

Condensed Quarterly Financial Statements

U N A U D I T E D

December 31, 2021

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Condensed Balance SheetsExpressed in thousands of US dollars (*unless otherwise stated*)

| | December 31, 2021 | June 30, 2021 |
|--|---------------------|---------------------|
| Assets | | |
| Cash..... | \$ 21,459 | \$ 10,945 |
| Investments - Trading (including securities transferred under repurchase agreements) - Notes B and K..... | 1,905,779 | 1,904,440 |
| Derivative assets, net - Notes C and K..... | 2,493 | 2,700 |
| Non-negotiable, non interest - bearing demand obligations - Note D..... | 109,761 | 110,598 |
| Reinsurance recoverable, net - Note F..... | 496,264 | 501,033 |
| Prepaid premium ceded to reinsurers - Note E..... | 342,323 | 377,419 |
| Other assets - Notes B and I..... | 42,139 | 40,752 |
| TOTAL ASSETS | \$ 2,920,218 | \$ 2,947,887 |
| Liabilities and Shareholders' Equity | | |
| LIABILITIES | | |
| Reserve for claims, gross - Note F..... | | |
| Specific reserves for claims..... | \$ 46,735 | \$ 20,084 |
| Insurance portfolio reserve..... | 692,622 | 726,703 |
| Reserve for claims - gross..... | 739,357 | 746,787 |
| Unearned premiums and commissions - Note E..... | 565,562 | 615,177 |
| Derivative liabilities, net - Notes C and K..... | 4 | 2,496 |
| Liabilities for pension and other post-retirement benefits - Note G..... | 48,085 | 47,006 |
| Other liabilities - Notes B, H and I..... | 59,449 | 62,017 |
| TOTAL LIABILITIES | 1,412,457 | 1,473,483 |
| CONTINGENT LIABILITIES - Note E | | |
| SHAREHOLDERS' EQUITY | | |
| Capital stock - Note D | | |
| Authorized capital (186,665 shares - December 31, 2021; 186,665 Shares - June 30, 2021) | | |
| Subscribed capital (177,409 shares - December 31, 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..... | 1,179,343 | 1,146,377 |
| Accumulated other comprehensive loss - Note J..... | (37,873) | (38,264) |
| TOTAL SHAREHOLDERS' EQUITY | 1,507,761 | 1,474,404 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 2,920,218 | \$ 2,947,887 |

See accompanying notes to condensed quarterly financial statements

Condensed Statements of Income

Expressed in thousands of US dollars

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|------------------|------------------|------------------|
| | December 31, | | December 31, | |
| | 2021 | 2020 | 2021 | 2020 |
| INCOME | | | | |
| Net premium income - Note E..... | \$ 30,154 | \$ 30,949 | \$ 60,442 | \$ 62,439 |
| (Loss) income from investments - Note B..... | (1,299) | 1,614 | (131) | 3,512 |
| Miscellaneous income..... | 138 | - | 224 | 51 |
| Total income..... | <u>28,993</u> | <u>32,563</u> | <u>60,535</u> | <u>66,002</u> |
| EXPENSES | | | | |
| (Decrease) increase in reserve for claims, net - Note F | | | | |
| (Decrease) increase in reserves, excluding translation (gains) losses..... | (2,392) | (321) | 730 | 208 |
| Translation (gains) losses..... | (1,625) | 3,951 | (3,652) | 7,473 |
| (Decrease) increase in reserve for claims, net..... | <u>(4,017)</u> | <u>3,630</u> | <u>(2,922)</u> | <u>7,681</u> |
| (Decrease) increase in allowance for credit losses - Note F..... | (47) | 16 | (2) | 13 |
| Administrative expenses (including Pension service cost) - Notes G and I | 15,236 | 12,468 | 30,465 | 26,129 |
| Pension (credit) cost (excluding Pension service cost) - Note G..... | (1,660) | 195 | (3,319) | 390 |
| Translation losses (gains) - Investments and other assets..... | 951 | (4,878) | 3,347 | (8,595) |
| Increase in reserves and total expenses..... | <u>10,463</u> | <u>11,431</u> | <u>27,569</u> | <u>25,618</u> |
| NET INCOME..... | <u>\$ 18,530</u> | <u>\$ 21,132</u> | <u>\$ 32,966</u> | <u>\$ 40,384</u> |

See accompanying notes to condensed quarterly financial statements

Condensed Statements of Comprehensive Income

Expressed in thousands of US dollars

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-----------|------------------|-----------|
| | December 31, | | December 31, | |
| | 2021 | 2020 | 2021 | 2020 |
| NET INCOME..... | \$ 18,530 | \$ 21,132 | \$ 32,966 | \$ 40,384 |
| OTHER COMPREHENSIVE INCOME - Note J | | | | |
| Amortization of unrecognized net actuarial losses..... | 134 | 1,141 | 269 | 2,282 |
| Amortization of unrecognized prior service costs..... | 61 | 61 | 122 | 122 |
| Total other comprehensive income..... | 195 | 1,202 | 391 | 2,404 |
| COMPREHENSIVE INCOME..... | \$ 18,725 | \$ 22,334 | \$ 33,357 | \$ 42,788 |

