



# Condensed Quarterly Financial Statements

U N A U D I T E D

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September 30, 2023

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

	September 30, 2023	June 30, 2023
<b>Assets</b>		
Cash.....	\$ 23,275	\$ 10,509
Investments - Trading (including securities transferred under repurchase agreements) - Notes B and K.....	2,135,522	2,093,781
Derivative assets, net - Notes C and K.....	3,753	5,406
Non-negotiable, non interest - bearing demand obligations - Note D.....	107,394	107,856
Reinsurance recoverable, net - Note F.....	453,724	477,643
Prepaid premium ceded to reinsurers - Note E.....	421,089	437,514
Other assets - Notes B,G and I.....	89,321	136,340
<b>TOTAL ASSETS.....</b>	<b>\$ 3,234,078</b>	<b>\$ 3,269,049</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>LIABILITIES</b>		
Reserve for claims, gross - Note F.....		
Specific reserves for claims.....	\$ 99,344	\$ 102,193
Insurance portfolio reserve.....	586,735	614,017
Reserve for claims - gross.....	686,079	716,210
Unearned premiums and commissions - Note E.....	674,052	703,648
Liabilities for pension and other post-retirement benefits - Note G.....	31,170	30,660
Other liabilities - Notes B, H and I.....	87,638	112,058
<b>TOTAL LIABILITIES.....</b>	<b>1,478,939</b>	<b>1,562,576</b>
CONTINGENT LIABILITIES - Note E		
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock - Note D		
Authorized capital (186,665 shares, September 30, 2023 and June 30, 2023).....		
Subscribed capital (177,409 shares, September 30, 2023 and June 30, 2023).....	1,919,565	1,919,565
Less uncalled portion of subscriptions.....	1,553,274	1,553,274
	366,291	366,291
Retained earnings.....	1,362,156	1,313,327
Accumulated other comprehensive income - Note J.....	26,692	26,855
<b>TOTAL SHAREHOLDERS' EQUITY.....</b>	<b>1,755,139</b>	<b>1,706,473</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY.....</b>	<b>\$ 3,234,078</b>	<b>\$ 3,269,049</b>

**Condensed Statements of Income**

Expressed in thousands of US dollars

	Three Months Ended	
	September 30,	
	2023	2022
<b>INCOME</b>		
Net premium income - Note E.....	\$ 31,803	\$ 30,404
Income from investments - Note B.....	29,353	3,850
Miscellaneous income.....	30	49
Total income.....	<u>61,186</u>	<u>34,303</u>
<b>EXPENSES</b>		
(Decrease) increase in reserve for claims, net - Note F		
(Decrease) increase in reserves, excluding translation gains.....	(5,311)	6,734
Translation gains.....	(1,439)	(4,047)
(Decrease) increase in reserve for claims, net.....	<u>(6,750)</u>	<u>2,687</u>
(Decrease) increase in allowance for credit losses - Note F.....	(46)	14
Administrative expenses (including Pension service cost) - Notes G and I	18,187	18,289
Pension credit (excluding Pension service cost) - Note G.....	(1,046)	(1,135)
Translation losses - Investments and other assets.....	2,012	5,083
(Decrease) increase in reserves and total expenses.....	<u>12,357</u>	<u>24,938</u>
NET INCOME.....	<u>\$ 48,829</u>	<u>\$ 9,365</u>

See accompanying notes to the financial statements

**Condensed Statements of Comprehensive Income**

Expressed in thousands of US dollars

	Three Months Ended	
	September 30,	
	2023	2022
NET INCOME.....	\$ 48,829	\$ 9,365
OTHER COMPREHENSIVE LOSS - Note J		
Amortization of unrecognized net actuarial gains .....	(186)	(77)
Amortization of Prior service costs .....	23	56
Total other comprehensive loss .....	(163)	(21)
COMPREHENSIVE INCOME.....	\$ 48,666	\$ 9,344

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

Expressed in thousands of US dollars

	Three Months Ended	
	September 30,	
	2023	2022
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.....	1,313,327	1,173,935
Net income.....	48,829	9,365
Ending Balance.....	1,362,156	1,183,300
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)		
Balance at beginning of the fiscal year.....	26,855	(862)
Other comprehensive loss.....	(163)	(21)
Ending Balance.....	26,692	(883)
TOTAL SHAREHOLDERS' EQUITY	\$ 1,755,139	\$ 1,548,708

**Condensed Statements of Cash Flows**

Expressed in thousands of US dollars

	Three Months Ended	
	September 30,	
	2023	2022
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income.....	\$ 48,829	\$ 9,365
Adjustments to reconcile net income to net cash provided by operating activities:		
(Decrease) increase in reserve for claims, net - Note F.....	(6,750)	2,687
(Decrease) increase in allowance for credit losses - Note F.....	(46)	14
Translation losses - Investments and other assets.....	2,012	5,083
Net change in:		
Investments - Trading, net.....	(57,864)	2,533
Prepaid premiums ceded to reinsurers.....	11,435	17,058
Other assets and liabilities.....	37,536	(2,705)
Unearned premiums and commission fees.....	(22,215)	(29,527)
Net cash provided by operating activities	<u>12,937</u>	<u>4,508</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH.....	(171)	(689)
Net increase in cash.....	12,766	3,819
Cash at beginning of the fiscal year.....	10,509	28,250
<b>CASH AT END OF THE PERIOD.....</b>	<b>\$ 23,275</b>	<b>\$ 32,069</b>

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, 2023 and notes included therein. The condensed comparative information that has been derived from the June 30, 2023 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, 2023.

