



Condensed Quarterly Financial Statements

U N A U D I T E D

December 31, 2022

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

	December 31, 2022	June 30, 2022
Assets		
Cash.....	\$ 13,930	\$ 28,250
Investments - Trading (including securities transferred under repurchase agreements) - Notes B and K.....	2,000,884	1,944,469
Derivative assets, net - Notes C and K.....	4,129	4,328
Non-negotiable, non interest - bearing demand obligations - Note D.....	108,014	107,630
Reinsurance recoverable, net - Note F.....	482,428	476,181
Prepaid premium ceded to reinsurers - Note E.....	359,166	381,550
Other assets - Notes B, G and I.....	56,597	82,087
TOTAL ASSETS.....	\$ 3,025,148	\$ 3,024,495
Liabilities and Shareholders' Equity		
LIABILITIES		
Reserve for claims, gross - Note F.....		
Specific reserves for claims.....	\$ 133,477	\$ 81,719
Insurance portfolio reserve.....	606,821	644,091
Reserve for claims - gross.....	740,298	725,810
Unearned premiums and commitment fees - Note E.....	586,302	620,085
Derivative liabilities, net - Notes C and K.....	8,686	278
Liabilities for pension and other post-retirement benefits - Note G.....	29,825	28,902
Other liabilities - Notes B, H and I.....	76,878	110,056
TOTAL LIABILITIES.....	1,441,989	1,485,131
CONTINGENT LIABILITIES - Note E		
SHAREHOLDERS' EQUITY		
Capital stock - Note D		
Authorized capital (186,665 shares - December 31, 2022; 186,665 Shares - June 30, 2022)		
Subscribed capital (177,409 shares - December 31, 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.....	1,217,773	1,173,935
Accumulated other comprehensive loss - Note J.....	(905)	(862)
TOTAL SHAREHOLDERS' EQUITY.....	1,583,159	1,539,364
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....	\$ 3,025,148	\$ 3,024,495

See accompanying notes to the financial statements

Condensed Statements of Income

Expressed in thousands of US dollars

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2022	2021	2022	2021
INCOME				
Net premium income - Note E.....	29,909	30,154	60,313	60,442
Income from investments - Note B.....	18,465	(1,299)	22,315	(131)
Miscellaneous income.....	53	138	102	224
Total income.....	<u>48,427</u>	<u>28,993</u>	<u>82,730</u>	<u>60,535</u>
EXPENSES				
Increase (decrease) in reserve for claims, net - Note F				
(Decrease) increase in reserves, excluding translation losses (gains).	(137)	(2,392)	6,597	730
Translation losses (gains).....	4,955	(1,625)	908	(3,652)
Increase (decrease) in reserve for claims, net.....	<u>4,818</u>	<u>(4,017)</u>	<u>7,505</u>	<u>(2,922)</u>
Increase (decrease) in allowance for credit losses - Note F.....	131	(47)	145	(2)
Administrative expenses (including Pension service cost) - Notes G and I	17,078	15,236	35,367	30,465
Pension credit (excluding Pension service cost) - Note G.....	(1,133)	(1,660)	(2,268)	(3,319)
Translation (gains) losses - Investments and other assets.....	(6,940)	951	(1,857)	3,347
Increase in reserves and total expenses.....	<u>13,954</u>	<u>10,463</u>	<u>38,892</u>	<u>27,569</u>
NET INCOME.....	<u>\$ 34,473</u>	<u>\$ 18,530</u>	<u>\$ 43,838</u>	<u>\$ 32,966</u>

See accompanying notes to the financial statements

Condensed Statements of Comprehensive Income

Expressed in thousands of US dollars

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2022	2021	2022	2021
NET INCOME.....	\$ 34,473	\$ 18,530	\$ 43,838	\$ 32,966
OTHER COMPREHENSIVE INCOME - Note J				
Amortization of unrecognized net actuarial (gains) losses	(77)	134	(154)	269
Amortization of unrecognized prior service costs.....	55	61	111	122
Total other comprehensive (loss) income.....	(22)	195	(43)	391
COMPREHENSIVE INCOME.....	\$ 34,451	\$ 18,725	\$ 43,795	\$ 33,357

