



Condensed Quarterly Financial Statements

U N A U D I T E D

September 30, 2021

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Condensed Balance Sheets

Expressed in thousands of US dollars (unless otherwise stated)

	September 30, 2021	June 30, 2021
Assets		
Cash.....	\$ 18,952	\$ 10,945
Investments - Trading (including securities transferred under repurchase agreements) - Notes B and K.....	1,881,842	1,904,440
Derivative assets, net - Notes C and K.....	8,259	2,700
Non-negotiable, non interest - bearing demand obligations - Note D.....	110,122	110,598
Reinsurance recoverable, net - Note F.....	488,566	501,033
Prepaid premium ceded to reinsurers - Note E.....	354,550	377,419
Other assets - Notes B and I.....	42,569	40,752
TOTAL ASSETS	\$ 2,904,860	\$ 2,947,887
Liabilities and Shareholders' Equity		
LIABILITIES		
Reserve for claims, gross - Note F.....		
Specific reserves for claims.....	\$ 40,482	\$ 20,084
Insurance portfolio reserve.....	694,884	726,703
Reserve for claims - gross.....	735,366	746,787
Unearned premiums and commissions - Note E.....	576,734	615,177
Derivative liabilities, net - Notes C and K.....	-	2,496
Liabilities for pension and other post-retirement benefits - Note G.....	47,586	47,006
Other liabilities - Notes B, H and I.....	56,138	62,017
TOTAL LIABILITIES	1,415,824	1,473,483
CONTINGENT LIABILITIES - Note E		
SHAREHOLDERS' EQUITY		
Capital stock - Note D		
Authorized capital (186,665 shares - September 30, 2021; 186,665 Shares - June 30, 2021)		
Subscribed capital (177,409 shares - September 30, 2021; 177,409 Shares - June 30, 2021)	1,919,565	1,919,565
Less uncalled portion of subscriptions.....	1,553,274	1,553,274
	366,291	366,291
Retained earnings.....	1,160,813	1,146,377
Accumulated other comprehensive loss - Note J.....	(38,068)	(38,264)
TOTAL SHAREHOLDERS' EQUITY	1,489,036	1,474,404
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 2,904,860	\$ 2,947,887

See accompanying notes to condensed quarterly financial statements

Condensed Statements of Income

Expressed in thousands of US dollars

	Three Months Ended September 30,	
	2021	2020
INCOME		
Net premium income - Note E.....	\$ 30,288	\$ 31,490
Income from investments - Note B.....	1,168	1,898
Miscellaneous income.....	86	51
Total income.....	<u>31,542</u>	<u>33,439</u>
EXPENSES		
Increase in reserve for claims, net - Note F		
Increase in reserves, excluding translation (gains) losses.....	3,122	529
Translation (gains) losses.....	(2,027)	3,522
Increase in reserve for claims, net.....	<u>1,095</u>	<u>4,051</u>
Increase (decrease) in allowance for credit losses - Note F.....	45	(3)
Administrative expenses (including Pension service cost) - Notes G and I	15,229	13,661
Pension (credit) cost (excluding Pension service cost) - Note G.....	(1,659)	195
Translation losses (gains) - Investments and other assets.....	2,396	(3,717)
Increase in reserves and total expenses.....	<u>17,106</u>	<u>14,187</u>
NET INCOME.....	<u>\$ 14,436</u>	<u>\$ 19,252</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,	
	2021	2020
NET INCOME.....	\$ 14,436	\$ 19,252
OTHER COMPREHENSIVE INCOME - Note J		
Amortization of unrecognized net actuarial losses.....	135	1,141
Amortization of unrecognized prior service costs.....	61	61
Total other comprehensive income.....	196	1,202
COMPREHENSIVE INCOME.....	\$ 14,632	\$ 20,454

Condensed Statements of Changes in Shareholders' Equity

Expressed in thousands of US dollars

	Three Months Ended	
	September 30,	
	2021	2020
CAPITAL STOCK		
Balance at beginning of the fiscal year.....	\$ 366,291	\$ 366,291
Paid-in subscriptions.....	-	-
Ending Balance.....	366,291	366,291
RETAINED EARNINGS		
Balance at beginning of the fiscal year.....	1,146,377	1,064,842
Net income.....	14,436	19,252
Ending Balance.....	1,160,813	1,084,094
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance at beginning of the fiscal year.....	(38,264)	(96,282)
Other comprehensive income	196	1,202
Ending Balance.....	(38,068)	(95,080)
TOTAL SHAREHOLDERS' EQUITY	\$ 1,489,036	\$ 1,355,305

See accompanying notes to condensed quarterly financial statements

Condensed Statements of Cash Flows

Expressed in thousands of US dollars

	Three Months Ended	
	September 30,	
	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Net income.....	\$ 14,436	\$ 19,252
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase in reserve for claims, net - Note F.....	1,095	4,051
Increase (decrease) in allowance for credit losses - Note F.....	45	(3)
Translation losses (gains) - Investments and other assets.....	2,396	(3,717)
Net change in:		
Investments - Trading, net.....	7,084	(64,913)
Prepaid premiums ceded to reinsurers.....	19,669	18,712
Other assets and liabilities.....	(2,883)	59,066
Unearned premiums and commitment fees.....	(33,698)	(29,160)
Net cash provided by operating activities	<u>8,144</u>	<u>3,288</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH.....	<u>(137)</u>	<u>583</u>
Net increase in cash.....	8,007	3,871
Cash at beginning of the fiscal year.....	<u>10,945</u>	<u>11,484</u>
CASH AT END OF THE PERIOD.....	<u><u>\$ 18,952</u></u>	<u><u>\$ 15,355</u></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, 2021 and notes included therein. The condensed comparative information that has been derived from the June 30, 2021 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, 2021.

