



# Condensed Quarterly Financial Statements

U N A U D I T E D

---

September 30, 2022

**Table of Contents**

---

Condensed Balance Sheets.....	1
Condensed Statements of Income.....	2
Condensed Statements of Comprehensive Income.....	3
Condensed Statements of Changes in Shareholders' Equity.....	3
Condensed Statements of Cash Flows.....	4
Notes to Condensed Quarterly Financial Statements.....	5-30
Independent Auditor's Review Report.....	31-32

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

	September 30, 2022	June 30, 2022
<b>Assets</b>		
Cash.....	\$ 32,069	\$ 28,250
Investments - Trading (including securities transferred under repurchase agreements) - Notes B and K.....	1,930,685	1,944,469
Derivative assets, net - Notes C and K.....	5,242	4,328
Non-negotiable, non interest - bearing demand obligations - Note D.....	106,501	107,630
Reinsurance recoverable, net - Note F.....	472,176	476,181
Prepaid premium ceded to reinsurers - Note E.....	354,651	381,550
Other assets - Notes B, G and I.....	49,932	82,087
<b>TOTAL ASSETS.....</b>	<b>\$ 2,951,256</b>	<b>\$ 3,024,495</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>LIABILITIES</b>		
Reserve for claims, gross - Note F.....		
Specific reserves for claims.....	\$ 121,409	\$ 81,719
Insurance portfolio reserve.....	603,629	644,091
Reserve for claims - gross.....	725,038	725,810
Unearned premiums and commitment fees - Note E.....	576,068	620,085
Derivative liabilities, net - Notes C and K.....	-	278
Liabilities for pension and other post-retirement benefits - Note G.....	29,378	28,902
Other liabilities - Notes B, H and I.....	72,064	110,056
<b>TOTAL LIABILITIES.....</b>	<b>1,402,548</b>	<b>1,485,131</b>
CONTINGENT LIABILITIES - Note E		
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock - Note D		
Authorized capital (186,665 shares - September 30, 2022; 186,665 Shares - June 30, 2022)		
Subscribed capital (177,409 shares - September 30, 2022; 177,409 Shares - June 30, 2022)	1,919,565	1,919,565
Less uncalled portion of subscriptions.....	1,553,274	1,553,274
	366,291	366,291
Retained earnings.....	1,183,300	1,173,935
Accumulated other comprehensive loss - Note J.....	(883)	(862)
<b>TOTAL SHAREHOLDERS' EQUITY.....</b>	<b>1,548,708</b>	<b>1,539,364</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....</b>	<b>\$ 2,951,256</b>	<b>\$ 3,024,495</b>

**Condensed Statements of Income**

Expressed in thousands of US dollars

	Three Months Ended	
	September 30,	
	2022	2021
<b>INCOME</b>		
Net premium income - Note E.....	30,404	30,288
Income from investments - Note B.....	3,850	1,168
Miscellaneous income.....	49	86
Total income.....	<u>34,303</u>	<u>31,542</u>
<b>EXPENSES</b>		
Increase in reserve for claims, net - Note F		
Increase in reserves, excluding translation gains.....	6,734	3,122
Translation gains.....	(4,047)	(2,027)
Increase in reserve for claims, net.....	<u>2,687</u>	<u>1,095</u>
Increase in allowance for credit losses - Note F.....	14	45
Administrative expenses (including Pension service cost) - Notes G and I	18,289	15,229
Pension credit (excluding Pension service cost) - Note G.....	(1,135)	(1,659)
Translation losses - Investments and other assets.....	5,083	2,396
Increase in reserves and total expenses.....	<u>24,938</u>	<u>17,106</u>
NET INCOME.....	<u>\$ 9,365</u>	<u>\$ 14,436</u>

**Condensed Statements of Comprehensive Income**

Expressed in thousands of US dollars

	Three Months Ended	
	September 30,	
	2022	2021
NET INCOME.....	\$ 9,365	\$ 14,436
OTHER COMPREHENSIVE INCOME - Note J		
Amortization of unrecognized net actuarial (gains) losses.....	(77)	135
Amortization of unrecognized prior service costs.....	56	61
Total other comprehensive (loss) income.....	(21)	196
COMPREHENSIVE INCOME.....	\$ 9,344	\$ 14,632

**Condensed Statements of Changes in Shareholders' Equity**

Expressed in thousands of US dollars

	Three Months Ended	
	September 30,	
	2022	2021
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.....	1,173,935	1,146,377
Net income.....	9,365	14,436
Ending Balance.....	1,183,300	1,160,813
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance at beginning of the fiscal year.....	(862)	(38,264)
Other comprehensive (loss) income.....	(21)	196
Ending Balance.....	(883)	(38,068)
TOTAL SHAREHOLDERS' EQUITY	\$ 1,548,708	\$ 1,489,036

**Condensed Statements of Cash Flows**

Expressed in thousands of US dollars

	Three Months Ended September 30,	
	2022	2021
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income.....	\$ 9,365	\$ 14,436
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Increase in reserve for claims, net - Note F.....	2,687	1,095
Increase in allowance for credit losses - Note F.....	14	45
Translation losses - Investments and other assets.....	5,083	2,396
Net change in:		
Investments - Trading, net.....	2,533	7,084
Prepaid premiums ceded to reinsurers.....	17,058	19,669
Other assets and liabilities.....	(2,705)	(2,883)
Unearned premiums and commitment fees.....	(29,527)	(33,698)
Net cash provided by operating activities	<u>4,508</u>	<u>8,144</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH.....	<u>(689)</u>	<u>(137)</u>
Net increase in cash.....	3,819	8,007
Cash at beginning of the fiscal year.....	28,250	10,945
<b>CASH AT END OF THE PERIOD.....</b>	<u><u>\$ 32,069</u></u>	<u><u>\$ 18,952</u></u>

## 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, 2022 and notes included therein. The condensed comparative information that has been derived from the June 30, 2022 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, 2022.