Condensed Statements of Changes in Shareholders' Equity

Expressed in thousands of US dollars

	Six Months Ended	
	December 31,	
	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.....	43,838	32,966
Ending Balance.....	1,217,773	1,179,343
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance at beginning of the fiscal year.....	(862)	(38,264)
Other comprehensive (loss) income.....	(43)	391
Ending Balance.....	(905)	(37,873)
TOTAL SHAREHOLDERS' EQUITY	\$ 1,583,159	\$ 1,507,761

Condensed Statements of Cash Flows

Expressed in thousands of US dollars

	Six Months Ended December 31,	
	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES		
Net income.....	\$ 43,838	\$ 32,966
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Increase (decrease) in reserve for claims, net - Note F.....	7,505	(2,922)
Increase (decrease) in allowance for credit losses - Note F.....	145	(2)
Translation (gains) losses - Investments and other assets.....	(1,857)	3,347
Claims paid, net of reinsurance recoveries.....	(282)	-
Net change in:		
Investments - Trading, net.....	(44,563)	(11,055)
Prepaid premiums ceded to reinsurers.....	26,056	29,254
Other assets and liabilities.....	(7,421)	(149)
Unearned premiums and commitment fees.....	(39,126)	(40,854)
Net cash (used in) provided by operating activities	<u>(15,705)</u>	<u>10,585</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH.....	1,385	(71)
Net (decrease) increase in cash.....	(14,320)	10,514
Cash at beginning of the fiscal year.....	28,250	10,945
CASH AT END OF THE PERIOD.....	<u><u>\$ 13,930</u></u>	<u><u>\$ 21,459</u></u>

See accompanying notes to the 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, 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 February 13, 2023, 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 December 31, 2022, the majority of the Investments – Trading is comprised of Government and agency obligations and Time deposits (74.2% and 24.0%, 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 December 31, 2022 and June 30, 2022 is as follows:

In thousands of US dollars

	<i>Fair Value</i>	
	December 31, 2022	June 30, 2022
Government and agency obligations	\$ 1,484,178	\$ 1,240,736
Time deposits	479,671	674,628
Asset-backed securities (ABS)	37,035	29,105
Total investments - Trading	<u>\$ 2,000,884</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 December 31, 2022 and June 30, 2022:

In thousands of US dollars

	<i>Fair Value</i>	
	December 31, 2022	June 30, 2022
Investment - Trading	\$ 2,000,884	\$ 1,944,469
Cash held in investment portfolio ^a	9,410	21,507
Receivable for investment securities sold ^b	5,564	1,285
	<u>2,015,858</u>	<u>1,967,261</u>
Derivative assets		
Currency forward contracts	-	1,412
Currency swaps	29,144	53,226
Interest rate swaps	11,363	3,487
Others ^c	3,848	2,694
	<u>44,355</u>	<u>60,819</u>
Derivative liabilities		
Currency forward contracts	(6,768)	(377)
Currency swaps	(21,095)	(1,662)
Interest rate swaps	(1,048)	(810)
	<u>(28,911)</u>	<u>(2,849)</u>
Payable for investment securities purchased ^d	(15,588)	(10,766)
Payable for cash collateral received	(21,208)	(54,582)
Net investment portfolio	<u>\$ 1,994,506</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 December 31, 2022 and June 30, 2022:

In thousands of US dollars

	December 31, 2022		June 30, 2022	
	Carrying Value	%	Carrying Value	%
US Dollars	\$ 1,850,430	92.7	\$ 1,797,589	91.7
Euro	140,762	7.1	160,252	8.2
Other	3,314	0.2	2,042	0.1
	<u>\$ 1,994,506</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 and six months ended December 31, 2022 and December 31, 2021:

In thousands of US dollars

	Three Months Ended		Six Months Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Interest income	\$ 14,643	\$ 1,822	\$ 23,991	\$ 3,744
Realized (losses) gains	(2,284)	(908)	(570)	1,012
Unrealized gains (losses)	6,106	(2,213)	(1,106)	(4,887)
	<u>\$ 18,465</u>	<u>\$ (1,299)</u>	<u>\$ 22,315</u>	<u>\$ (131)</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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 and six months ended December 31, 2022 and December 31, 2021:

In thousands of US dollars

	Three Months Ended		Six Months Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Interest income (expense)	\$ 7,285	\$ (543)	\$ 10,858	\$ (1,175)
Realized (losses) gains	(606)	(156)	3,572	2,471
Unrealized gains (losses)	1,676	(3,197)	5,998	(3,663)
	<u>\$ 8,355</u>	<u>\$ (3,896)</u>	<u>\$ 20,428</u>	<u>\$ (2,367)</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 December 31, 2022 and June 30, 2022:

In thousands of US dollars

Type of contracts	December 31, 2022	June 30, 2022
Interest rate swaps		
Notional principal	\$ 229,041	\$ 135,100
Credit exposure	11,363	3,488
Currency forward contracts and currency swaps		
Notional principal	829,171	785,786
Credit exposure	29,144	54,638
Exchange traded options and futures ^a		
Notional long position	30,562	14,000
Notional short position	506,467	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.

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Notes to Financial Statements

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.

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, 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

	December 31, 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	\$ 24,682	\$ (13,319)	\$ 11,363	\$ 2,681	\$ (1,633)	\$ 1,048
Currency forward contracts	-	-	-	134,689	(127,921)	6,768
Currency swaps	322,620	(293,476)	29,144	408,226	(387,131)	21,095
Others ^a	3,848	-	3,848	-	-	-
	<u>\$ 351,150</u>	<u>\$ (306,795)</u>	<u>\$ 44,355</u>	<u>\$ 545,596</u>	<u>\$ (516,685)</u>	<u>\$ 28,911</u>
Amounts subject to legally enforceable master netting agreement			(20,225)			(20,225)
Net derivative positions at counterparty level			<u>\$ 24,130</u>			<u>\$ 8,686</u>
Less:						
Cash collateral received ^b			(20,001)			
Net derivative exposure after collateral			<u>\$ 4,129</u>			

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

b. Does not include excess collateral received (\$1.2m).

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 ^a	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)
Net derivative positions at counterparty level			<u>\$ 58,248</u>			<u>\$ 278</u>
Less:						
Cash collateral received ^b			(53,921)			
Net derivative exposure after collateral			<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 December 31, 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 December 31, 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 December 31, 2022, MIGA had \$108,014,000 (\$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 six months ended December 31, 2022 and fiscal year ended June 30, 2022:

	Initial Capital		Capital Increase		Total	
	Shares	(US\$000)	Shares	(US\$000)	Shares	(US\$000)
At December 31, 2022						
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, 2022						
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 \$25,077,460,000 as of December 31, 2022 (\$24,449,225,000 – June 30, 2022).

The composition of MIGA's gross exposure as of December 31, 2022 and June 30, 2022 was as follows:

In thousands of US dollars

	December 31, 2022	June 30, 2022
Gross exposure (Maximum amount of contingent liability)*	\$ 25,077,460	\$ 24,449,225
Of which:		
Current amounts*	21,075,615	19,971,718
Standby amounts*	1,848,760	2,443,349
Future interest amounts*	2,174,676	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 \$15,070,765 as of December 31, 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

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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 December 31, 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 December 31, 2022, out of a total gross exposure of \$494,499,000 (\$425,144,000 – June 30, 2022), amounts ceded to CAFEF under the first and second loss layers totaled \$54,607,000 (\$39,975,000 – June 30, 2022) and out of the total gross exposure of \$3,683,000 (\$3,588,000 – June 30, 2022), amounts ceded to RECTF under the first loss layer totaled \$589,300 (\$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 December 31, 2022, MIGA's gross exposure on projects utilizing this facility was \$1,000,176,000 (\$1,047,793,000 – June 30, 2022), and the amount ceded to IDA under the first loss layer totaled \$265,367,000 (\$271,658,000 – June 30, 2022).