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 10, 2021, the Executive Vice President 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*Evaluated Accounting Standards:*

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-03, *Codification improvements to Financial Instruments*. The amendment to this ASU represents changes to clarify or improve the Codification. The amendments make the Codification easier to understand and easier to apply by eliminating inconsistencies and providing clarifications. The adoption of this ASU effective July 1, 2021, did not have an impact on MIGA's financial statements.

(Continued)

Notes to Financial Statements

Note B: Investments

The investment securities held by MIGA are carried and reported at fair value. As of September 30, 2021, the majority of the Investments – Trading is comprised of Government and agency obligations and Time deposits (76.4% and 22.4%, respectively), with all instruments classified as Level 1 and Level 2 within the fair value hierarchy.

A summary of MIGA's investment portfolio as of September 30, 2021 and June 30, 2021 is as follows:

In thousands of US dollars

	<i>Fair Value</i>	
	September 30, 2021	June 30, 2021
Government and agency obligations	\$ 1,438,555	\$ 1,430,906
Time deposits	420,784	463,035
Asset-backed securities (ABS)	22,503	10,499
Total investments - Trading	<u>\$ 1,881,842</u>	<u>\$ 1,904,440</u>

MIGA manages its investments on a net portfolio basis. The following table summarizes MIGA's net portfolio position as of September 30, 2021 and June 30, 2021:

In thousands of US dollars

	<i>Fair Value</i>	
	September 30, 2021	June 30, 2021
Investment - Trading	\$ 1,881,842	\$ 1,904,440
Cash held in investment portfolio ^a	8,986	5,367
Receivable for investment securities sold ^b	9,913	6,268
	<u>1,900,741</u>	<u>1,916,075</u>
Derivative assets		
Currency forward contracts	1,830	1,854
Currency swaps	18,257	11,638
Interest rate swaps	39	38
Others ^c	552	419
	<u>20,678</u>	<u>13,949</u>
Derivative liabilities		
Currency forward contracts	-	-
Currency swaps	(2,585)	(8,668)
Interest rate swaps	(457)	(426)
	<u>(3,042)</u>	<u>(9,094)</u>
Payable for investment securities purchased ^d	(8,630)	(8,947)
Securities sold under repurchase agreement and payable for cash collateral received ^e	(10,100)	(4,650)
Net investment portfolio	<u>\$ 1,899,647</u>	<u>\$ 1,907,333</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 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 \$10,100 thousand (June 30, 2021 - \$4,650 thousand).

(Continued)

Notes to Financial Statements

The following table summarizes the currency composition of MIGA's net investment portfolio as of September 30, 2021 and June 30, 2021:

In thousands of US dollars

	September 30, 2021		June 30, 2021	
	Carrying Value	%	Carrying Value	%
US Dollars	\$ 1,768,929	93.1	\$ 1,762,944	92.4
Euro	126,808	6.7	140,932	7.4
Other	3,910	0.2	3,457	0.2
	<u>\$ 1,899,647</u>	<u>100.0</u>	<u>\$ 1,907,333</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, 2021 and September 30, 2020:

In thousands of US dollars

	Three Months Ended	
	September 30, 2021	September 30, 2020
Interest income	\$ 1,922	\$ 2,750
Realized gains (losses)	1,920	(20,337)
Unrealized (losses) gains	(2,674)	19,485
	<u>\$ 1,168</u>	<u>\$ 1,898</u>

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, 2021 and June 30, 2021, 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.

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. As of September 30, 2021 and June 30, 2021, there were no repurchase agreements that were accounted for as secured borrowings.

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Notes to Financial Statements

In the case of resale agreements, MIGA receives collateral in the form of liquid securities and is permitted to repledge these securities. While these transactions are legally considered to be true purchases and sales, the securities received are not recorded as Investments on MIGA's Balance Sheets as the accounting criteria for treatment as a sale have not been met. As of September 30, 2021 and June 30, 2021, 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, 2021. However, market deterioration could cause this to change in future periods.

Note C: Derivative Instruments

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

The following table summarizes MIGA's income from derivative instruments, reported as part of Income from investments and included in the table above, which mainly relates to interest rate futures, options, covered forwards and currency swaps for the three months ended September 30, 2021 and September 30, 2020:

In thousands of US dollars

	Three Months Ended	
	September 30, 2021	September 30, 2020
Interest (expense) income	\$ (632)	\$ 57
Realized gains (losses)	2,627	(20,004)
Unrealized (losses) gains	(466)	20,585
	<u>\$ 1,529</u>	<u>\$ 638</u>

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.

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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 as of September 30, 2021 and June 30, 2021:

In thousands of US dollars

Type of contracts	September 30, 2021	June 30, 2021
Interest rate swaps		
Notional principal	\$ 78,700	\$ 75,900
Credit exposure	39	38
Currency forward contracts and currency swaps		
Notional principal	903,680	934,790
Credit exposure	20,087	13,492
Exchange traded options and futures ^a		
Notional long position	-	31,200
Notional short position	621,000	577,400

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.

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, 2021 and June 30, 2021. 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, 2021					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented
Interest rate swaps	\$ 297	\$ (258)	\$ 39	\$ 1,279	\$ (822)	\$ 457
Currency forward contracts	75,960	(74,130)	1,830	-	-	-
Currency swaps	723,713	(705,456)	18,257	108,370	(105,785)	2,585
Others ^a	552	-	552	-	-	-
	<u>\$ 800,522</u>	<u>\$ (779,844)</u>	<u>\$ 20,678</u>	<u>\$ 109,649</u>	<u>\$ (106,607)</u>	<u>\$ 3,042</u>
Amounts subject to legally enforceable master netting agreement			(3,042)			(3,042)
Net derivative positions at at counterparty level before collateral			<u>\$ 17,636</u>			<u>\$ -</u>
Less:						
Cash collateral received ^b			(9,377)			
Net derivative exposure after collateral			<u>\$ 8,259</u>			

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

b. Does not include excess collateral received.