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 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.

#### Note B: Investments

The investment securities held by MIGA are carried and reported at fair value. As of September 30, 2022, the majority of the Investments – Trading is comprised of Government and agency obligations and Time deposits (66.0% and 32.4%, respectively), with all instruments being classified as Level 1 and Level 2 within the fair value hierarchy.

A summary of MIGA's investment portfolio as of September 30, 2022 and June 30, 2022 is as follows:

*In thousands of US dollars*

	<i>Fair Value</i>	
	September 30, 2022	June 30, 2022
Government and agency obligations	\$ 1,274,175	\$ 1,240,736
Time deposits	626,129	674,628
Asset-backed securities (ABS)	30,381	29,105
Total investments - Trading	<u>\$ 1,930,685</u>	<u>\$ 1,944,469</u>

(Continued)

## Notes to Financial Statements

MIGA manages its investments on a net portfolio basis. The following table summarizes MIGA's net portfolio position as of September 30, 2022 and June 30, 2022:

*In thousands of US dollars*

	<i>Fair Value</i>	
	September 30, 2022	June 30, 2022
Investment - Trading	\$ 1,930,685	\$ 1,944,469
Cash held in investment portfolio <sup>a</sup>	25,791	21,507
Receivable for investment securities sold <sup>b</sup>	1,290	1,285
	<u>1,957,766</u>	<u>1,967,261</u>
Derivative assets		
Currency forward contracts	1,038	1,412
Currency swaps	66,475	53,226
Interest rate swaps	10,323	3,487
Others <sup>c</sup>	3,942	2,694
	<u>81,778</u>	<u>60,819</u>
Derivative liabilities		
Currency forward contracts	(19)	(377)
Currency swaps	(24)	(1,662)
Interest rate swaps	(1,020)	(810)
	<u>(1,063)</u>	<u>(2,849)</u>
Payable for investment securities purchased <sup>d</sup>	(10,614)	(10,766)
Payable for cash collateral received	(77,764)	(54,582)
Net investment portfolio	<u>\$ 1,950,103</u>	<u>\$ 1,959,883</u>

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

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

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

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

The following table summarizes the currency composition of MIGA's net investment portfolio as of September 30, 2022 and June 30, 2022:

*In thousands of US dollars*

	September 30, 2022		June 30, 2022	
	Carrying Value	%	Carrying Value	%
US Dollars	\$ 1,815,744	93.1	\$ 1,797,589	91.7
Euro	132,287	6.8	160,252	8.2
Other	2,072	0.1	2,042	0.1
	<u>\$ 1,950,103</u>	<u>100.0</u>	<u>\$ 1,959,883</u>	<u>100.0</u>

(Continued)



## Notes to Financial Statements

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 Condensed Statements of Income.

The following table summarizes MIGA's Income from investments during the three months ended September 30, 2022 and September 30, 2021:

*In thousands of US dollars*

	Three Months Ended	
	September 30, 2022	September 30, 2021
Interest income	\$ 9,348	\$ 1,922
Realized gains	1,714	1,920
Unrealized (losses)	(7,212)	(2,674)
	<u>\$ 3,850</u>	<u>\$ 1,168</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 Condensed Balance Sheet presentation purposes, MIGA presents its securities lending and repurchases, as well as re-sales, on a gross basis. As of September 30, 2022 and June 30, 2022, 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, 2022 and June 30, 2022, there were no repurchase agreements that were accounted for as secured borrowings.

In the case of resale agreements, MIGA receives collateral in the form of liquid securities and is permitted to re-pledge these securities. While these transactions are legally considered to be true purchases and sales, the securities received are not recorded as Investments on MIGA's Condensed Balance Sheets as the accounting criteria for treatment as a sale have not been met. As of September 30, 2022 and June 30, 2022, 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 concentration risk or credit risk to MIGA as of September 30, 2022. However, market deterioration could cause this to change in future periods.

(Continued)

## Notes to Financial Statements

### Note C: Derivative Instruments

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

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

The following table summarizes MIGA's income from derivative instruments, reported as part of Income from investments, which mainly relates to interest rate futures, interest rate swaps, options, covered forwards and currency swaps for the three months ended September 30, 2022 and September 30, 2021:

*In thousands of US dollars*

	Three Months Ended	
	September 30, 2022	September 30, 2021
Interest income (expense)	\$ 3,573	\$ (632)
Realized gains	4,178	2,627
Unrealized gains (losses)	4,322	(466)
	<u>\$ 12,073</u>	<u>\$ 1,529</u>

### 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, 2022 and June 30, 2022:

*In thousands of US dollars*

Type of contracts	September 30, 2022	June 30, 2022
Interest rate swaps		
Notional principal	\$ 203,264	\$ 135,100
Credit exposure	10,322	3,488
Currency forward contracts and currency swaps		
Notional principal	759,031	785,786
Credit exposure	67,513	54,638
Exchange traded options and futures <sup>a</sup>		
Notional long position	25,143	14,000
Notional short position	501,535	533,200

*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, 2022 and June 30, 2022. 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 and securities collateral received.

