exchange with IBRD

During the fiscal year ended June 30, 2014, 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 September 30, 2019 and June 30, 2019, the outstanding off-balance sheet amounts relating to this exposure exchange agreement were as follows:

In thousands of US dollars

	September 30, 2019	June 30, 2019
IBRD's exposure in Brazil assumed by MIGA	\$ 52,434	\$ 58,794
MIGA's exposure in Panama assumed by IBRD	55,734	58,985
Net amount	<u>\$ (3,300)</u>	<u>\$ (191)</u>

As of September 30, 2019, the recorded liabilities related to MIGA's obligation under the existing exposure exchange agreement with IBRD amounted to \$0.4 million (\$0.4 million – June 30, 2019) and is included in Insurance portfolio reserve on the Balance Sheet.

(Continued)

Notes to Financial Statements

IDA18 IFC-MIGA Private Sector Window (PSW)

As of September 30, 2019, the amounts ceded to IDA under the first loss layer totaled \$85,863,100 (\$88,787,000 – June 30, 2019). Correspondingly, the premium ceded to IDA during the three months ended September 30, 2019, amounted to \$191,026 (three months ended September 30, 2018 - \$73,286) and ceding commission in relation to the premium ceded amounted to \$28,654 (three months ended September 30, 2018 - \$10,993).

Note J: Accumulated Other Comprehensive Loss

The following tables present the changes in Accumulated Other Comprehensive Loss (AOCL) for the three months ended September 30, 2019 and September 30, 2018:

In thousands of US dollars

	Three Months Ended September 30, 2019			
	Cumulative Translation Adjustment ^a	Unrecognized Net Actuarial Losses on Benefit Plans	Unrecognized Prior Service Costs on Benefit Plans	Total Accumulated Other Comprehensive Loss
Balance, beginning of fiscal year	\$ 3,435	\$ (56,250)	\$ (1,233)	\$ (54,048)
Changes during the period ^b :				
Amounts reclassified into net income ^c	-	565	64	629
Net change during the year	-	565	64	629
Balance, end of period	\$ 3,435	\$ (55,685)	\$ (1,169)	\$ (53,419)

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

b. Changes in fair value relating to provision and other post-retirement benefit plans are assessed annually.

c. See Note G, Pension and Other Post Retirement Benefits.

In thousands of US dollars

	Three Months Ended September 30, 2018			
	Cumulative Translation Adjustment ^a	Unrecognized Net Actuarial Losses on Benefit Plans	Unrecognized Prior Service Costs on Benefit Plans	Total Accumulated Other Comprehensive Loss
Balance, beginning of fiscal year	\$ 3,435	\$ (32,428)	\$ (1,487)	\$ (30,480)
Changes during the period ^b :				
Amounts reclassified into net income ^c	-	270	65	335
Net change during the year	-	270	65	335
Balance, end of period	\$ 3,435	\$ (32,158)	\$ (1,422)	\$ (30,145)

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

b. Changes in fair value relating to provision and other post-retirement benefit plans are assessed annually.

c. See Note G, Pension and Other Post Retirement Benefits.

(Continued)

INDEPENDENT AUDITORS' REVIEW REPORT

President and Board of Directors
Multilateral Investment Guarantee Agency:

We have reviewed the accompanying condensed balance sheet of the Multilateral Investment Guarantee Agency ("MIGA") as of September 30, 2019, and the related condensed statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the three-month periods ended September 30, 2019 and 2018 (the "interim financial information").

Management's Responsibility for the Interim Financial Information

MIGA's management is responsible for the preparation and fair presentation of the interim financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

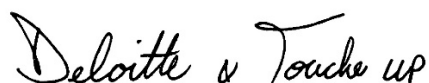
Our responsibility is to conduct our reviews in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the interim financial information referred to above for it to be in accordance with accounting principles generally accepted in the United States of America.

Report on Condensed Balance Sheet as of June 30, 2019

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of MIGA as of June 30, 2019, and the related statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 8, 2019. In our opinion, the accompanying condensed balance sheet of MIGA as of June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The logo for Deloitte & Touche, featuring the company name in a stylized, cursive script.

November 13, 2019