In thousands of US dollars

	June 30, 2021					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented
Interest rate swaps	\$ 451	\$ (413)	\$ 38	\$ 1,103	\$ (677)	\$ 426
Currency forward contracts	86,232	(84,378)	1,854	52	(52)	-
Currency swaps	510,122	(498,484)	11,638	348,940	(340,272)	8,668
Others ^a	419	-	419	-	-	-
	<u>\$ 597,224</u>	<u>\$ (583,275)</u>	<u>\$ 13,949</u>	<u>\$ 350,095</u>	<u>\$ (341,001)</u>	<u>\$ 9,094</u>
Amounts subject to legally enforceable master netting agreement			(6,599)			(6,599)
Net derivative positions at counterparty level			<u>\$ 7,350</u>			<u>\$ 2,496</u>
Less:						
Cash collateral received ^b			(4,650)			
Net derivative exposure after collateral^c			<u>\$ 2,700</u>			

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

b. Does not include excess collateral received.

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

(Continued)

Notes to Financial Statements

Note D: Capital Stock

At September 30, 2021, MIGA's authorized capital stock comprised 186,665 (186,665 – June 30, 2021) shares, of which 177,409 (177,409 – June 30, 2021) shares had been subscribed. Each share has a par value of USD10,820. Of the subscribed capital as of September 30, 2021, \$366,291,000 (\$366,291,000 – June 30, 2021) has been paid in; and the remaining \$1,553,274,000 (\$1,553,274,000 - June 30, 2021) is subject to call.

At September 30, 2021, MIGA had \$110,122,000 (\$110,598,000 – June 30, 2021) in the form of non-negotiable, non-interest bearing demand obligations (promissory notes), relating to the initial capital subscriptions.

A summary of the changes in MIGA's authorized, subscribed and paid-in capital during the three months ended September 30, 2021 and fiscal year ended June 30, 2021:

	Initial Capital		Capital Increase		Total	
	Shares	(US\$000)	Shares	(US\$000)	Shares	(US\$000)
At September 30, 2021						
Authorized:						
At beginning of fiscal year	108,106	\$ 1,169,707	78,559	\$ 850,008	186,665	\$ 2,019,715
New membership	-	-	-	-	-	-
At end of period	<u>108,106</u>	<u>\$ 1,169,707</u>	<u>78,559</u>	<u>\$ 850,008</u>	<u>186,665</u>	<u>\$ 2,019,715</u>
Subscribed:						
At beginning of fiscal year	108,106	\$ 1,169,707	69,303	\$ 749,858	177,409	\$ 1,919,565
New membership	-	-	-	-	-	-
At end of period	<u>108,106</u>	<u>\$ 1,169,707</u>	<u>69,303</u>	<u>\$ 749,858</u>	<u>177,409</u>	<u>\$ 1,919,565</u>
Uncalled portion of the Subscription		(935,766)		(617,508)		(1,553,274)
Paid-in Capital		<u>\$ 233,941</u>		<u>\$ 132,350</u>		<u>\$ 366,291</u>
At June 30, 2021						
Authorized:						
At beginning of fiscal year	108,028	\$ 1,168,863	78,559	\$ 850,008	186,587	\$ 2,018,871
New membership	78	844	-	-	78	844
At end of period	<u>108,106</u>	<u>\$ 1,169,707</u>	<u>78,559</u>	<u>\$ 850,008</u>	<u>186,665</u>	<u>\$ 2,019,715</u>
Subscribed:						
At beginning of fiscal year	108,028	\$ 1,168,863	69,303	\$ 749,858	177,331	\$ 1,918,721
New membership	78	844	-	-	78	844
At end of period	<u>108,106</u>	<u>\$ 1,169,707</u>	<u>69,303</u>	<u>\$ 749,858</u>	<u>177,409</u>	<u>\$ 1,919,565</u>
Uncalled portion of the Subscription		(935,766)		(617,508)		(1,553,274)
Paid-in Capital		<u>\$ 233,941</u>		<u>\$ 132,350</u>		<u>\$ 366,291</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, with the guarantees structured as short contract periods (quarterly, semi-annual and annual), and the guarantee holders generally having the ability to elect and modify or cancel contract terms and coverages at the end of each period. 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 \$22,441,052,000 as of September 30, 2021 (\$22,956,687,000 – June 30, 2021).

The composition of MIGA's gross exposure as of September 30, 2021 and June 30, 2021 was as follows:

In thousands of US dollars

	September 30, 2021	June 30, 2021
Gross exposure (Maximum amount of contingent liability)*	\$ 22,441,052	\$ 22,956,687
Of which:		
Current amounts*	19,067,851	18,736,031
Standby amounts*	1,750,540	2,467,697
Future interest amounts*	1,719,557	1,826,975

* 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 \$20,293,520 as of September 30, 2021 (\$24,823,900 – June 30, 2021).

(Continued)

Notes to Financial Statements

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 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, 2021, 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 a first loss layer, for eligible projects. As of September 30, 2021, out of \$297,037,000 (\$413,032,000 – June 30, 2021) in gross exposure under this arrangement on MIGA's own account, amounts ceded to CAFEF under the first loss layer totaled \$28,886,000 (\$33,046,000 – June 30, 2021).

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, 2021, MIGA's gross exposure on projects utilizing this facility was \$699,867,000 (\$680,050,000 – June 30, 2021), and the amount ceded to IDA under the first loss layer totaled \$201,449,000 (\$188,743,000 – June 30, 2021).

The table below provides a reconciliation between MIGA's gross guarantee exposure and net exposure as of September 30, 2021 and June 30, 2021:

In thousands of US dollars

	September 30, 2021	June 30, 2021
Gross guarantee exposure	\$ 22,441,052	\$ 22,956,687
Less: Ceded exposures		
Facultative and Treaty reinsurers	(13,202,681)	(13,600,710)
CAFEF	(28,886)	(33,046)
IDA PSW - MGF (Note I)	(201,449)	(188,743)
Net guarantee exposure before exposure exchange	9,008,036	9,134,188
Less:		
Exposure Exchange Agreement (Note I)	(3,189)	(180)
Net guarantee exposure	<u>\$ 9,004,847</u>	<u>\$ 9,134,008</u>

MIGA can also provide both public (official) and private insurers with facultative reinsurance. As of September 30, 2021, total insurance exposure assumed by MIGA, primarily with official investment insurers, amounted to \$218,533,000 (\$218,533,000 – June 30, 2021).