In thousands of US dollars

	September 30, 2022					
	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	\$ 22,700	\$ (12,377)	\$ 10,323	\$ 1,382	\$ (362)	\$ 1,020
Currency forward contracts	105,975	(104,937)	1,038	10,229	(10,210)	19
Currency swaps	644,366	(577,891)	66,475	3,086	(3,062)	24
Others <sup>a</sup>	3,942	-	3,942	-	-	-
	<u>\$ 776,983</u>	<u>\$ (695,205)</u>	<u>\$ 81,778</u>	<u>\$ 14,697</u>	<u>\$ (13,634)</u>	<u>\$ 1,063</u>
Amounts subject to legally enforceable master netting agreement			(1,063)			(1,063)
<b>Net derivative positions at counterparty level</b>			<u>\$ 80,715</u>			<u>\$ -</u>
Less:						
Cash collateral received <sup>b</sup>			(75,473)			
<b>Net derivative exposure after collateral<sup>c</sup></b>			<u>\$ 5,242</u>			

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

b. Does not include excess collateral received (\$2.3m).

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

In thousands of US dollars

	June 30, 2022					
	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	\$ 10,843	\$ (7,356)	\$ 3,487	\$ 1,738	\$ (928)	\$ 810
Currency forward contracts	90,172	(88,760)	1,412	31,419	(31,042)	377
Currency swaps	613,774	(560,548)	53,226	55,293	(53,631)	1,662
Others <sup>a</sup>	2,694	-	2,694	-	-	-
	<u>\$ 717,483</u>	<u>\$ (656,664)</u>	<u>\$ 60,819</u>	<u>\$ 88,450</u>	<u>\$ (85,601)</u>	<u>\$ 2,849</u>
Amounts subject to legally enforceable master netting agreement			(2,571)			(2,571)
<b>Net derivative positions at counterparty level</b>			<u>\$ 58,248</u>			<u>\$ 278</u>
Less:						
Cash collateral received <sup>b</sup>			(53,921)			
<b>Net derivative exposure after collateral<sup>c</sup></b>			<u>\$ 4,328</u>			

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

b. Does not include excess collateral received (\$0.7m).

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, 2022, MIGA's authorized capital stock comprised 186,665 (186,665 – June 30, 2022) shares, of which 177,409 (177,409 – June 30, 2022) shares had been subscribed. Each share has a par value of USD10,820. Of the subscribed capital as of September 30, 2022, \$366,291,000 (\$366,291,000 – June 30, 2022) has been paid in; and the remaining \$1,553,274,000 (\$1,553,274,000 - June 30, 2022) is subject to call.

At September 30, 2022, MIGA had \$106,501,000 (\$107,630,000 – June 30, 2022) 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, 2022 and fiscal year ended June 30, 2022:

	Initial Capital		Capital Increase		Total	
	Shares	(US\$000)	Shares	(US\$000)	Shares	(US\$000)
<b>At September 30, 2022</b>						
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>
<b>At June 30, 2022</b>						
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 fiscal year	<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 fiscal year	<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 \$23,866,113,000 as of September 30, 2022 (\$24,449,225,000 – June 30, 2022).

The composition of MIGA's gross exposure as of September 30, 2022 and June 30, 2022 was as follows:

*In thousands of US dollars*

	September 30, 2022	June 30, 2022
Gross exposure (Maximum amount of contingent liability)*	\$ 23,866,113	\$ 24,449,225
Of which:		
Current amounts*	19,878,538	19,971,718
Standby amounts*	2,007,388	2,443,349
Future interest amounts*	2,028,036	2,085,214

\* 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 \$16,559,600 as of September 30, 2022 (\$16,559,600 – June 30, 2022).

#### **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

(Continued)

## Notes to Financial Statements

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, 2022, 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 two donor funded trust funds that utilize a reinsurance structure under which MIGA issues guarantees towards eligible projects and cedes exposure under first and second loss layers in the case of Conflict-Affected and Fragile Economies Facility (CAFEF) and under a first loss layer in the case of Renewable Energy Catalyst Trust Fund (RECTF). As of September 30, 2022, out of \$418,073,000 (\$425,144,000 – June 30, 2022) in gross exposure under this arrangement on MIGA's own account, amounts ceded to CAFEF under the first loss layer totaled \$38,857,000 (\$39,975,000 – June 30, 2022) and out of \$3,368,000 (\$3,588,000 – June 30, 2022) in gross exposure under this arrangement on MIGA's own account, amounts ceded to RECTF under the first loss layer totaled \$539,000 (\$574,000 – June 30, 2022).