The table below provides a reconciliation between MIGA's gross guarantee exposure and net exposure as of December 31, 2022 and June 30, 2022:

In thousands of US dollars

	December 31, 2022	June 30, 2022
Gross guarantee exposure	\$ 25,077,460	\$ 24,449,225
Less: Ceded exposures		
Facultative and Treaty reinsurers	(15,621,907)	(15,145,290)
CAFEF	(54,607)	(39,975)
IDA PSW - MGF (Note I)	(265,367)	(271,658)
Renewable Energy Catalyst Trust Fund (RECTF)	(589)	(574)
Net guarantee exposure before exposure exchange ^a	9,134,989	8,991,728
Less:		
Exposure Exchange Agreement (Note I)	(378)	(281)
Net guarantee exposure	\$ 9,134,611	\$ 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 December 31, 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 and six months ended December 31, 2022 and December 31, 2021 were as follows:

In thousands of US dollars

	Three Months Ended		Six Months Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Premiums written				
Direct	\$ 51,534	\$ 52,726	\$ 86,129	\$ 77,632
Upfront premium contracts ^a	6,990	8,959	9,064	8,959
Regular guarantee contracts ^b	44,544	43,767	77,065	68,673
Assumed	312	(27)	622	512
Ceded	(29,204)	(26,179)	(50,244)	(40,811)
Upfront premium contracts ^a	(6,160)	(5,116)	(7,931)	(5,116)
Regular guarantee contracts ^b	(23,044)	(21,063)	(42,313)	(35,695)
	<u>\$ 22,642</u>	<u>\$ 26,520</u>	<u>\$ 36,507</u>	<u>\$ 37,333</u>
Gross premium income				
Direct	58,998	57,254	\$ 117,846	\$ 114,576
Assumed	312	195	622	741
	<u>59,310</u>	<u>57,449</u>	<u>118,468</u>	<u>115,317</u>
Premium ceded	<u>(38,573)</u>	<u>(35,363)</u>	<u>(76,271)</u>	<u>(71,060)</u>
Net Premium earned	20,737	22,086	42,197	44,257
Ceding commission and other fees	10,234	9,469	20,365	18,951
Brokerage and other charges	(1,062)	(1,401)	(2,249)	(2,766)
Net Premium Income	<u>\$ 29,909</u>	<u>\$ 30,154</u>	<u>\$ 60,313</u>	<u>\$ 60,442</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, 2022 and June 30, 2022:

In thousands of US dollars

	December 31, 2022	June 30, 2022
Upfront premium contracts ^a	\$ 355,284	\$ 376,624
Regular guarantee contracts ^b	3,882	4,926
	<u>\$ 359,166</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 December 31, 2022 and June 30, 2022:

In thousands of US dollars

	December 31, 2022	June 30, 2022
Upfront premium contracts ^a	\$ 537,375	\$ 572,365
Regular guarantee contracts ^b	48,927	47,720
	<u>\$ 586,302</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 December 31, 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 – June 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 December 31, 2022, the maximum level of guarantees outstanding (including reinsurance) may not exceed \$32,444,197,000 (\$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 December 31, 2022 and June 30, 2022 are as follows:

In thousands of US dollars

	December 31, 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	\$ 8,020,996	\$ 12,099,940	\$ 7,381,392	\$ 11,554,328
% of Total Gross Exposure	32.0	48.3	30.2	47.3
Net Exposure	\$ 2,032,363	\$ 3,533,856	\$ 1,974,191	\$ 3,421,283
% of Total Net Exposure	22.3	38.7	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 December 31, 2022 and June 30, 2022 are shown in the following table:

In thousands of US dollars

	December 31, 2022			June 30, 2022		
	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
East Asia & Pacific	\$ 2,664,277	\$ 665,853	7.3	\$ 2,882,072	\$ 721,762	8.0
Europe & Central Asia	5,446,789	1,867,564	20.4	4,866,600	1,634,182	18.2
Latin America & Caribbean	5,712,453	1,764,981	19.3	5,256,919	1,754,385	19.5
Middle East & North Africa	3,417,171	1,009,504	11.1	3,492,824	1,071,901	11.9
South Asia	1,366,290	534,552	5.9	1,396,824	543,349	6.1
Sub-Saharan Africa	6,101,481	3,217,382	35.2	6,191,755	3,192,465	35.5
Regional Development Bank (RDB)	368,999	74,775	0.8	362,231	73,403	0.8
	<u>\$25,077,460</u>	<u>\$9,134,611</u>	<u>100.0</u>	<u>\$24,449,225</u>	<u>\$8,991,447</u>	<u>100.0</u>

(Continued)

Notes to Financial Statements

The sectoral distribution of MIGA's portfolio at December 31, 2022 and June 30, 2022 are shown in the following table:

In thousands of US dollars

Sector	December 31, 2022			June 30, 2022		
	Gross Exposure ^a	Net Exposure	% of Total Net Exposure ^a	Gross Exposure	Net Exposure	% of Total Net Exposure
Agribusiness	\$ 74,148	\$ 73,008	0.8	\$ 74,148	\$ 73,008	0.8
Construction	612,578	104,935	1.1	598,505	102,581	1.1
Financial	9,772,442	3,293,910	36.1	8,657,317	3,021,059	33.6
Infrastructure	11,133,588	4,201,391	46.0	11,457,095	4,306,259	47.9
Manufacturing	851,601	523,417	5.7	872,525	543,043	6.1
Mining	1,197,173	325,745	3.6	1,288,225	339,542	3.8
Oil and Gas	153,634	94,930	1.0	190,959	99,228	1.1
Services	1,152,510	387,490	4.2	1,228,309	424,585	4.7
Tourism	129,785	129,785	1.4	82,142	82,142	0.9
	<u>\$25,077,460</u>	<u>\$9,134,611</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 December 31, 2022 and June 30, 2022:

In thousands of US dollars

	December 31, 2022			June 30, 2022		
	IPR	Specific Reserve for Claims	Total	IPR	Specific Reserve for Claims	Total
Gross Reserve for Claims ^c	\$ 606,821	\$ 133,477	\$ 740,298	\$ 644,091	\$ 81,719	\$ 725,810
Less: Reinsurance recoverable ^{a,b}	(378,796)	(95,718)	(474,514)	(406,458)	(60,937)	(467,395)
Net Reserve for Claims	<u>\$ 228,025</u>	<u>\$ 37,759</u>	<u>\$ 265,784</u>	<u>\$ 237,633</u>	<u>\$ 20,782</u>	<u>\$ 258,415</u>

a. As of December 31, 2022, excludes \$7,914 thousand (June 30, 2022 - \$8,786 thousand) reinsurance recoverable, net of allowance for credit losses of \$6 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 \$749 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 December 31, 2022 and June 30, 2022:

In thousands of US dollars

		December 31, 2022	June 30, 2022
Prospective reinsurance ^a	- IPR	\$ 378,796	\$ 406,458
	- Specific Reserve for Claims	95,718	60,937
		<u>474,514</u>	<u>467,395</u>
Retroactive reinsurance ^b	- IPR	7,914	8,786
Reinsurance recoverable, net		<u>\$ 482,428</u>	<u>\$ 476,181</u>

a. Includes allowance for credit losses of \$749 thousand (\$604 thousand - June 30, 2022).

b. Includes allowance for credit losses \$6 thousand (\$7 thousand - June 30, 2022).