(Continued)

Notes to Financial Statements

Premiums, Fees and Commission

Premiums, fees and commission relating to direct, assumed, and ceded contracts for the three months ended September 30, 2021 and September 30, 2020 were as follows:

In thousands of US dollars

	Three Months Ended	
	September 30, 2021	September 30, 2020
Premiums written		
Direct	\$ 24,906	\$ 44,912
Upfront premium contracts ^a	-	12,598
Regular guarantee contracts ^b	24,906	32,314
Assumed	539	137
Ceded	(14,632)	(25,717)
Upfront premium contracts ^a	-	(8,171)
Regular guarantee contracts ^b	(14,632)	(17,546)
	<u>\$ 10,813</u>	<u>\$ 19,332</u>
Gross premium income		
Direct	\$ 57,322	\$ 60,352
Assumed	546	553
	<u>57,868</u>	<u>60,905</u>
Premium ceded	<u>(35,697)</u>	<u>(37,640)</u>
Net Premium earned	22,171	23,265
Ceding commission and other fees	9,482	9,860
Brokerage and other charges	<u>(1,365)</u>	<u>(1,635)</u>
Net Premium Income	<u>\$ 30,288</u>	<u>\$ 31,490</u>

a. Relating to single pay contracts for which premiums are received in full for the tenor of the contracts.

b. Premium receipts are attributable to each contract period which are typically quarterly, semi-annual or annual.

Prepaid Premium Ceded to Reinsurers

The following table summarizes the composition of prepaid premium ceded to reinsurers as of September 30, 2021 and June 30, 2021:

In thousands of US dollars

	September 30, 2021	June 30, 2021
Upfront premium contracts ^a	\$ 350,703	\$ 371,144
Regular guarantee contracts ^b	3,847	6,275
	<u>\$ 354,550</u>	<u>\$ 377,419</u>

a. Relating to single pay contracts for which premiums are received in full for the tenor of the contracts.

b. Premium receipts are attributable to each contract period which are typically quarterly, semi-annual or annual.

(Continued)

Notes to Financial Statements

Unearned Premiums and Commissions

The following table summarizes the composition of unearned premiums and commissions as of September 30, 2021 and June 30, 2021:

In thousands of US dollars

	September 30, 2021	June 30, 2021
Upfront premium contracts ^a	\$ 532,013	\$ 569,134
Regular guarantee contracts ^b	44,721	46,043
	<u>\$ 576,734</u>	<u>\$ 615,177</u>

a. Relating to single pay contracts for which premiums are received in full for the tenor of the contracts.

b. Premium receipts are attributable to each contract period which are typically quarterly, semi-annual or annual.

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, 2021, the maximum net exposure which may be assumed by MIGA is \$1,000 million (\$1,000 million – June 30, 2021) in each host country and \$300 million (\$300 million – June 30, 2021) 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 500 percent (500 percent – June 30, 2021) 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, 2021, the maximum level of guarantees outstanding (including reinsurance) may not exceed \$29,651,596,000 (\$29,988,860,000 – June 30, 2021).

(Continued)

Notes to Financial Statements

Portfolio Diversification

MIGA aims to diversify its guarantee portfolio so as to limit the concentration of exposure 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, 2021 and June 30, 2021 are as follows:

In thousands of US dollars

	September 30, 2021		June 30, 2021	
	Exposure in Top Five Countries	Exposure in Top Ten Countries	Exposure in Top Five Countries	Exposure in Top Ten Countries
Gross Exposure	\$ 7,524,219	\$ 10,822,263	\$ 7,721,850	\$ 11,121,368
% of Total Gross Exposure	33.5	48.2	33.6	48.5
Net Exposure	\$ 2,112,040	\$ 3,428,387	\$ 2,162,098	\$ 3,496,709
% of Total Net Exposure	23.5	38.1	23.7	38.3

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, 2021 and June 30, 2021 are shown in the following table:

In thousands of US dollars

	September 30, 2021			June 30, 2021		
	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
East Asia & Pacific	\$ 2,752,856	\$ 743,474	8.3	\$ 2,799,094	\$ 762,357	8.4
Europe & Central Asia	5,144,893	2,063,546	22.9	5,358,911	2,065,581	22.6
Latin America & Caribbean	4,174,512	1,559,063	17.3	4,212,672	1,584,427	17.4
Middle East & North Africa	2,951,761	999,933	11.1	2,956,411	1,004,247	11.0
South Asia	1,035,176	467,820	5.2	1,161,828	543,348	5.9
Sub-Saharan Africa	6,381,854	3,171,011	35.2	6,467,771	3,174,048	34.7
	<u>\$ 22,441,052</u>	<u>\$ 9,004,847</u>	<u>100.0</u>	<u>\$ 22,956,687</u>	<u>\$ 9,134,008</u>	<u>100.0</u>

(Continued)

Notes to Financial Statements

The sectoral distribution of MIGA's portfolio at September 30, 2021 and June 30, 2021 are as follows:

In thousands of US dollars

Sector	September 30, 2021			June 30, 2021		
	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
Agribusiness	\$ 74,148	\$ 73,008	0.8	\$ 74,148	\$ 73,008	0.8
Construction ^a	5,731	3,438	-	5,731	3,438	-
Financial	8,191,305	3,161,940	35.1	8,347,522	3,219,715	35.3
Infrastructure	10,490,878	4,217,916	46.8	10,870,212	4,312,181	47.2
Manufacturing	875,509	544,312	6.0	842,730	526,605	5.8
Mining	1,340,148	349,307	3.9	1,340,148	349,307	3.8
Oil and Gas	314,548	163,096	1.8	314,548	163,096	1.8
Services	1,115,686	458,731	5.1	1,142,699	467,709	5.1
Tourism	33,099	33,099	0.4	18,949	18,949	0.2
	<u>\$ 22,441,052</u>	<u>\$ 9,004,847</u>	<u>100.0</u>	<u>\$ 22,956,687</u>	<u>\$ 9,134,008</u>	<u>100.0</u>

a. Represents less than 0.1%.