Additionally, MIGA cedes exposure to International Development Association (IDA) under the MIGA Guarantee Facility (MGF), one of the four facilities (IDA PSW – MGF) 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, 2022, MIGA's gross exposure on projects utilizing this facility was \$1,030,637,000 (\$1,047,793,000 – June 30, 2022), and the amount ceded to IDA under the first loss layer totaled \$268,737,000 (\$271,658,000 – June 30, 2022).

The table below provides a reconciliation between MIGA's gross guarantee exposure and net exposure as of September 30, 2022 and June 30, 2022:

*In thousands of US dollars*

	September 30, 2022	June 30, 2022
Gross guarantee exposure	\$ 23,866,113	\$ 24,449,225
Less: Ceded exposures		
Facultative and Treaty reinsurers	(14,834,313)	(15,145,290)
CAFEF	(38,857)	(39,975)
IDA PSW - MGF (Note I)	(268,737)	(271,658)
Renewable Energy Catalyst Trust Fund (RECTF)	(539)	(574)
Net guarantee exposure before exposure exchange <sup>a</sup>	8,723,666	8,991,728
Less:		
Exposure Exchange Agreement (Note I)	(3,215)	(281)
Net guarantee exposure	\$ 8,720,451	\$ 8,991,447

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

MIGA can also provide both public (official) and private insurers with facultative reinsurance. As of September 30, 2022, total insurance exposure assumed by MIGA, primarily with official investment insurers, amounted to \$128,533,000 (\$128,533,000 – June 30, 2022).

(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, 2022 and September 30, 2021 were as follows:

*In thousands of US dollars*

	Three Months Ended	
	September 30, 2022	September 30, 2021
Premiums written		
Direct	\$ 34,595	\$ 24,906
Upfront premium contracts <sup>a</sup>	2,074	-
Regular guarantee contracts <sup>b</sup>	32,521	24,906
Assumed	310	539
Ceded	(21,040)	(14,632)
Upfront premium contracts <sup>a</sup>	(1,771)	-
Regular guarantee contracts <sup>b</sup>	(19,269)	(14,632)
	<u>\$ 13,865</u>	<u>\$ 10,813</u>
Gross premium income		
Direct	\$ 58,848	\$ 57,322
Assumed	310	546
	<u>59,158</u>	<u>57,868</u>
Premium ceded	<u>(37,698)</u>	<u>(35,697)</u>
Net Premium earned	21,460	22,171
Ceding commission and other fees	10,131	9,482
Brokerage and other charges	(1,187)	(1,365)
Net Premium Income	<u>\$ 30,404</u>	<u>\$ 30,288</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, 2022 and June 30, 2022:

*In thousands of US dollars*

	September 30, 2022	June 30, 2022
Upfront premium contracts <sup>a</sup>	\$ 351,703	\$ 376,624
Regular guarantee contracts <sup>b</sup>	2,948	4,926
	<u>\$ 354,651</u>	<u>\$ 381,550</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 Commitment Fees*

The following table summarizes the composition of Unearned Premiums and Commitment fees as of September 30, 2022 and June 30, 2022:

*In thousands of US dollars*

	September 30, 2022	June 30, 2022
Upfront premium contracts <sup>a</sup>	\$ 534,962	\$ 572,365
Regular guarantee contracts <sup>b</sup>	41,106	47,720
	<u>\$ 576,068</u>	<u>\$ 620,085</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, 2022, the maximum net exposure which may be assumed by MIGA is \$1,000 million (\$1,000 million – June 30, 2022) in each host country and \$300 million (\$300 million – June 30, 2022) 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 – September 30, 2022) 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, 2022, the maximum level of guarantees outstanding (including reinsurance) may not exceed \$31,473,700,000 (\$31,796,650,000 – June 30, 2022).

(Continued)



## Notes to Financial Statements

### Portfolio Diversification

MIGA aims to diversify its guarantee portfolio so as to limit the concentration of exposure to loss in a host country, region, or sector. The portfolio shares of the top five and top ten largest exposure countries provide an indicator of concentration risk. The gross and net exposures of the top five and top ten countries at September 30, 2022 and June 30, 2022 are as follows:

*In thousands of US dollars*

	September 30, 2022		June 30, 2022	
	Exposure in Top Five Countries	Exposure in Top Ten Countries	Exposure in Top Five Countries	Exposure in Top Ten Countries
Gross Exposure	\$ 7,078,850	\$ 11,277,790	\$ 7,381,392	\$ 11,554,328
% of Total Gross Exposure	29.7	47.3	30.2	47.3
Net Exposure	\$ 1,863,204	\$ 3,294,140	\$ 1,974,191	\$ 3,421,283
% of Total Net Exposure	21.4	37.8	22.0	38.1

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, 2022 and June 30, 2022 are shown in the following table:

*In thousands of US dollars*

	September 30, 2022			June 30, 2022		
	Gross Exposure	Net Exposure <sup>a</sup>	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
East Asia & Pacific	\$ 2,823,869	\$ 701,801	8.0	\$ 2,882,072	\$ 721,762	8.0
Europe & Central Asia	4,620,002	1,547,615	17.7	4,866,600	1,634,182	18.2
Latin America & Caribbean	5,283,598	1,725,034	19.8	5,256,919	1,754,385	19.5
Middle East & North Africa	3,396,599	1,007,432	11.6	3,492,824	1,071,901	11.9
South Asia	1,380,055	536,532	6.2	1,396,824	543,349	6.1
Sub-Saharan Africa	6,021,998	3,133,139	35.9	6,191,755	3,192,465	35.5
Regional Development Bank (RDB)	339,992	68,897	0.8	362,231	73,403	0.8
	\$ 23,866,113	\$ 8,720,451	100.0	\$ 24,449,225	\$ 8,991,447	100.0

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

(Continued)

## Notes to Financial Statements

The sectoral distribution of MIGA's portfolio at September 30, 2022 and June 30, 2022 are shown in the following table:

*In thousands of US dollars*

Sector	September 30, 2022			June 30, 2022		
	Gross Exposure <sup>a</sup>	Net Exposure <sup>a</sup>	% of Total Net Exposure <sup>a</sup>	Gross Exposure	Net Exposure	% of Total Net Exposure
Agribusiness	\$ 74,148	\$ 73,008	0.8	\$ 74,148	\$ 73,008	0.8
Construction	562,112	96,494	1.1	598,505	102,581	1.1
Financial	8,550,587	2,948,822	33.8	8,657,317	3,021,059	33.6
Infrastructure	11,138,029	4,177,304	47.9	11,457,095	4,306,259	47.9
Manufacturing	852,860	524,287	6.0	872,525	543,043	6.1
Mining	1,288,225	339,542	3.9	1,288,225	339,542	3.8
Oil and Gas	190,959	99,228	1.1	190,959	99,228	1.1
Services	1,114,113	366,686	4.2	1,228,309	424,585	4.7
Tourism	95,079	95,079	1.1	82,142	82,142	0.9
	<u>\$ 23,866,113</u>	<u>\$ 8,720,451</u>	<u>100.0</u>	<u>\$ 24,449,225</u>	<u>\$ 8,991,447</u>	<u>100.0</u>

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

### Note F: Reserve for Claims and other Exposures

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

The following table provides an analysis of reserve for claims as of September 30, 2022 and June 30, 2022:

*In thousands of US dollars*

	September 30, 2022			June 30, 2022		
	IPR	Specific Reserve for Claims	Total	IPR	Specific Reserve for Claims	Total
Gross Reserve for Claims <sup>c</sup>	\$ 603,629	\$ 121,409	\$ 725,038	\$ 644,091	\$ 81,719	\$ 725,810
Less: Reinsurance recoverable <sup>a,b</sup>	(377,734)	(86,187)	(463,921)	(406,458)	(60,937)	(467,395)
Net Reserve for Claims	<u>\$ 225,895</u>	<u>\$ 35,222</u>	<u>\$ 261,117</u>	<u>\$ 237,633</u>	<u>\$ 20,782</u>	<u>\$ 258,415</u>

*a. As of September 30, 2022, excludes \$8,255 thousand (June 30, 2022 - \$8,786 thousand) reinsurance recoverable, net of allowance for credit losses of \$7 thousand (June 30, 2022 - \$7 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 \$619 thousand (June 30, 2022 - \$604 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 September 30, 2022 and June 30, 2022:

*In thousands of US dollars*

		September 30, 2022	June 30, 2022
Prospective reinsurance <sup>a</sup>	- IPR	\$ 377,734	\$ 406,458
	- Specific Reserve for Claims	86,187	60,937
		<u>463,921</u>	<u>467,395</u>
Retroactive reinsurance <sup>b</sup>	- IPR	8,255	8,786
Reinsurance recoverable, net		<u>\$ 472,176</u>	<u>\$ 476,181</u>

*a. Includes allowance for credit losses of \$619 thousand (\$604 thousand - June 30, 2022).*

*b. Includes allowance for credit losses \$7 thousand (\$7 thousand - June 30, 2022).*

The net increase in reserves for claims reflected in the Condensed Statements of Income for the three months ended September 30, 2022 and September 30, 2021 comprised changes in the Insurance Portfolio Reserve and Specific reserve for claims as follows:

*In thousands of US dollars*

	Three Months Ended	
	September 30, 2022	September 30, 2021
(Decrease) increase in Net Reserves:		
Insurance Portfolio Reserve	\$ (7,661)	\$ (422)
Specific reserve for claims	14,395	3,544
Increase in reserves, before translation adjustment	<u>6,734</u>	<u>3,122</u>
Foreign currency translation gains	(4,047)	(2,027)
Increase in reserves, net	<u>\$ 2,687</u>	<u>\$ 1,095</u>

For the three months ended September 30, 2022 and September 30, 2021, MIGA's claims reserving methodology and the related key 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 by holding equivalent amounts in the same currency to the extent possible in the Investment portfolio. The amount by which the reserve increases (decreases) as a result of translation adjustment is offset by the translation (losses) gains 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 before translation adjustments for the three months ended September 30, 2022 and September 30, 2021, were attributable to the following factors:

*In thousands of US dollars*

	Three Months Ended	
	September 30, 2022	September 30, 2021
Changes in portfolio size and risk profile, net	\$ (4,130)	\$ (511)
Changes in discount rate	(3,375)	(406)
Changes in host country risk ratings, net	(156)	495
Net decrease in Insurance Portfolio Reserve	<u>\$ (7,661)</u>	<u>\$ (422)</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, 2022 and fiscal year ended June 30, 2022:

*In thousands of US dollars*

	Three Months Ended	Fiscal Year Ended
	September 30, 2022	June 30, 2022
Gross IPR, beginning balance	\$ 644,091	\$ 726,703
Less: Reinsurance recoverables	<u>(406,458)</u>	<u>(476,751)</u>
Net IPR, beginning balance	237,633	249,952
Decrease in reserves before translation adjustments	(7,661)	(2,536)
Foreign currency translation gains	<u>(4,047)</u>	<u>(9,668)</u>
Decrease in reserves, net of reinsurance	(11,708)	(12,204)
Decrease in allowance for credit losses	<u>(31)</u>	<u>(114)</u>
Net IPR, ending balance <sup>ad</sup>	225,895	237,633
Add: Reinsurance recoverables, net <sup>b</sup>	<u>377,734</u>	<u>406,458</u>
Gross IPR, ending balance <sup>c</sup>	<u>\$ 603,629</u>	<u>\$ 644,091</u>

a. As of September 30, 2022 represents 2.6% of Total Net Exposure (June 30, 2022 - 2.6%).

b. As of September 30, 2022, excludes \$8,255 thousand (June 30, 2022 - \$8,786 thousand) reinsurance recoverables associated with retroactive reinsurance contracts which is included in the Reinsurance recoverables, net on the Condensed Balance Sheet.

c. As of September 30, 2022 represents 2.5% of Total Gross Exposure (June 30, 2022 - 2.6%).

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

## Notes to Financial Statements

The following table provides an analysis of the changes in the gross specific reserve for claims for the three months ended September 30, 2022 and fiscal year ended June 30, 2022:

*In thousands of US dollars*

	Three Months Ended September 30, 2022	Fiscal Year Ended June 30, 2022
Gross specific reserve for claims, beginning balance	\$ 81,719	\$ 20,084
Less: Reinsurance recoverables, net	(60,937)	(15,781)
Net specific reserve for claims, beginning balance	20,782	4,303
Increase (decrease) in specific reserve for claims, before translation adjustments		
- Current year	14,994	16,365
- Prior years	(599)	-
Increase in specific reserve for claims, net of reinsurance	14,395	16,365
Increase in allowance for credit losses	45	113
Net specific reserve for claims, ending balance <sup>a</sup>	35,222	20,782
Add: Reinsurance recoverables, net	86,187	60,937
Gross specific reserve for claims, ending balance	\$ 121,409	\$ 81,719

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

The gross Specific Reserve for Claims as of September 30, 2022 and June 30, 2022 comprises:

	September 30, 2022	June 30, 2022
Reserve for pending claims	\$ 33,027	\$ 18,871
Probable loss reserve	88,382	62,848
Gross Specific reserve	\$ 121,409	\$ 81,719

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, 2022, net of reinsurance, and cumulative claim frequency. The tables include unaudited information about incurred and paid claims development for the years ended June 30, 2014 through 2022, which is presented as supplementary information:

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

<i>In thousands of US dollars</i>												
Reported Claims											Period	
For the fiscal year ended June 30, (Unaudited)											Ended	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 Q1	Probable Loss Reserve	Cumulative number of Reported Claims
Accident Year												
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									4,008	4,008	16,774	3
<b>2023 Q1</b>												
PRI										5,564	22,919	3
NH										-	2,731	-
Total										<u>14,715</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
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 Q1
Accident Year										
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									-	-
2023 Q1										-
Total										<u>5,143</u>
										<u>9,572</u>
										<u>Liabilities for claims, net of reinsurance</u>

(Continued)

## Notes to Financial Statements

The following table presents a reconciliation of the net incurred and paid claims development tables to the liability for claims on the Condensed Balance Sheet as of September 30, 2022 and June 30, 2022:

*In thousands of US dollars*

	September 30, 2022	June 30, 2022
Specific Reserve for claims, Net of Reinsurance	\$ 35,222	\$ 20,782
Reinsurance recoverable, net of CECL allowance	86,187	60,937
Gross Specific Reserve for Claims	<u>\$ 121,409</u>	<u>\$ 81,719</u>

The following table presents supplementary information about average historical claims duration as of September 30, 2022:

### *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%	0%	0%	0%	0%	0%	0%	0%	0%

### *Current Expected Credit Loss (CECL)*

MIGA follows the CECL accounting guidance that requires the application of a single allowance model for all financial assets measured at amortized cost. The income statement effect of all changes in the allowance for credit losses is recognized in 'Allowance for credit losses' line on the Condensed Statements of Income.