Condensed Statements of Changes in Shareholders' Equity

Expressed in thousands of US dollars

| | Six Months Ended | |
|--|------------------|--------------|
| | December 31, | |
| | 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..... | 32,966 | 40,384 |
| Ending Balance..... | 1,179,343 | 1,105,226 |
| ACCUMULATED OTHER COMPREHENSIVE LOSS | | |
| Balance at beginning of the fiscal year..... | (38,264) | (96,282) |
| Other comprehensive income | 391 | 2,404 |
| Ending Balance..... | (37,873) | (93,878) |
| TOTAL SHAREHOLDERS' EQUITY | \$ 1,507,761 | \$ 1,377,639 |

See accompanying notes to condensed quarterly financial statements

Condensed Statements of Cash Flows

Expressed in thousands of US dollars

| | Six Months Ended | |
|--|------------------|------------------|
| | December 31, | |
| | 2021 | 2020 |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net income..... | \$ 32,966 | \$ 40,384 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| (Decrease) increase in reserve for claims, net - Note F..... | (2,922) | 7,681 |
| (Decrease) increase in allowance for credit losses - Note F..... | (2) | 13 |
| Translation losses (gains) - Investments and other assets..... | 3,347 | (8,595) |
| Net change in: | | |
| Investments - Trading, net..... | (11,055) | (56,228) |
| Prepaid premiums ceded to reinsurers..... | 29,254 | 34,569 |
| Other assets and liabilities..... | (149) | 22,519 |
| Unearned premiums and commitment fees..... | (40,854) | (40,216) |
| Net cash provided by operating activities | <u>10,585</u> | <u>127</u> |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH..... | <u>(71)</u> | <u>895</u> |
| Net increase in cash..... | 10,514 | 1,022 |
| Cash at beginning of the fiscal year..... | <u>10,945</u> | <u>11,484</u> |
| CASH AT END OF THE PERIOD..... | <u>\$ 21,459</u> | <u>\$ 12,506</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 February 9, 2022, 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 December 31, 2021, the majority of the Investments – Trading is comprised of Government and agency obligations and Time deposits (76.0% and 22.9%, 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 December 31, 2021 and June 30, 2021 is as follows:

In thousands of US dollars

| | <i>Fair Value</i> | |
|-----------------------------------|---------------------|---------------------|
| | December 31, 2021 | June 30, 2021 |
| Government and agency obligations | \$ 1,447,521 | \$ 1,430,906 |
| Time deposits | 436,048 | 463,035 |
| Asset-backed securities (ABS) | 22,210 | 10,499 |
| Total investments - Trading | <u>\$ 1,905,779</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 December 31, 2021 and June 30, 2021:

In thousands of US dollars

| | <i>Fair Value</i> | |
|--|---------------------|---------------------|
| | December 31, 2021 | June 30, 2021 |
| Investment - Trading | \$ 1,905,779 | \$ 1,904,440 |
| Cash held in investment portfolio ^a | 12,616 | 5,367 |
| Receivable for investment securities sold ^b | 7,061 | 6,268 |
| | <u>1,925,456</u> | <u>1,916,075</u> |
| Derivative assets | | |
| Currency forward contracts | 4,019 | 1,854 |
| Currency swaps | 26,484 | 11,638 |
| Interest rate swaps | 343 | 38 |
| Others ^c | 986 | 419 |
| | <u>31,832</u> | <u>13,949</u> |
| Derivative liabilities | | |
| Currency forward contracts | (558) | - |
| Currency swaps | (3,101) | (8,668) |
| Interest rate swaps | (445) | (426) |
| | <u>(4,104)</u> | <u>(9,094)</u> |
| Payable for investment securities purchased ^d | (8,837) | (8,947) |
| Securities sold under repurchase agreement and payable for cash collateral received ^e | (25,596) | (4,650) |
| Net investment portfolio | <u>\$ 1,918,751</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 \$25,596 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 December 31, 2021 and June 30, 2021:

In thousands of US dollars

| | December 31, 2021 | | June 30, 2021 | |
|------------|---------------------|--------------|---------------------|--------------|
| | Carrying Value | % | Carrying Value | % |
| US Dollars | \$ 1,783,659 | 93.0 | \$ 1,762,944 | 92.4 |
| Euro | 130,982 | 6.8 | 140,932 | 7.4 |
| Other | 4,110 | 0.2 | 3,457 | 0.2 |
| | <u>\$ 1,918,751</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 (loss) income from investments on the Condensed Statements of Income.