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 8, 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 September 30, 2023, the majority of the Investments – Trading is comprised of Government and agency obligations and Time deposits (59.3% and 38.4%, 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, 2023 and June 30, 2023 is as follows:

*In thousands of US dollars*

	<i>Fair Value</i>	
	September 30, 2023	June 30, 2023
Government and agency obligations	\$ 1,266,632	\$ 1,353,710
Time deposits	820,410	696,573
Asset-backed securities (ABS)	48,480	43,498
Total investments - Trading	<u>\$ 2,135,522</u>	<u>\$ 2,093,781</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, 2023 and June 30, 2023:

*In thousands of US dollars*

	<i>Fair Value</i>	
	September 30, 2023	June 30, 2023
Investment - Trading	\$ 2,135,522	\$ 2,093,781
Cash held in investment portfolio <sup>a</sup>	13,460	6,271
Receivable for investment securities sold <sup>b</sup>	1,844	1,951
	<u>2,150,826</u>	<u>2,102,003</u>
Derivative assets		
Currency forward contracts	5,289	2,081
Currency swaps	28,624	20,875
Interest rate swaps	21,761	17,488
Others <sup>c</sup>	351	66
	<u>56,025</u>	<u>40,510</u>
Derivative liabilities		
Currency forward contracts	(207)	(70)
Currency swaps	(969)	(2,187)
Interest rate swaps	(1,451)	(1,044)
	<u>(2,627)</u>	<u>(3,301)</u>
Payable for investment securities purchased <sup>d</sup>	(3,053)	(16,501)
Payable for cash collateral received	(54,741)	(32,542)
Net investment portfolio <sup>e</sup>	<u>\$ 2,146,430</u>	<u>\$ 2,090,168</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 TBA securities, swaptions, exchange traded options and futures contracts.

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

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

The following table summarizes the currency composition of MIGA's net investment portfolio as of September 30, 2023 and June 30, 2023:

*In thousands of US dollars*

	September 30, 2023		June 30, 2023	
	Carrying Value	%	Carrying Value	%
US Dollars	\$ 1,954,036	91.0	\$ 1,911,138	91.4
Euro	189,783	8.8	176,115	8.4
Other	2,611	0.2	2,915	0.2
	<u>\$ 2,146,430</u>	<u>100.0</u>	<u>\$ 2,090,168</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, 2023 and September 30, 2022:

*In thousands of US dollars*

	Three Months Ended	
	September 30, 2023	September 30, 2022
Interest income	\$ 26,020	\$ 9,348
Realized (losses) gains	(957)	1,714
Unrealized gains (losses)	4,290	(7,212)
	<u>\$ 29,353</u>	<u>\$ 3,850</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, 2023 and June 30, 2023, 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, 2023 and June 30, 2023, 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, 2023 and June 30, 2023, 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, 2023. However, market deterioration could cause this to change in future periods.

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## Notes to Financial Statements

### Note C: Derivative Instruments

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

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

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, 2023 and September 30, 2022:

*In thousands of US dollars*

	Three Months Ended	
	September 30, 2023	September 30, 2022
Interest income	\$ 7,506	\$ 3,573
Realized gains	143	4,178
Unrealized gains	2,350	4,322
	<u>\$ 9,999</u>	<u>\$ 12,073</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, 2023 and June 30, 2023:

*In thousands of US dollars*

Type of contracts	September 30, 2023	June 30, 2023
Interest rate swaps		
Notional principal	\$ 443,034	\$ 406,571
Credit exposure	21,761	17,488
Currency forward contracts and currency swaps		
Notional principal	646,369	712,908
Credit exposure	33,913	22,956
Exchange traded options and futures <sup>a</sup>		
Notional long position	36,798	37,941
Notional short position	2,187	2,264

*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.*

(Continued)

## 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 September 30, 2023 and June 30, 2023. 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, 2023					
	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	\$ 55,734	\$ (33,973)	\$ 21,761	\$ 4,859	\$ (3,408)	\$ 1,451
Currency forward contracts	140,702	(135,413)	5,289	42,702	(42,495)	207
Currency swaps	432,279	(403,655)	28,624	42,575	(41,606)	969
Others <sup>a</sup>	351	-	351	-	-	-
	<u>\$ 629,066</u>	<u>\$ (573,041)</u>	<u>\$ 56,025</u>	<u>\$ 90,136</u>	<u>\$ (87,509)</u>	<u>\$ 2,627</u>
Amounts subject to legally enforceable master netting agreement			(2,627)			(2,627)
<b>Net derivative positions at at counterparty level</b>			<u>\$ 53,398</u>			<u>\$ -</u>
Less:						
Cash collateral received <sup>b</sup>			(49,645)			
<b>Net derivative exposure after collateral<sup>c</sup></b>			<u>\$ 3,753</u>			