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, 2021 and June 30, 2021:

In thousands of US dollars

	September 30, 2021			June 30, 2021		
	IPR	Specific Reserve for Claims	Total	IPR	Specific Reserve for Claims	Total
Gross Reserve for Claims	\$ 694,884	\$ 40,482	\$ 735,366	\$ 726,703	\$ 20,084	\$ 746,787
Less: Reinsurance recoverable ^{a,b}	(447,411)	(32,560)	(479,971)	(476,751)	(15,781)	(492,532)
Net Reserve for Claims	<u>\$ 247,473</u>	<u>\$ 7,922</u>	<u>\$ 255,395</u>	<u>\$ 249,952</u>	<u>\$ 4,303</u>	<u>\$ 254,255</u>

a. As of September 30, 2021, excludes \$8,595 thousand (June 30, 2021 - \$8,501 thousand) reinsurance recoverable, net of allowance for credit losses of \$9 thousand (June 30, 2021 - \$10 thousand) associated with retroactive reinsurance contracts, which is included in the Reinsurance recoverable, net on the Condensed Balance Sheet.

b. Includes allowance for credit losses of \$648 thousand (June 30, 2021 - \$603 thousand), associated with prospective reinsurance.

(Continued)

Notes to Financial Statements

The following table provides the composition of reinsurance recoverables at September 30, 2021 and June 30, 2021:

In thousands of US dollars

		September 30, 2021	June 30, 2021
Prospective reinsurance ^a	- IPR	\$ 447,411	\$ 476,751
	- Specific Reserve for Claims	32,560	15,781
		<u>479,971</u>	<u>492,532</u>
Retroactive reinsurance ^b	- IPR	8,595	8,501
Reinsurance recoverable, net ^c		<u>\$ 488,566</u>	<u>\$ 501,033</u>

a. Includes allowance for credit losses of \$648 thousand (\$603 thousand - June 30, 2021).

b. Includes allowance for credit losses \$9 thousand (\$10 thousand - June 30, 2021).

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

As of September 30, 2021, the excess of reinsurance recoverable associated with the retroactive reinsurance contracts over the related premium ceded amounted to \$511,500 (\$579,500 – June 30, 2021) and is reported as deferred gains under Other liabilities on the Condensed Balance Sheet.

The net increase in reserves for claims reflected in the Condensed Statement of Income for the three months ended September 30, 2021 and September 30, 2020 comprised of changes in the Insurance portfolio reserve and Specific reserve for claims as follows:

In thousands of US dollars

	Three Months Ended	
	September 30, 2021	September 30, 2020
Change in Net Reserves:		
Insurance Portfolio Reserve - (Decrease) increase	\$ (422)	\$ 556
Specific reserve for claims - Increase (decrease)	3,544	(27)
Increase in reserves, before translation adjustment	<u>3,122</u>	<u>529</u>
Foreign currency translation (gains) losses	(2,027)	3,522
Increase in reserves, net	<u>\$ 1,095</u>	<u>\$ 4,051</u>

For the three months ended September 30, 2021 and September 30, 2020, MIGA's claims reserving methodology and the related significant assumptions remained unchanged.

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 of 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.

(Continued)

Notes to Financial Statements

The change in Insurance Portfolio Reserve (IPR) before translation adjustments for the three months ended September 30, 2021 and September 30, 2020 were attributable to the following factors:

In thousands of US dollars

	Three Months Ended	
	September 30, 2021	September 30, 2020
Changes in portfolio size and risk profile, net	\$ (511)	\$ 41
Changes in host country risk ratings, net	495	(555)
Changes in discount rate	(406)	1,938
Other	-	(868)
Net (decrease) increase	<u>\$ (422)</u>	<u>\$ 556</u>

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, 2021 and fiscal year ended June 30, 2021:

In thousands of US dollars

	Three Months Ended	Fiscal Year Ended
	September 30, 2021	June 30, 2021
Gross IPR, beginning balance	\$ 726,703	\$ 743,898
Less: Reinsurance recoverables	<u>(476,751)</u>	<u>(487,907)</u>
Net IPR, beginning balance	249,952	255,991
(Decrease) in reserves before translation adjustments	(422)	(10,491)
Foreign currency translation (gains) losses	<u>(2,027)</u>	<u>4,475</u>
(Decrease) in reserves, net of reinsurance	(2,449)	(6,016)
Allowance for credit losses	<u>(30)</u>	<u>(23)</u>
Net IPR, ending balance ^{a,d}	247,473	249,952
Add: Reinsurance recoverables, net ^b	<u>447,411</u>	<u>476,751</u>
Gross IPR, ending balance ^c	<u>\$ 694,884</u>	<u>\$ 726,703</u>

a. As of September 30, 2021 represents 2.7% of Total Net Exposure (June 30, 2021 - 2.7%).

b. As of September 30, 2021, excludes \$8,595 thousand (June 30, 2021 - \$8,501 thousand) reinsurance recoverables associated with retroactive reinsurance contracts which is included in the Reinsurance recoverables, net on the Balance Sheet.

c. As of September 30, 2021 represents 3.1% of Total Gross Exposure (June 30, 2021 - 3.2%).

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.