The following table summarizes MIGA's loss/income from investments during the three and six months ended December 31, 2021 and December 31, 2020:

In thousands of US dollars

| | Three Months Ended | | Six Months Ended | |
|---------------------------|--------------------|-------------------|-------------------|-------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 |
| Interest income | \$ 1,822 | \$ 2,443 | \$ 3,744 | \$ 5,193 |
| Realized (losses) gains | (908) | (1,977) | 1,012 | (22,314) |
| Unrealized (losses) gains | (2,213) | 1,148 | (4,887) | 20,633 |
| | <u>\$ (1,299)</u> | <u>\$ 1,614</u> | <u>\$ (131)</u> | <u>\$ 3,512</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 December 31, 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 December 31, 2021 and June 30, 2021, there were no repurchase agreements that were accounted for as secured borrowings.

(Continued)

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 December 31, 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 December 31, 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 loss/income from derivative instruments, reported as part of (loss) 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 and six months ended December 31, 2021 and December 31, 2020:

In thousands of US dollars

| | Three Months Ended | | Six Months Ended | |
|---------------------------|--------------------|-------------------|-------------------|-------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 |
| Interest expense | \$ (543) | \$ (116) | \$ (1,175) | \$ (59) |
| Realized (losses) gains | (156) | (2,146) | 2,471 | (22,150) |
| Unrealized (losses) gains | (3,197) | 3,143 | (3,663) | 23,728 |
| | <u>\$ (3,896)</u> | <u>\$ 881</u> | <u>\$ (2,367)</u> | <u>\$ 1,519</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.

(Continued)

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 December 31, 2021 and June 30, 2021:

In thousands of US dollars

| Type of contracts | December 31, 2021 | June 30, 2021 |
|--|-------------------|---------------|
| Interest rate swaps | | |
| Notional principal | \$ 86,700 | \$ 75,900 |
| Credit exposure | 343 | 38 |
| Currency forward contracts and currency swaps | | |
| Notional principal | 981,066 | 934,790 |
| Credit exposure | 30,503 | 13,492 |
| Exchange traded options and futures ^a | | |
| Notional long position | - | 31,200 |
| Notional short position | 662,000 | 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 December 31, 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

| | December 31, 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 | \$ 1,325 | \$ (982) | \$ 343 | \$ 1,064 | \$ (619) | \$ 445 |
| Currency forward contracts | 100,965 | (96,946) | 4,019 | 77,485 | (76,927) | 558 |
| Currency swaps | 665,045 | (638,561) | 26,484 | 142,750 | (139,649) | 3,101 |
| Others ^a | 986 | - | 986 | - | - | - |
| | <u>\$ 768,321</u> | <u>\$ (736,489)</u> | <u>\$ 31,832</u> | <u>\$ 221,299</u> | <u>\$ (217,195)</u> | <u>\$ 4,104</u> |
| Amounts subject to legally enforceable master netting agreement | | | (4,100) | | | (4,100) |
| Net derivative positions at counterparty level before collateral | | | <u>\$ 27,732</u> | | | <u>\$ 4</u> |
| Less: | | | | | | |
| Cash collateral received ^b | | | (25,238) | | | |
| Net derivative exposure after collateral^c | | | <u>\$ 2,493</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.

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 December 31, 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 December 31, 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 December 31, 2021, MIGA had \$109,761,000 (\$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 six months ended December 31, 2021 and fiscal year ended June 30, 2021:

| | Initial Capital | | Capital Increase | | Total | |
|--------------------------------------|-----------------|---------------------|------------------|-------------------|----------------|---------------------|
| | Shares | (US\$000) | Shares | (US\$000) | Shares | (US\$000) |
| At December 31, 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 | 108,106 | \$ 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> |

(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 \$22,539,118,000 as of December 31, 2021 (\$22,956,687,000 – June 30, 2021).

The composition of MIGA's gross exposure as of December 31, 2021 and June 30, 2021 was as follows:

In thousands of US dollars

| | December 31, 2021 | June 30, 2021 |
|--|-------------------|---------------|
| Gross exposure (Maximum amount of contingent liability)* | \$ 22,539,118 | \$ 22,956,687 |
| Of which: | | |
| Current amounts* | 19,321,587 | 18,736,031 |
| Standby amounts* | 1,510,774 | 2,467,697 |
| Future interest amounts* | 1,723,732 | 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 December 31, 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 December 31, 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 December 31, 2021, out of \$285,879,200 (\$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 \$26,542,000 (\$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 December 31, 2021, MIGA's gross exposure on projects utilizing this facility was \$915,395,900 (\$680,050,000 – June 30, 2021), and the amount ceded to IDA under the first loss layer totaled \$220,707,000 (\$188,743,000 – June 30, 2021).