### *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 computes a CECL allowance 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 Statements of Income in relation to the presentation requirement under CECL:

Asset Type	Balance Sheet		Statements of Income
	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, 2022 and June 30, 2022:

*In thousands of US dollars*

Reinsurer Risk Rating	Allowance for Credit Losses	
	September 30, 2022	June 30, 2022
AAA	\$ 4	\$ 3
AA	92	90
AA-	134	137
A+	335	316
A	40	43
A-	20	22
<b>Total<sup>a</sup></b>	<b>\$ 626</b>	<b>\$ 611</b>

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

### *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, 2022 and fiscal year ended June 30, 2022:

*In thousands of US dollars*

	Three Months Ended September 30, 2022	Fiscal Year Ended June 30, 2022
Accumulated allowance, beginning of the fiscal year <sup>a</sup>	\$ 611	\$ 613
Increase (decrease) in allowance	14	(1)
Accumulated allowance, end of the period <sup>b</sup>	<u>\$ 626</u>	<u>\$ 611</u>
Attributable to:		
Prospective Reinsurance	\$ 619	\$ 604
Retroactive Reinsurance	7	7

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

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

(Continued)

## Notes to Financial Statements

### Note G: Pension and Other Post-retirement Benefits

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

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

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

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

The following table summarizes MIGA's respective share of the costs associated with the SRP, RSBP, and PEBP for the fiscal year ended September 30, 2022 and September 30, 2021:

*In thousands of US dollars*

Benefit Cost	Three Months Ended				Three Months Ended			
	September 30, 2022				September 30, 2021			
	SRP	RSBP	PEBP	Total	SRP	RSBP	PEBP	Total
Interest cost	\$ 2,917	\$ 449	\$ 316	\$ 3,682	\$ 1,993	\$ 330	\$ 210	\$ 2,533
Expected return on plan assets	(4,145)	(651)	-	(4,796)	(3,795)	(593)	-	(4,388)
Amortization of unrecognized prior service cost <sup>a</sup>	12	38	6	56	11	44	6	61
Amortization of unrecognized net actuarial losses <sup>a</sup>	-	(77)	-	(77)	-	-	135	135
<b>Net periodic pension (credit) cost, excluding service cost</b>	<b>\$ (1,216)</b>	<b>\$ (241)</b>	<b>\$ 322</b>	<b>\$ (1,135)</b>	<b>\$ (1,791)</b>	<b>\$ (219)</b>	<b>\$ 351</b>	<b>\$ (1,659)</b>
Service cost <sup>b</sup>	2,025	486	379	2,890	2,505	602	447	3,554
<b>Net periodic pension cost</b>	<b>\$ 809</b>	<b>\$ 245</b>	<b>\$ 701</b>	<b>\$ 1,755</b>	<b>\$ 714</b>	<b>\$ 383</b>	<b>\$ 798</b>	<b>\$ 1,895</b>

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 September 30, 2022 and June 30, 2022:

*In thousands of US dollars*

	September 30, 2022	June 30, 2022
Payable to reinsurers and brokers	\$ 18,843	\$ 49,000
Payable to affiliated organizations - Administrative and other services (Note I)	15,865	20,210
Liabilities for application and processing fees	9,262	9,259
Accrued benefit reserves	8,841	9,088
Premium receipt (future contract periods)	3,899	7,975
Payable for investment securities purchased	10,614	10,766
Other/Miscellaneous	4,740	3,758
Other liabilities	<u>\$ 72,064</u>	<u>\$ 110,056</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 months ended September 30, 2022 and September 30, 2021 are as follows:

*In thousands of US dollars*

	Three Months Ended	
	September 30, 2022	September 30, 2021
Fees charged/premium ceded - IBRD/IDA	\$ 3,250	\$ 2,856
Fees charged by IFC	1,063	672

(Continued)

## Notes to Financial Statements

At September 30, 2022 and June 30, 2022, 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, 2022			June 30, 2022		
	Administrative & Other Services <sup>a</sup>	Pension and Other Postretirement Benefits <sup>b</sup>	Total	Administrative & Other Services <sup>a</sup>	Pension and Other Postretirement Benefits <sup>b</sup>	Total
IBRD/IDA	\$ (10,905)	\$ 23,800	\$ 12,895	\$ (14,812)	\$ 24,600	\$ 9,788
IFC	(4,960)	-	(4,960)	(5,398)	-	(5,398)
	<u>\$ (15,865)</u>	<u>\$ 23,800</u>	<u>\$ 7,935</u>	<u>\$ (20,210)</u>	<u>\$ 24,600</u>	<u>\$ 4,391</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 Condensed 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, 2022 and June 30, 2022, the outstanding off-Condensed Balance Sheet amounts relating to this exposure exchange agreement were as follows:

*In thousands of US dollars*

	September 30, 2022	June 30, 2022
IBRD's exposure in Brazil assumed by MIGA	\$ 15,913	\$ 21,721
MIGA's exposure in Panama assumed by IBRD	19,128	22,002
Net amount	<u>\$ (3,215)</u>	<u>\$ (281)</u>

As of September 30, 2022, there were no recorded liabilities related to MIGA's obligation under the existing exposure exchange agreement with IBRD included in Insurance portfolio reserve on the Condensed Balance Sheet (\$NIL – June 30, 2022).

### IDA18 IFC-MIGA Private Sector Window (PSW)

As of September 30, 2022, the amounts ceded to IDA under the first loss layer totaled \$268,737,000 (\$271,658,000 – June 30, 2022).