(Continued)

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, 2021 and fiscal year ended June 30, 2021:

In thousands of US dollars

	Three Months Ended September 30, 2021	Fiscal Year Ended June 30, 2021
Gross Specific reserve for claims, beginning balance	\$ 20,084	\$ 22,730
Less: Reinsurance recoverables, net	(15,781)	(16,205)
Net Specific reserve for claims, beginning balance	4,303	6,525
Increase (decrease) in Specific reserve for claims, before translation adjustments		
- Current year	1,575	-
- Prior years	1,969	(2,218)
Increase (decrease) in specific reserve for claims, net of reinsurance	3,544	(2,218)
Allowance for credit losses	75	(3)
Net Specific reserve for claims, ending balance	7,922	4,303
Add: Reinsurance recoverables, net	32,560	15,781
Gross Specific reserve for claims, ending balance	\$ 40,482	\$ 20,084

The gross Specific Reserve for Claims as of September 30, 2021 and June 30, 2021 is comprised of:

In thousands of US dollars

	September 30, 2021	June 30, 2021
Reserve for pending claims	\$ 305	\$ -
Probable loss reserve	40,177	20,084
Gross Specific reserve	\$ 40,482	\$ 20,084

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.

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, 2021, net of reinsurance, and cumulative claim frequency. The tables include unaudited information about incurred and paid claims development for the years ended June 30, 2013 through 2021, which is presented as supplementary information:

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

<i>In thousands of US dollars</i>												
	Reported Claims									Period	Probable Loss Reserve	Cumulative number of Reported Claims
	For the fiscal year ended June 30, (Unaudited)									Ended		
Accident Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 Q1		
2013	5,166	299	273	273	273	273	273	273	273	273	6,905	-
2014		-	-	-	-	-	-	-	-	-	1,752	1
2015			363	363	363	363	363	363	363	363	-	2
2016				4,458	4,458	4,458	4,458	4,458	4,458	4,458	-	-
2017					1,215	2,268	2,270	2,286	322	322	595	3
2018						-	-	-	-	-	1,175	2
2019							-	-	-	-	1,176	-
2020								-	-	-	4,561	-
2021									-	-	4,303	-
2022 Q1												
PRI										305	4,891	1
NH										-	2,726	
Total										<u>5,721</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
	2013	2014	2015	2016	2017	2018	2019	2020	2021	Ended
Accident Year										2022 Q1
2013	-	-	273	273	273	273	273	273	273	273
2014		-	-	-	-	-	-	-	-	-
2015			363	363	363	363	363	363	363	363
2016				-	4,458	4,458	4,458	4,458	4,458	4,458
2017					322	322	322	322	322	322
2018						-	-	-	-	-
2019							-	-	-	-
2020								-	-	-
2021									-	-
2022 Q1										-
Total										<u>5,416</u>
										<u>305</u>
										Liabilities for claims, net of reinsurance

(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 Condensed Balance Sheet as of September 30, 2021 and June 30, 2021:

In thousands of US dollars

	September 30, 2021	June 30, 2021
Specific Reserve for claims, Net of Reinsurance	\$ 7,922	\$ 4,303
Reinsurance recoverable, net of CECL allowance	32,560	15,781
Gross Specific Reserve for Claims	<u>\$ 40,482</u>	<u>\$ 20,084</u>

The following table presents supplementary information about average historical claims duration as of September 30, 2021:

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	20%	11%	13%	0%	0%	0%	0%	0%	0%	0%

Determining Allowance for Credit Losses

Determining the appropriateness of the allowance for credit losses requires management's judgement about the effect of matters that are inherently uncertain. Subsequent credit exposure evaluations consider macroeconomic conditions, forecasts and other factors.

MIGA follows the Current Expected Credit Loss (CECL) guidance to compute allowance for credit losses on the reinsurance recoverable assets in respect of the (i) IPR, (ii) retroactive reinsurance contracts and (iii) assets that relate to contracts under the Specific Reserve.

Reinsurance recoverable relating to IPR, Retroactive Reinsurance contracts and Specific Reserve

CECL allowance computation is based on the modeled net expected loss on MIGA's guarantee portfolio and contracts in specific reserve, which is the Agency's expected loss on the net exposure retained after ceding to reinsurance counterparties. The estimated credit losses for reinsurance recoverable are computed at the individual reinsurer counterparty level, with the related credit ratings reviewed quarterly.

Presentation of Allowance for Credit Losses

The table below summarizes the line item presentation on both the Condensed Balance Sheet as well as the Condensed Statement of Income in relation to the presentation requirement under CECL.

Asset Type	Condensed Balance Sheet		Condensed Income Statement
	Asset Balance	Allowance for Credit Losses	
Reinsurance Recoverable	At cost	Embedded in Reinsurance recoverable, net	Presented as allowance for credit losses

(Continued)

Notes to Financial Statements

Credit Quality of Reinsurance recoverable

Management monitors the credit quality of reinsurer counterparties through the review of applicable credit ratings on a quarterly basis as an input in the credit loss assessment. The following table presents the Agency's credit loss allowance on the reinsurance recoverables based on internally determined credit ratings as of September 30, 2021 and June 30, 2021:

In thousands of US dollars

Reinsurer Risk Rating	Allowance for Credit Losses	
	September 30, 2021	June 30, 2021
A-	\$ 32	\$ 33
A	49	52
A+	290	279
AA-	173	162
AA	107	85
AAA	6	1
Total	\$ 657	\$ 613

Accumulated Allowance for Credit Losses

The following table provides an analysis of the changes in the allowance for credit losses during the three months ended September 30, 2021 and fiscal year ended June 30, 2021:

In thousands of US dollars

	Three Months Ended September 30, 2021	Fiscal Year Ended June 30, 2021
Accumulated allowance, beginning of the fiscal year ^a	\$ 613	\$ 639
Increase (decrease) in allowance	45	(26)
Accumulated allowance, end of the period ^b	<u>\$ 657</u>	<u>\$ 613</u>
Attributable to:		
Prospective Reinsurance	\$ 648	\$ 603
Retroactive Reinsurance	9	10

a. These amounts are embedded in the Reinsurance recoverable, net.

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

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.