The table below provides a reconciliation between MIGA's gross guarantee exposure and net exposure as of December 31, 2021 and June 30, 2021:

In thousands of US dollars

| | December 31, 2021 | June 30, 2021 |
|---|-------------------|---------------|
| Gross guarantee exposure | \$ 22,539,118 | \$ 22,956,687 |
| Less: Ceded exposures | | |
| Facultative and Treaty reinsurers | (13,410,145) | (13,600,710) |
| CAFEF | (26,542) | (33,046) |
| IDA PSW - MGF (Note I) | (220,707) | (188,743) |
| Net guarantee exposure before exposure exchange | 8,881,724 | 9,134,188 |
| Less: | | |
| Exposure Exchange Agreement (Note I) | (218) | (180) |
| Net guarantee exposure | \$ 8,881,506 | \$ 9,134,008 |

MIGA can also provide both public (official) and private insurers with facultative reinsurance. As of December 31, 2021, total insurance exposure assumed by MIGA, primarily with official investment insurers, amounted to \$128,533,000 (\$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 and six months ended December 31, 2021 and December 31, 2020 were as follows:

In thousands of US dollars

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 |
| Premiums written | | | | |
| Direct | \$ 52,726 | \$ 60,298 | \$ 77,632 | \$ 105,210 |
| Upfront premium contracts ^a | 8,959 | 12,832 | 8,959 | 25,430 |
| Regular guarantee contracts ^b | 43,767 | 47,466 | 68,673 | 79,780 |
| Assumed | (27) | 1,783 | 512 | 1,920 |
| Ceded | (26,179) | (31,511) | (40,811) | (57,228) |
| Upfront premium contracts ^a | (5,116) | (6,182) | (5,116) | (14,353) |
| Regular guarantee contracts ^b | (21,063) | (25,329) | (35,695) | (42,875) |
| | <u>\$ 26,520</u> | <u>\$ 30,570</u> | <u>\$ 37,333</u> | <u>\$ 49,902</u> |
| Gross premium income | | | | |
| Direct | 57,254 | 60,989 | \$ 114,576 | \$ 121,341 |
| Assumed | 195 | 550 | 741 | 1,103 |
| | <u>57,449</u> | <u>61,539</u> | <u>115,317</u> | <u>122,444</u> |
| Premium ceded | <u>(35,363)</u> | <u>(39,117)</u> | <u>(71,060)</u> | <u>(76,757)</u> |
| Net Premium earned | 22,086 | 22,422 | 44,257 | 45,687 |
| Ceding commission and other fees | 9,469 | 9,851 | 18,951 | 19,711 |
| Brokerage and other charges | (1,401) | (1,324) | (2,766) | (2,959) |
| Net Premium Income | <u>\$ 30,154</u> | <u>\$ 30,949</u> | <u>\$ 60,442</u> | <u>\$ 62,439</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 December 31, 2021 and June 30, 2021:

In thousands of US dollars

| | December 31, 2021 | June 30, 2021 |
|--|-------------------|-------------------|
| Upfront premium contracts ^a | \$ 336,119 | \$ 371,144 |
| Regular guarantee contracts ^b | 6,204 | 6,275 |
| | <u>\$ 342,323</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 December 31, 2021 and June 30, 2021:

In thousands of US dollars

| | December 31, 2021 | June 30, 2021 |
|--|-------------------|-------------------|
| Upfront premium contracts ^a | \$ 518,357 | \$ 569,134 |
| Regular guarantee contracts ^b | 47,205 | 46,043 |
| | <u>\$ 565,562</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 December 31, 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 December 31, 2021, the maximum level of guarantees outstanding (including reinsurance) may not exceed \$29,920,624,000 (\$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 December 31, 2021 and June 30, 2021 are as follows:

In thousands of US dollars

| | December 31, 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 | \$ 7,263,755 | \$ 10,704,697 | \$ 7,721,850 | \$ 11,121,368 |
| % of Total Gross Exposure | 32.2 | 47.5 | 33.6 | 48.5 |
| Net Exposure | \$ 1,989,359 | \$ 3,381,522 | \$ 2,162,098 | \$ 3,496,709 |
| % of Total Net Exposure | 22.4 | 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 December 31, 2021 and June 30, 2021 are shown in the following table:

In thousands of US dollars

| | December 31, 2021 | | | June 30, 2021 | | |
|---------------------------------|----------------------|---------------------|-------------------------------|----------------------|---------------------|-------------------------------|
| | Gross Exposure | Net Exposure | % of Total Net Exposure | Gross Exposure | Net Exposure | % of Total Net Exposure |
| East Asia & Pacific | \$ 2,682,790 | \$ 717,889 | 8.1 | \$ 2,799,094 | \$ 762,357 | 8.4 |
| Europe & Central Asia | 4,950,241 | 1,831,270 | 20.6 | 5,358,911 | 2,065,581 | 22.6 |
| Latin America & Caribbean | 4,471,048 | 1,690,504 | 19.0 | 4,212,672 | 1,584,427 | 17.4 |
| Middle East & North Africa | 2,828,708 | 931,550 | 10.5 | 2,956,411 | 1,004,247 | 11.0 |
| South Asia | 1,021,486 | 463,569 | 5.2 | 1,161,828 | 543,348 | 5.9 |
| Sub-Saharan Africa | 6,187,606 | 3,166,227 | 35.7 | 6,047,359 | 3,088,855 | 33.8 |
| Regional Development Bank (RDB) | 397,239 | 80,497 | 0.9 | 420,412 | 85,193 | 0.9 |
| | <u>\$ 22,539,118</u> | <u>\$ 8,881,506</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 December 31, 2021 and June 30, 2021 are as follows:

In thousands of US dollars

| Sector | December 31, 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 | 7,997,578 | 2,938,743 | 33.1 | 8,347,522 | 3,219,715 | 35.3 |
| Infrastructure | 10,548,515 | 4,195,169 | 47.2 | 10,870,212 | 4,312,181 | 47.2 |
| Manufacturing | 869,364 | 538,584 | 6.1 | 842,730 | 526,605 | 5.8 |
| Mining | 1,313,169 | 343,943 | 3.9 | 1,340,148 | 349,307 | 3.8 |
| Oil and Gas | 205,935 | 100,952 | 1.1 | 314,548 | 163,096 | 1.8 |
| Services | 1,435,278 | 598,269 | 6.8 | 1,142,699 | 467,709 | 5.1 |
| Tourism | 89,400 | 89,400 | 1.0 | 18,949 | 18,949 | 0.2 |
| | <u>\$ 22,539,118</u> | <u>\$ 8,881,506</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 December 31, 2021 and June 30, 2021:

In thousands of US dollars

| | December 31, 2021 | | | June 30, 2021 | | |
|--|-------------------|-----------------------------|-------------------|-------------------|-----------------------------|-------------------|
| | IPR | Specific Reserve for Claims | Total | IPR | Specific Reserve for Claims | Total |
| Gross Reserve for Claims | \$ 692,622 | \$ 46,735 | \$ 739,357 | \$ 726,703 | \$ 20,084 | \$ 746,787 |
| Less: Reinsurance recoverable ^{a,b} | (451,560) | (36,465) | (488,025) | (476,751) | (15,781) | (492,532) |
| Net Reserve for Claims ^c | <u>\$ 241,061</u> | <u>\$ 10,271</u> | <u>\$ 251,332</u> | <u>\$ 249,952</u> | <u>\$ 4,303</u> | <u>\$ 254,255</u> |

a. As of December 31, 2021, excludes \$8,239 thousand (June 30, 2021 - \$8,501 thousand) reinsurance recoverable, net of allowance for credit losses of \$8 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 \$602 thousand (June 30, 2021 - \$603 thousand), associated with prospective reinsurance.

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

(Continued)

Notes to Financial Statements

The following table provides the composition of reinsurance recoverables at December 31, 2021 and June 30, 2021:

In thousands of US dollars

| | | December 31, 2021 | June 30, 2021 |
|--------------------------------------|-------------------------------|-------------------|---------------|
| Prospective reinsurance ^a | - IPR | \$ 451,560 | \$ 476,751 |
| | - Specific Reserve for Claims | 36,465 | 15,781 |
| | | 488,025 | 492,532 |
| Retroactive reinsurance ^b | - IPR | 8,239 | 8,501 |
| Reinsurance recoverable, net | | \$ 496,264 | \$ 501,033 |

a. Includes allowance for credit losses of \$602 thousand (\$603 thousand - June 30, 2021).

b. Includes allowance for credit losses \$8 thousand (\$10 thousand - June 30, 2021).

The net increase in reserves for claims reflected in the Condensed Statement of Income for the three and six months ended December 31, 2021 and December 31, 2020 comprised of changes in the Insurance portfolio reserve and Specific reserve for claims as follows:

In thousands of US dollars

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 |
| Change in Net Reserves: | | | | |
| Insurance Portfolio Reserve - (Decrease) increase | \$ (4,759) | \$ (332) | \$ (5,181) | \$ 224 |
| Specific reserve for claims - Increase (decrease) | 2,367 | 11 | 5,911 | (16) |
| (Decrease) increase in reserves, before translation adjustment | (2,392) | (321) | 730 | 208 |
| Foreign currency translation (gains) losses | (1,625) | 3,951 | (3,652) | 7,473 |
| (Decrease) increase in reserves, net | \$ (4,017) | \$ 3,630 | \$ (2,922) | \$ 7,681 |

For the three and six months ended December 31, 2021 and December 31, 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 six months ended December 31, 2021 and December 31, 2020 were attributable to the following factors:

In thousands of US dollars

| | Six Months Ended | |
|---|-------------------|-------------------|
| | December 31, 2021 | December 31, 2020 |
| Changes in portfolio size and risk profile, net | \$ (3,794) | \$ (6,386) |
| Changes in host country risk ratings, net | (80) | 3,817 |
| Changes in discount rate | (1,992) | 3,676 |
| Other | 685 | (883) |
| Net (decrease) increase | <u>\$ (5,181)</u> | <u>\$ 224</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 six months ended December 31, 2021 and fiscal year ended June 30, 2021:

In thousands of US dollars

| | Six Months Ended | Fiscal Year Ended |
|---|-------------------|-------------------|
| | December 31, 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 | (5,181) | (10,491) |
| Foreign currency translation (gains) losses | <u>(3,652)</u> | <u>4,475</u> |
| (Decrease) in reserves, net of reinsurance | (8,833) | (6,016) |
| Allowance for credit losses | <u>(57)</u> | <u>(23)</u> |
| Net IPR, ending balance ^{a,d} | 241,061 | 249,952 |
| Add: Reinsurance recoverables, net ^b | <u>451,560</u> | <u>476,751</u> |
| Gross IPR, ending balance ^{c,d} | <u>\$ 692,622</u> | <u>\$ 726,703</u> |

a. As of December 31, 2021 represents 2.7% of Total Net Exposure (June 30, 2021 - 2.7%).

b. As of December 31, 2021, excludes \$8,239 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 December 31, 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 six months ended December 31, 2021 and fiscal year ended June 30, 2021:

In thousands of US dollars

| | Six Months Ended December 31, 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 | | |
| - Current year | 3,866 | - |
| - Prior years | 2,045 | (2,218) |
| Increase (decrease) in specific reserve for claims, net of reinsurance | 5,911 | (2,218) |
| Allowance for credit losses | 57 | (3) |
| Net Specific reserve for claims, ending balance | 10,271 | 4,303 |
| Add: Reinsurance recoverables, net | 36,465 | 15,781 |
| Gross Specific reserve for claims, ending balance ^a | \$ 46,735 | \$ 20,084 |

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

The gross Specific Reserve for Claims as of December 31, 2021 and June 30, 2021 is comprised of:

In thousands of US dollars

| | December 31, 2021 | June 30, 2021 |
|----------------------------|-------------------|---------------|
| Reserve for pending claims | \$ 296 | \$ - |
| Probable loss reserve | 46,439 | 20,084 |
| Gross Specific reserve | \$ 46,735 | \$ 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 December 31, 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 Ended | Probable Loss Reserve | Cumulative number of Reported Claims |
| | For the fiscal year ended June 30, (Unaudited) | | | | | | | | | | | | |
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 Q2 | | | |
| Accident Year | | | | | | | | | | | | | |
| 2013 | 5,166 | 299 | 273 | 273 | 273 | 273 | 273 | 273 | 273 | 273 | 273 | 6,905 | - |
| 2014 | | - | - | - | - | - | - | - | - | - | - | 1,752 | 1 |
| 2015 | | | 363 | 363 | 363 | 363 | 363 | 363 | 363 | 363 | 363 | - | 2 |
| 2016 | | | | 4,458 | 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 | 322 | 595 | 3 |
| 2018 | | | | | | - | - | - | - | - | - | 1,175 | 2 |
| 2019 | | | | | | | - | - | - | - | - | 1,176 | - |
| 2020 | | | | | | | | - | - | - | - | 4,561 | - |
| 2021 | | | | | | | | | - | - | - | 4,303 | - |
| 2022 Q2 | | | | | | | | | | | 296 | 7,299 | 1 |
| PRI | | | | | | | | | | | - | 2,676 | |
| NH | | | | | | | | | | | - | | |
| Total | | | | | | | | | | | <u>5,712</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 | |
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 Q2 | | |
| Accident Year | | | | | | | | | | | | |
| 2013 | - | - | 273 | 273 | 273 | 273 | 273 | 273 | 273 | 273 | 273 | |
| 2014 | | - | - | - | - | - | - | - | - | - | - | |
| 2015 | | | 363 | 363 | 363 | 363 | 363 | 363 | 363 | 363 | 363 | |
| 2016 | | | | - | 4,458 | 4,458 | 4,458 | 4,458 | 4,458 | 4,458 | 4,458 | |
| 2017 | | | | | 322 | 322 | 322 | 322 | 322 | 322 | 322 | |
| 2018 | | | | | | - | - | - | - | - | - | |
| 2019 | | | | | | | - | - | - | - | - | |
| 2020 | | | | | | | | - | - | - | - | |
| 2021 | | | | | | | | | - | - | - | |
| 2022 Q2 | | | | | | | | | | | - | |
| Total | | | | | | | | | | | <u>5,416</u> | |
| | | | | | | | | | | | <u>296</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 December 31, 2021 and June 30, 2021:

In thousands of US dollars

| | December 31, 2021 | June 30, 2021 |
|---|-------------------|------------------|
| Specific Reserve for claims, Net of Reinsurance | \$ 10,271 | \$ 4,303 |
| Reinsurance recoverable, net of CECL allowance | 36,465 | 15,781 |
| Gross Specific Reserve for Claims ^a | <u>\$ 46,735</u> | <u>\$ 20,084</u> |

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

The following table presents supplementary information about average historical claims duration as of December 31, 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 December 31, 2021 and June 30, 2021:

In thousands of US dollars

| Reinsurer Risk Rating | Allowance for Credit Losses | |
|-----------------------|-----------------------------|---------------|
| | December 31, 2021 | June 30, 2021 |
| A- | \$ 29 | \$ 33 |
| A | 47 | 52 |
| A+ | 271 | 279 |
| AA- | 157 | 162 |
| AA | 101 | 85 |
| AAA | 5 | 1 |
| Total | \$ 610 | \$ 613 |