The net increase in reserves for claims reflected in the Condensed Statements of Income for the three and six months ended December 31, 2022 and December 31, 2021 comprised 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, 2022	December 31, 2021	December 31, 2022	December 31, 2021
(Decrease) increase in Net Reserves:				
Insurance Portfolio Reserve	\$ (2,824)	\$ (4,759)	\$ (10,485)	\$ (5,181)
Specific reserve for claims ^a	2,687	2,367	17,082	5,911
(Decrease) increase in reserves, before translation adjustment	<u>(137)</u>	<u>(2,392)</u>	<u>6,597</u>	<u>730</u>
Foreign currency translation gains	4,955	(1,625)	908	(3,652)
Increase (decrease) in reserves, net	<u>\$ 4,818</u>	<u>\$ (4,017)</u>	<u>\$ 7,505</u>	<u>\$ (2,922)</u>

a. Before claim payment of \$281k (inclusive of translation adjustment of \$6k).

For the three and six months ended December 31, 2022 and December 31, 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 six months ended December 31, 2022 and December 31, 2021, were attributable to the following factors:

In thousands of US dollars

	Six Months Ended	
	December 31, 2022	December 31, 2021
Changes in discount rate	\$ (7,127)	\$ (1,992)
Changes in portfolio size and risk profile, net	(6,991)	(3,794)
Changes in host country risk ratings, net	3,761	(80)
Others	(128)	685
Net decrease in Insurance Portfolio Reserve	<u>\$ (10,485)</u>	<u>\$ (5,181)</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, 2022 and fiscal year ended June 30, 2022:

In thousands of US dollars

	Six Months Ended	Fiscal Year Ended
	December 31, 2022	June 30, 2022
Gross IPR, beginning balance	\$ 644,091	\$ 726,703
Less: Reinsurance recoverables	(406,458)	(476,751)
Net IPR, beginning balance	237,633	249,952
Decrease in reserves before translation adjustments	(10,485)	(2,536)
Foreign currency translation gains	902	(9,668)
Decrease in reserves, net of reinsurance	(9,583)	(12,204)
Decrease in allowance for credit losses	(26)	(114)
Provision for claims, net of reinsurance	(9,609)	(12,318)
Net IPR, ending balance ^{ad}	228,025	237,633
Add: Reinsurance recoverables, net ^b	378,796	406,458
Gross IPR, ending balance ^c	<u>\$ 606,821</u>	<u>\$ 644,091</u>

a. As of December 31, 2022 represents 2.5% of Total Net Exposure (June 30, 2022 - 2.6%).

b. As of December 31, 2022, excludes \$7,914 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 December 31, 2022 represents 2.4% 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 six months ended December 31, 2022 and fiscal year ended June 30, 2022:

In thousands of US dollars

	Six Months Ended December 31, 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	17,679	16,365
- Prior years	(597)	-
Increase in specific reserve for claims, net of reinsurance	17,082	16,365
Less: Claims paid		
- Current year	-	-
- Prior years	(281)	-
Total Claims Paid	(281)	-
Translation adjustment	6	-
Increase in allowance for credit losses	171	113
Net specific reserve for claims, ending balance ^a	37,759	20,782
Add: Reinsurance recoverables, net	95,718	60,937
Gross specific reserve for claims, ending balance	\$ 133,477	\$ 81,719

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

The gross Specific Reserve for Claims as of December 31, 2022 and June 30, 2022 comprises:

In thousands of US dollars

	December 31, 2022	June 30, 2022
Reserve for pending claims	\$ 32,782	\$ 18,871
Probable loss reserve	100,695	62,848
Gross Specific reserve	\$ 133,477	\$ 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.

(Continued)

Notes to Financial Statements

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.

The following tables present information about incurred and paid claims development as of December 31, 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		Cumulative number of Reported Claims
	For the fiscal year ended June 30, (Unaudited)									Ended		
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 Q2	Probable Loss Reserve	
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	3,997	16,774	3
2023 Q2												
PRI										5,592	25,671	2
NH										-	2,780	-
Total										<u>14,732</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	Ended
Accident Year										2023 Q2
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 Q2										281
Total										<u>5,424</u>
										<u>9,308</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, 2022 and June 30, 2022:

In thousands of US dollars

	December 31, 2022	June 30, 2022
Specific Reserve for claims, Net of Reinsurance	\$ 37,759	\$ 20,782
Reinsurance recoverable, net of CECL allowance	95,718	60,937
Gross Specific Reserve for Claims	<u>\$ 133,477</u>	<u>\$ 81,719</u>