(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 months ended September 30, 2022 and September 30, 2021, are as follows:

*In thousands of US dollars*

	Three Months Ended	
	September 30, 2022	September 30, 2021
Premium ceded	\$ 670	\$ 431
Ceding commission	101	65

### 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, 2022 and September 30, 2021:

*In thousands of US dollars*

	Three Months Ended September 30, 2022			
	Cumulative Translation Adjustment <sup>a</sup>	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	\$ (3,802)	\$ (495)	\$ (862)
Changes during the period:				
Amounts reclassified into net income <sup>b</sup>	-	(77)	56	(21)
Net change during period	-	(77)	56	(21)
Balance, end of period	<u>\$ 3,435</u>	<u>\$ (3,879)</u>	<u>\$ (439)</u>	<u>\$ (883)</u>

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, 2021			
	Cumulative Translation Adjustment <sup>a</sup>	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 <sup>b</sup>	-	135	61	196
Net change during the period	-	135	61	196
Balance, end of period	<u>\$ 3,435</u>	<u>\$ (40,826)</u>	<u>\$ (677)</u>	<u>\$ (38,068)</u>

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, 2022 and June 30, 2022, 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, 2022, 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, 2022 and June 30, 2022:

*In thousands of US dollars*

	<i>Fair Value Measurements on a Recurring Basis</i>			
	<i>As of September 30, 2022</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>ASSETS</b>				
Government and agency obligations	\$ 457,690	\$ 816,485	\$ -	\$ 1,274,175
Time deposits <sup>b</sup>	45,104	581,025	-	626,129
Asset-backed securities	-	30,381	-	30,381
Total investments - Trading <sup>b</sup>	<u>\$ 502,794</u>	<u>\$ 1,427,891</u>	<u>\$ -</u>	<u>\$ 1,930,685</u>
<b>Derivative Assets</b>				
Currency forward contracts	\$ -	\$ 1,038	\$ -	\$ 1,038
Currency swaps	-	66,475	-	66,475
Interest rate swaps	-	10,323	-	10,323
Others <sup>a</sup>	3,942	-	-	3,942
	<u>\$ 3,942</u>	<u>\$ 77,836</u>	<u>\$ -</u>	<u>\$ 81,778</u>
Less:				
Amounts subject to legally enforceable master netting agreements				1,063
Cash collateral received				75,473
<b>Derivative Assets, net<sup>b</sup></b>				<u>\$ 5,242</u>
<b>LIABILITIES</b>				
<b>Derivative Liabilities</b>				
Currency forward contracts	\$ -	\$ 19	\$ -	\$ 19
Currency swaps	\$ -	\$ 24	\$ -	\$ 24
Interest rate swaps	-	1,020	-	1,020
	<u>\$ -</u>	<u>\$ 1,063</u>	<u>\$ -</u>	<u>\$ 1,063</u>
Less:				
Amounts subject to legally enforceable master netting agreements				1,063
<b>Derivative Liabilities, net<sup>b</sup></b>				<u>\$ -</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.

(Continued)

## Notes to Financial Statements

In thousands of US dollars

	Fair Value Measurements on a Recurring Basis			
	As of June 30, 2022			
	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
Government and agency obligations	\$ 388,372	\$ 852,364	\$ -	\$ 1,240,736
Time deposits	35,202	639,426	-	674,628
Asset-backed securities	-	29,105	-	29,105
Total investments - Trading	<u>\$ 423,574</u>	<u>\$ 1,520,895</u>	<u>\$ -</u>	<u>\$ 1,944,469</u>
<b>Derivative Assets</b>				
Currency forward contracts	\$ -	\$ 1,412	\$ -	\$ 1,412
Currency swaps	-	53,226	-	53,226
Interest rate swaps	-	3,487	-	3,487
Others <sup>a</sup>	2,694	-	-	2,694
	<u>\$ 2,694</u>	<u>\$ 58,125</u>	<u>\$ -</u>	<u>\$ 60,819</u>
Less:				
Amounts subject to legally enforceable master netting agreements				2,571
Cash collateral received				53,921
<b>Derivative Assets, net<sup>b</sup></b>				<u>\$ 4,328</u>
<b>LIABILITIES</b>				
<b>Derivative Liabilities:</b>				
Currency forward contracts	\$ -	\$ 377	\$ -	\$ 377
Currency swaps	-	1,662	-	1,662
Interest rate swaps	-	810	-	810
	<u>\$ -</u>	<u>\$ 2,849</u>	<u>\$ -</u>	<u>\$ 2,849</u>
Less:				
Amounts subject to legally enforceable master netting agreements				2,571
<b>Derivative Liabilities, net</b>				<u>\$ 278</u>

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

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

During the three months ended September 30, 2022 and fiscal year ended June 30, 2022, there were no transfers within the levels of fair value hierarchy.

(Continued)





**Deloitte & Touche LLP**  
7900 Tysons One Place  
Suite 800  
McLean, VA 22102  
USA  
Tel: +1 703 251 1000  
Fax: +1 703 251 3400  
[www.deloitte.com](http://www.deloitte.com)

## 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 Multilateral Investment Guarantee Agency ("MIGA") as of September 30, 2022, and the related condensed statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the three-month periods ended September 30, 2022 and 2021, 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, 2022

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, 2022, 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 4, 2022. In our opinion, the accompanying condensed balance sheet of MIGA as of June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Deloitte & Touche US*

November 9, 2022