Accumulated Allowance for Credit Losses

The following table provides an analysis of the changes in the allowance for credit losses during the six months ended December 31, 2021 and fiscal year ended June 30, 2021:

In thousands of US dollars

| | Six Months Ended December 31, 2021 | Fiscal Year Ended June 30, 2021 |
|--|---------------------------------------|------------------------------------|
| Accumulated allowance, beginning of the fiscal year ^a | \$ 613 | \$ 639 |
| Decrease in allowance | (2) | (26) |
| Accumulated allowance, end of the period ^b | <u>\$ 610</u> | <u>\$ 613</u> |
| Attributable to: | | |
| Prospective Reinsurance | \$ 602 | \$ 603 |
| Retroactive Reinsurance | 8 | 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 and six months ended December 31, 2021 and December 31, 2020:

In thousands of US dollars

| Benefit Cost | Three Months Ended December 31, 2021 | | | | Six Months Ended December 31, 2021 | | | |
|---|---|-----------------|---------------|-------------------|---------------------------------------|-----------------|-----------------|-------------------|
| | SRP | RSBP | PEBP | Total | SRP | RSBP | PEBP | Total |
| Interest cost | \$ 1,993 | \$ 330 | \$ 210 | \$ 2,533 | \$ 3,986 | \$ 660 | \$ 420 | \$ 5,066 |
| Expected return on plan assets | (3,795) | (593) | - | (4,388) | (7,590) | (1,186) | - | (8,776) |
| Amortization of unrecognized prior service cost ^a | 11 | 44 | 6 | 61 | 22 | 88 | 12 | 122 |
| Amortization of unrecognized net actuarial losses ^a | - | - | 134 | 134 | - | - | 269 | 269 |
| Net periodic pension (credit) cost, excluding service cost | \$ (1,791) | \$ (219) | \$ 350 | \$ (1,660) | \$ (3,582) | \$ (438) | \$ 701 | \$ (3,319) |
| Service cost ^b | 2,505 | 602 | 447 | 3,554 | 5,010 | 1,204 | 894 | 7,108 |
| Net periodic pension cost | \$ 714 | \$ 383 | \$ 797 | \$ 1,894 | \$ 1,428 | \$ 766 | \$ 1,595 | \$ 3,789 |

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

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

In thousands of US dollars

| Benefit Cost | Three Months Ended December 31, 2020 | | | | Six Months Ended December 31, 2020 | | | |
|---|---|----------------|---------------|-----------------|---------------------------------------|-----------------|-----------------|-----------------|
| | SRP | RSBP | PEBP | Total | SRP | RSBP | PEBP | Total |
| Interest cost | \$ 1,721 | \$ 286 | \$ 203 | \$ 2,210 | \$ 3,441 | \$ 572 | \$ 406 | \$ 4,419 |
| Expected return on plan assets | (2,800) | (417) | - | (3,217) | (5,599) | (834) | - | (6,433) |
| Amortization of unrecognized prior service cost ^a | 12 | 43 | 6 | 61 | 24 | 87 | 11 | 122 |
| Amortization of unrecognized net actuarial losses ^a | 904 | 31 | 206 | 1,141 | 1,808 | 62 | 412 | 2,282 |
| Net periodic pension (credit) cost, excluding service cost | \$ (163) | \$ (57) | \$ 415 | \$ 195 | \$ (326) | \$ (113) | \$ 829 | \$ 390 |
| Service cost ^b | 2,333 | 547 | 435 | 3,315 | 4,666 | 1,094 | 870 | 6,630 |
| Net periodic pension cost | \$ 2,170 | \$ 490 | \$ 850 | \$ 3,510 | \$ 4,340 | \$ 981 | \$ 1,699 | \$ 7,020 |

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

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

(Continued)

Notes to Financial Statements

Note H: Other liabilities

The following table provides the composition of Other liabilities as of December 31, 2021 and June 30, 2021:

In thousands of US dollars

| | December 31, 2021 | June 30, 2021 |
|--|-------------------|------------------|
| Payable to affiliated organizations - administrative and other services (Note I) | 10,882 | 17,115 |
| Payable to reinsurers and brokers | 18,353 | 10,987 |
| Liabilities for application and processing fees | 10,146 | 10,114 |
| Payable for investment securities purchased | 8,837 | 8,947 |
| Accrued benefit reserves | 8,163 | 8,663 |
| Premium receipt (future contract periods) | 2,860 | 4,711 |
| Miscellaneous | 208 | 1,480 |
| Other liabilities | <u>\$ 59,449</u> | <u>\$ 62,017</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 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 and six months ended December 31, 2021 and December 31, 2020 are as follows:

In thousands of US dollars

| | Three Months Ended | | Six Months Ended | |
|---------------------------------------|--------------------|-------------------|-------------------|-------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 |
| Fees charged/premium ceded - IBRD/IDA | \$ 3,251 | \$ 2,885 | \$ 6,107 | \$ 5,548 |
| Fees charged by IFC | 972 | 1,386 | 1,644 | 2,359 |

(Continued)

Notes to Financial Statements

At December 31, 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

| | December 31, 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 | \$ (6,869) | \$ 26,152 | \$ 19,283 | \$ (13,210) | \$ 24,641 | \$ 11,431 |
| IFC | (4,013) | - | (4,013) | (3,905) | - | (3,905) |
| | <u>\$ (10,882)</u> | <u>\$ 26,152</u> | <u>\$ 15,270</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.