(Continued)

Notes to Financial Statements

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.

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, 2021 and September 30, 2020:

In thousands of US dollars

	Three Months Ended September 30, 2021				Three Months Ended September 30, 2020			
	SRP	RSBP	PEBP	Total	SRP	RSBP	PEBP	Total
Benefit Cost								
Interest cost	\$ 1,993	\$ 330	\$ 210	\$ 2,533	\$ 1,720	\$ 286	\$ 203	\$ 2,209
Expected return on plan assets	(3,795)	(593)	-	(4,388)	(2,799)	(417)	-	(3,216)
Amortization of unrecognized prior service cost ^a	11	44	6	61	12	44	5	61
Amortization of unrecognized net actuarial losses ^a	-	-	135	135	904	31	206	1,141
Net periodic pension (credit) cost, excluding service cost	\$ (1,791)	\$ (219)	\$ 351	\$ (1,659)	\$ (163)	\$ (56)	\$ 414	\$ 195
Service cost ^b	2,505	602	447	3,554	2,333	547	435	3,315
Net periodic pension cost	\$ 714	\$ 383	\$ 798	\$ 1,895	\$ 2,170	\$ 491	\$ 849	\$ 3,510

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, 2021 and June 30, 2021:

In thousands of US dollars

	September 30, 2021	June 30, 2021
Payable to affiliated organizations - administrative and other services (Note I)	15,484	17,115
Payable to reinsurers and brokers	10,446	10,987
Liabilities for application and processing fees	10,147	10,114
Payable for investment securities purchased	8,630	8,947
Accrued benefit reserves	8,663	8,663
Premium receipt (future contract periods)	2,072	4,711
Deferred gains	512	580
Miscellaneous	184	900
Other liabilities	\$ 56,138	\$ 62,017

(Continued)

Notes to Financial Statements

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 include marketing fees paid for referral and due diligence services on jointly-developed guarantee projects. Transactions with IDA include premiums ceded in relation to guarantee projects written under the IDA PSW MGF.

Total fees paid by MIGA reflected in the Condensed Statements of Income for the three months ended September 30, 2021 and September 30, 2020 are as follows:

In thousands of US dollars

	Three Months Ended	
	September 30, 2021	September 30, 2020
Fees charged/premium ceded - IBRD/IDA	\$ 2,856	\$ 2,663
Fees charged by IFC	672	2,319

At September 30, 2021 and June 30, 2021, 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, 2021			June 30, 2021		
	Administrative & Other Services ^a	Pension and Other Postretirement Benefits ^b	Total	Administrative & Other Services ^a	Pension and Other Postretirement Benefits ^b	Total
IBRD/IDA	\$ (11,525)	\$ 25,075	\$ 13,550	\$ (13,210)	\$ 24,641	\$ 11,431
IFC	(3,959)	-	(3,959)	(3,905)	-	(3,905)
	<u>\$ (15,484)</u>	<u>\$ 25,075</u>	<u>\$ 9,591</u>	<u>\$ (17,115)</u>	<u>\$ 24,641</u>	<u>\$ 7,526</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.

(Continued)

Notes to Financial Statements

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, 2021 and June 30, 2021, the outstanding off-balance sheet amounts relating to this exposure exchange agreement were as follows:

In thousands of US dollars

	September 30, 2021	June 30, 2021
IBRD's exposure in Brazil assumed by MIGA	\$ 27,628	\$ 33,644
MIGA's exposure in Panama assumed by IBRD	30,817	33,824
Net amount	<u>\$ (3,189)</u>	<u>\$ (180)</u>

As of September 30, 2021, the recorded liabilities related to MIGA's obligation under the existing exposure exchange agreement with IBRD amounted to \$0.1 million (\$0.1 million – June 30, 2021) and is included in the Insurance Portfolio Reserve on the Condensed Balance Sheet.

IDA18 IFC-MIGA Private Sector Window (PSW)

As of September 30, 2021, the amounts ceded to IDA under the first loss layer totaled \$201,449,000 (\$188,743,000 – June 30, 2021).

Total premium ceded to IDA and the related ceding commission reflected in the Condensed Statements of Income for the three months ended September 30, 2021 and September 30, 2020 are as follows:

In thousands of US dollars

	Three Months Ended	
	September 30, 2021	September 30, 2020
Premium ceded	\$ 431	\$ 268
Ceding commission	65	40

(Continued)

Notes to Financial Statements

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, 2021 and September 30, 2020:

In thousands of US dollars

	Three Months Ended September 30, 2021			
	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	\$ (40,961)	\$ (738)	\$ (38,264)
Changes during the period:				
Amounts reclassified into net income ^b	-	135	61	196
Net change during the period	-	135	61	196
Balance, end of period	\$ 3,435	\$ (40,826)	\$ (677)	\$ (38,068)

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

In thousands of US dollars

	Three Months Ended September 30, 2020			
	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	\$ (98,736)	\$ (981)	\$ (96,282)
Changes during the period:				
Amounts reclassified into net income ^b	-	1,141	61	1,202
Net change during the period	-	1,141	61	1,202
Balance, end of period	\$ 3,435	\$ (97,595)	\$ (920)	\$ (95,080)

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

(Continued)

Notes to Financial Statements

Note K: Fair Value Disclosures

Valuation Methods and Assumptions

As of September 30, 2021 and June 30, 2021, MIGA had no assets or liabilities measured at fair value on a non-recurring basis.

Due from Banks

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

Summarized below are the techniques applied in determining the fair value of MIGA's financial instruments.

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. As of September 30, 2021, all of the financial instruments in MIGA's investment portfolio were classified as trading. 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, ABS and TBA securities. For instruments for which market quotations are not available, fair values are determined using model based valuation techniques, whether internally-generated or vendor-supplied, that include the discounted cash flow method using market observable inputs such as yield curves, credit spreads, and constant prepayment rates. Unless quoted prices are available, time deposits are reported at face value, which approximates fair value, as they are short term in nature.