The following table presents supplementary information about average historical claims duration as of December 31, 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	30%	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 'Increase/Decrease 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 December 31, 2022 and June 30, 2022:

In thousands of US dollars

Reinsurer Risk Rating	Allowance for Credit Losses	
	December 31, 2022	June 30, 2022
AAA	\$ 6	\$ 3
AA	99	90
AA-	204	137
A+	378	316
A	49	43
A-	20	22
Total^a	\$ 755	\$ 611

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 six months ended December 31, 2022 and fiscal year ended June 30, 2022:

In thousands of US dollars

	Six Months Ended December 31, 2022	Fiscal Year Ended June 30, 2022
Accumulated allowance, beginning of the fiscal year ^a	\$ 611	\$ 613
Increase (decrease) in allowance	145	(1)
Accumulated allowance, end of the period ^b	<u>\$ 755</u>	<u>\$ 611</u>
Attributable to:		
Prospective Reinsurance	\$ 749	\$ 604
Retroactive Reinsurance	6	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 three and six months ended December 31, 2022 and December 31, 2021:

In thousands of US dollars

Benefit Cost	Three Months Ended December 31, 2022				Six Months Ended December 31, 2022			
	SRP	RSBP	PEBP	Total	SRP	RSBP	PEBP	Total
Interest cost	\$ 2,917	\$ 450	\$ 317	\$ 3,684	\$ 5,834	\$ 899	\$ 633	\$ 7,366
Expected return on plan assets	\$ (4,144)	\$ (651)	\$ -	(4,795)	(8,289)	(1,302)	-	(9,591)
Amortization of unrecognized prior service cost ^a	\$ 12	\$ 38	\$ 5	55	24	76	11	111
Amortization of unrecognized net actuarial losses ^a	\$ -	\$ (77)	\$ -	(77)	-	(154)	-	(154)
Net periodic pension (credit) cost, excluding service cost	\$ (1,215)	\$ (240)	\$ 322	\$ (1,133)	\$ (2,431)	\$ (481)	\$ 644	\$ (2,268)
Service cost ^b	\$ 2,025	\$ 487	\$ 379	2,891	4,050	973	758	5,781
Net periodic pension cost	\$ 810	\$ 247	\$ 701	\$ 1,758	\$ 1,619	\$ 492	\$ 1,402	\$ 3,513

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, 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.

(Continued)

Notes to Financial Statements

Note H: Other Liabilities

The following table provides the composition of other liabilities as of December 31, 2022 and June 30, 2022:

In thousands of US dollars

	December 31, 2022	June 30, 2022
Payable to reinsurers and brokers	\$ 20,415	\$ 49,000
Payable to affiliated organizations - Administrative and other services (Note I)	14,415	20,210
Liabilities for application and processing fees	9,584	9,259
Accrued benefit reserves	8,346	9,088
Premium receipt (future contract periods)	5,204	7,975
Payable for investment securities purchased	15,588	10,766
Other/Miscellaneous	3,326	3,758
Other liabilities	<u>\$ 76,878</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 and six months ended December 31, 2022 and December 31, 2021 are as follows:

In thousands of US dollars

	Three Months Ended		Six Months Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Fees charged/premium ceded - IBRD/IDA	\$ 4,056	\$ 3,251	\$ 7,306	\$ 6,107
Fees charged by IFC	918	972	1,981	1,644

(Continued)

Notes to Financial Statements

At December 31, 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

	December 31, 2022			June 30, 2022		
	Administrative & Other Services ^a	Pension and Other Postretirement Benefits ^b	Total	Administrative & Other Services ^a	Pension and Other Postretirement Benefits ^b	Total
IBRD/IDA	\$ (8,892)	\$ 25,342	\$ 16,450	\$ (14,812)	\$ 24,600	\$ 9,788
IFC	(5,523)	-	(5,523)	(5,398)	-	(5,398)
	<u>\$ (14,415)</u>	<u>\$ 25,342</u>	<u>\$ 10,927</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 December 31, 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

	December 31, 2022	June 30, 2022
IBRD's exposure in Brazil assumed by MIGA	\$ 15,913	\$ 21,721
MIGA's exposure in Panama assumed by IBRD	16,291	22,002
Net amount	<u>\$ (378)</u>	<u>\$ (281)</u>

IDA18 IFC-MIGA Private Sector Window (PSW)

As of December 31, 2022, the amounts ceded to IDA under the first loss layer totaled \$265,367,000 (\$271,658,000 – June 30, 2022).