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 December 31, 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

| | December 31, 2021 | June 30, 2021 |
|---|-------------------|-----------------|
| IBRD's exposure in Brazil assumed by MIGA | \$ 27,628 | \$ 33,644 |
| MIGA's exposure in Panama assumed by IBRD | 27,846 | 33,824 |
| Net amount | <u>\$ (218)</u> | <u>\$ (180)</u> |

As of December 31, 2021, the recorded liabilities related to MIGA's obligation under the existing exposure exchange agreement with IBRD amounted to \$0.2 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 December 31, 2021, the amounts ceded to IDA under the first loss layer totaled \$220,707,000 (\$188,743,000 – June 30, 2021).

(Continued)

Notes to Financial Statements

Total premium ceded to IDA and the related ceding commission reflected in the Condensed Statements of Income for the three and six months ended December 31, 2021 and December 31, 2020 are as follows:

In thousands of US dollars

| | Three Months Ended | | Six Months Ended | |
|-------------------|--------------------|-------------------|-------------------|-------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 |
| Premium ceded | \$ 474 | \$ 328 | \$ 905 | \$ 596 |
| Ceding commission | 71 | 49 | 136 | 89 |

Note J: Accumulated Other Comprehensive Loss

The following tables present the changes in Accumulated Other Comprehensive Loss (AOCL) for the six months ended December 31, 2021 and December 31, 2020:

In thousands of US dollars

| | Six Months Ended December 31, 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 | - | 269 | 122 | 391 |
| Net change during the period | - | 269 | 122 | 391 |
| Balance, end of period | \$ 3,435 | \$ (40,692) | \$ (616) | \$ (37,873) |

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

| | Six Months Ended December 31, 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 | - | 2,282 | 122 | 2,404 |
| Net change during the period | - | 2,282 | 122 | 2,404 |
| Balance, end of period | \$ 3,435 | \$ (96,454) | \$ (859) | \$ (93,878) |

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 December 31, 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 December 31, 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 December 31, 2021 and June 30, 2021:

In thousands of US dollars

| | <i>Fair Value Measurements on a Recurring Basis</i> | | | |
|--|---|---------------------|----------------|---------------------|
| | <i>As of December 31, 2021</i> | | | |
| | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
| ASSETS | | | | |
| Government and agency obligations | \$ 514,771 | \$ 932,750 | \$ - | \$ 1,447,521 |
| Time deposits | 34,100 | 401,948 | - | 436,048 |
| Asset-backed securities | - | 22,210 | - | 22,210 |
| Total investments - Trading | <u>\$ 548,871</u> | <u>\$ 1,356,908</u> | <u>\$ -</u> | <u>\$ 1,905,779</u> |
| Derivative Assets | | | | |
| Currency forward contracts | \$ - | \$ 4,019 | \$ - | \$ 4,019 |
| Currency swaps | - | 26,484 | - | 26,484 |
| Interest rate swaps | - | 343 | - | 343 |
| Others ^a | 986 | - | - | 986 |
| | <u>\$ 986</u> | <u>\$ 30,846</u> | <u>\$ -</u> | <u>\$ 31,832</u> |
| Less: | | | | |
| Amounts subject to legally enforceable master netting agreements | | | | 4,100 |
| Cash collateral received ^b | | | | <u>25,238</u> |
| Derivative Assets, net^c | | | | <u>\$ 2,493</u> |
| LIABILITIES | | | | |
| Derivative Liabilities: | | | | |
| Currency forward contracts | \$ - | \$ 558 | \$ - | \$ 558 |
| Currency swaps | - | 3,101 | - | 3,101 |
| Interest rate swaps | - | 445 | - | 445 |
| | <u>\$ -</u> | <u>\$ 4,104</u> | <u>\$ -</u> | <u>\$ 4,104</u> |
| Less: | | | | |
| Amounts subject to legally enforceable master netting agreements | | | | 4,100 |
| Derivative Liabilities, net | | | | <u>\$ 4</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

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 six months ended December 31, 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 December 31, 2021, MIGA had provided US\$6.2 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 December 31, 2021 and 2020, and the related condensed statements of income and comprehensive income for the three-month and six-month periods then ended and the related changes in shareholders' equity and cash flows for the six-month periods then ended, 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

February 9, 2022