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.

Derivative instruments

Derivative contracts include currency forward contracts, currency swaps, TBAs, swaptions, and exchange-traded options and futures contracts. Currency forward contracts and currency swaps are valued using the discounted cash flow methods using market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

(Continued)

Notes to Financial Statements

The following tables present MIGA'S fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of September 30, 2021 and June 30, 2021:

In thousands of US dollars

	<i>Fair Value Measurements on a Recurring Basis</i>			
	<i>As of September 30, 2021</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
ASSETS				
Government and agency obligations	\$ 450,758	\$ 987,797	\$ -	\$ 1,438,555
Time deposits	20,400	400,384	-	420,784
Asset-backed securities	-	22,503	-	22,503
Total investments - Trading	<u>\$ 471,158</u>	<u>\$ 1,410,684</u>	<u>\$ -</u>	<u>\$ 1,881,842</u>
Derivative Assets				
Currency forward contracts	\$ -	\$ 1,830	\$ -	\$ 1,830
Currency swaps	-	18,257	-	18,257
Interest rate swaps	-	39	-	39
Others ^a	552	-	-	552
	<u>\$ 552</u>	<u>\$ 20,126</u>	<u>\$ -</u>	<u>\$ 20,678</u>
Less:				
Amounts subject to legally enforceable master netting agreements				3,042
Cash collateral received ^b				<u>9,377</u>
Derivative Assets, net				<u>\$ 8,259</u>
LIABILITIES				
Derivative Liabilities:				
Currency forward contracts	\$ -	\$ 2,585	\$ -	\$ 2,585
Interest rate swaps	-	457	-	457
	<u>\$ -</u>	<u>\$ 3,042</u>	<u>\$ -</u>	<u>\$ 3,042</u>
Less:				
Amounts subject to legally enforceable master netting agreements				3,042
Derivative Liabilities, net				<u>\$ -</u>

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

b. Does not include excess collateral received.

(Continued)

Notes to Financial Statements

In thousands of US dollars

	Fair Value Measurements on a Recurring Basis			
	As of June 30, 2021			
	Level 1	Level 2	Level 3	Total
ASSETS				
Government and agency obligations	\$ 408,073	\$ 1,022,833	\$ -	\$ 1,430,906
Time deposits ^b	54,300	408,734	-	463,035
Asset-backed securities	-	10,499	-	10,499
Total investments - Trading ^b	<u>\$ 462,373</u>	<u>\$ 1,442,066</u>	<u>\$ -</u>	<u>\$ 1,904,440</u>
Derivative Assets				
Currency forward contracts	\$ -	\$ 1,854	\$ -	\$ 1,854
Currency swaps	-	11,638	-	11,638
Interest rate swaps	-	38	-	38
Others ^a	419	-	-	419
	<u>\$ 419</u>	<u>\$ 13,530</u>	<u>\$ -</u>	<u>\$ 13,949</u>
Less:				
Amounts subject to legally enforceable master netting agreements				6,599
Cash collateral received				4,650
Derivative Assets, net^b				<u>\$ 2,700</u>
LIABILITIES				
Derivative Liabilities				
Currency swaps	\$ -	\$ 8,668	\$ -	\$ 8,668
Interest rate swaps	-	426	-	426
	<u>\$ -</u>	<u>\$ 9,094</u>	<u>\$ -</u>	<u>\$ 9,094</u>
Less:				
Amounts subject to legally enforceable master netting agreements				6,599
Derivative Liabilities, net^b				<u>\$ 2,496</u>

a. These relate to swaptions, exchange traded options, and future contracts.

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

During the three months ended September 30, 2021 and fiscal year ended June 30, 2021, there were no transfers within the levels of fair value hierarchy.

(Continued)

Notes to Financial Statements

Note L: Coronavirus Outbreak (COVID-19) Impact Assessment

The outbreak of the novel strain of Coronavirus (COVID-19) resulted in governments worldwide enacting measures to combat the spread of the virus, which include the implementation of travel restrictions, quarantine periods and social distancing. These measures caused material disruption to businesses globally, resulting in an economic slowdown, with the governments and central banks reacting with significant monetary and fiscal interventions to stabilize economic conditions.

Given these developments and MIGA's goal of mobilizing private investment for development, the Agency's role of supporting investment and job creation became more critical than ever. Responding to the crisis, on April 7, 2020, MIGA initially launched a US\$6.5 billion fast-track facility to help investors and lenders tackle COVID-19. Subsequently the program capacity was increased to \$10-\$12b on June 11, 2021, and extended to June 30, 2023. As of September 2021, MIGA had provided US\$5.6 billion under this facility in support of projects aimed at mitigating the impact of the crisis in emerging markets and developing economies.

As of the reporting date, MIGA has sufficient resources to meet its liquidity requirements. MIGA's credit exposures remain within established limits and in compliance with the Agency's existing governance framework.

MIGA continues to operate under home-based work arrangements in line with the Agency's Business Continuity Procedure. Other prudent measures remain in place to ensure the health and safety of its employees, including travel restrictions, and holding of public events in virtual format, among others.

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INDEPENDENT AUDITOR'S REVIEW REPORT

President and Board of Directors
Multilateral Investment Guarantee Agency:

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed balance sheet of the Multilateral Investment Guarantee Agency ("MIGA") as of September 30, 2021, and the related condensed statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the three-month periods ended September 30, 2021 and 2020, and the related notes (collectively referred to as the "interim financial information").

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

Basis for Review Results

We conducted our reviews in accordance with auditing standards generally accepted in the United States of America (GAAS) 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. A review of interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of MIGA and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Interim Financial Information

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 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial information that is free from material misstatement, whether due to fraud or error.

Report on Condensed Balance Sheet as of June 30, 2021

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, 2021, 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 5, 2021. In our opinion, the accompanying condensed balance sheet of MIGA

as of June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Deloitte & Touche LLP

November 10, 2021