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, 2022 and December 31, 2021, are as follows:

In thousands of US dollars

	Three Months Ended		Six Months Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Premium ceded	\$ 635	\$ 474	\$ 1,305	\$ 905
Ceding commission	95	71	196	136

(Continued)

Notes to Financial Statements

Note J: Accumulated Other Comprehensive Loss

The following tables present the changes in Accumulated Other Comprehensive Loss (AOCL) for the six months ended December 31, 2022 and December 31, 2021:

In thousands of US dollars

	Six Months Ended December 31, 2022			
	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	\$ (3,802)	\$ (495)	\$ (862)
Changes during the period:				
Amounts reclassified into net income ^b	-	(154)	111	(43)
Net change during period	-	(154)	111	(43)
Balance, end of period	\$ 3,435	\$ (3,956)	\$ (384)	\$ (905)

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, 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.

(Continued)

Notes to Financial Statements

Note K: Fair Value Disclosures

Valuation Methods and Assumptions

As of December 31, 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 December 31, 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 December 31, 2022 and June 30, 2022:

In thousands of US dollars

	<i>Fair Value Measurements on a Recurring Basis</i>			
	<i>As of December 31, 2022</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
ASSETS				
Government and agency obligations	\$ 585,044	\$ 899,134	\$ -	\$ 1,484,178
Time deposits ^b	46,712	432,959	-	479,671
Asset-backed securities	-	37,035	-	37,035
Total investments - Trading ^p	<u>\$ 631,756</u>	<u>\$ 1,369,128</u>	<u>\$ -</u>	<u>\$ 2,000,884</u>
Derivative Assets				
Currency forward contracts	\$ -	\$ -	\$ -	\$ -
Currency swaps	-	29,144	-	29,144
Interest rate swaps	-	11,363	-	11,363
Others ^a	3,848	-	-	3,848
	<u>\$ 3,848</u>	<u>\$ 40,507</u>	<u>\$ -</u>	<u>\$ 44,355</u>
Less:				
Amounts subject to legally enforceable master netting agreements				20,225
Cash collateral received				20,001
Derivative Assets, net^b				<u>\$ 4,129</u>
LIABILITIES				
Derivative Liabilities				
Currency forward contracts	\$ -	\$ 6,768	\$ -	\$ 6,768
Currency swaps	-	21,095	-	21,095
Interest rate swaps	-	1,048	-	1,048
	<u>\$ -</u>	<u>\$ 28,911</u>	<u>\$ -</u>	<u>\$ 28,911</u>
Less:				
Amounts subject to legally enforceable master netting agreements				20,225
Derivative Liabilities, net				<u>\$ 8,686</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
ASSETS				
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>
Derivative Assets				
Currency forward contracts	\$ -	\$ 1,412	\$ -	\$ 1,412
Currency swaps	-	53,226	-	53,226
Interest rate swaps	-	3,487	-	3,487
Others ^a	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
Derivative Assets, net^b				<u>\$ 4,328</u>
LIABILITIES				
Derivative Liabilities:				
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
Derivative Liabilities, net				<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 six months ended December 31, 2022 and fiscal year ended June 30, 2022, there were no transfers within the levels of fair value hierarchy.

(Continued)



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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, 2022, and the related condensed statements of income, and comprehensive income for the three-month and six-month periods ended December 31, 2022 and 2021, and changes in shareholders' equity, and cash flows for the six-month periods ended December 31, 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 LLP

February 13, 2023