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

*b. Does not include excess collateral received (\$5,100 thousand).*

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

(Continued)

## Notes to Financial Statements

In thousands of US dollars

	June 30, 2023					
	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	\$ 47,989	\$ (30,501)	\$ 17,488	\$ 7,409	\$ (6,365)	\$ 1,044
Currency forward contracts	211,961	(209,880)	2,081	22,669	(22,599)	70
Currency swaps	391,361	(370,486)	20,875	79,957	(77,770)	2,187
Others <sup>a</sup>	66	-	66	-	-	-
	<u>\$ 651,377</u>	<u>\$ (610,867)</u>	<u>\$ 40,510</u>	<u>\$ 110,035</u>	<u>\$ (106,734)</u>	<u>\$ 3,301</u>
Amounts subject to legally enforceable master netting agreement			(3,301)			(3,301)
<b>Net derivative positions at counterparty level</b>			<u>\$ 37,209</u>			<u>\$ -</u>
Less:						
Cash collateral received <sup>b</sup>			<u>(31,803)</u>			
<b>Net derivative exposure after collateral<sup>c</sup></b>			<u>\$ 5,406</u>			

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

b. Does not include excess collateral received (\$739 thousand).

**Note D: Capital Stock**

At September 30, 2023, MIGA's authorized capital stock comprised 186,665 (186,665 – June 30, 2023) shares, of which 177,409 (177,409 – June 30, 2023) shares had been subscribed. Each share has a par value of USD10,820. Of the subscribed capital as of September 30, 2023, \$366,291,000 (\$366,291,000 – June 30, 2023) has been paid in; and the remaining \$1,553,274,000 (\$1,553,274,000 - June 30, 2023) is subject to call.

At September 30, 2023, MIGA had \$107,394,000 (\$107,856,000 – June 30, 2023) in the form of non-negotiable, non-interest bearing demand obligations (promissory notes), relating to the initial capital subscriptions.

(Continued)

## Notes to Financial Statements

A summary of the changes in MIGA's authorized, subscribed and paid-in capital during the three months ended September 30, 2023 and fiscal year ended June 30, 2023:

	Initial Capital		Capital Increase		Total	
	Shares	(US\$000)	Shares	(US\$000)	Shares	(US\$000)
<b>At September 30, 2023</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>
<b>At June 30, 2023</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>

### Note E: Guarantees

#### **Political Risk Insurance (PRI), Non-Honoring (NH) of Financial Obligations and Trade Finance Program (TFP)**

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 also has a TFP, under which it provides protection against the risk of non-honoring of a Financial Obligation by sovereigns, sub-sovereigns and state-owned banks on trade finance guarantees related to short-term trade loans and standby letters of credit.

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## Notes to Financial Statements

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 \$27,748,459,000 as of September 30, 2023 (\$27,866,599,000 – June 30, 2023).

The composition of MIGA's gross exposure as of September 30, 2023 and June 30, 2023 was as follows:

*In thousands of US dollars*

	September 30, 2023	June 30, 2023
Gross exposure (Maximum amount of contingent liability) <sup>a</sup>	\$ 27,748,459	\$ 27,866,599
Of which:		
Current amounts <sup>a</sup>	23,391,233	23,180,678
Standby amounts <sup>a</sup>	1,827,447	2,146,866
Future interest amounts <sup>a</sup>	2,529,779	2,539,055

*a. 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 \$31,675,765 as of September 30, 2023 (\$31,675,765 – June 30, 2023).

### **Reinsurance and Other Ceded Exposures**

MIGA obtains treaty and facultative reinsurance (both public and private) to augment its underwriting capacity and to mitigate its risk by protecting portions of its insurance portfolio, and not for speculative reasons. All reinsurance contracts are ceded on a proportionate basis. However, MIGA is exposed to reinsurance non-performance risk in the event that reinsurers fail to pay their proportionate share of the loss in case of a claim. MIGA manages this risk by requiring that private sector reinsurers be rated by at least two of the four major rating agencies (Standard & Poor's, A.M. Best, Moody's and Fitch). The minimum rating required for private reinsurers is A by S&P or Fitch, A2 by Moody's and A- by A.M. Best. In addition, MIGA may also place reinsurance with public insurers of member countries that operate under and benefit from the full faith and credit of their governments and with multilateral agencies that represent an acceptable counterparty risk. MIGA has established limits, at both the project and portfolio levels, which restrict the amount of reinsurance that may be ceded. As of September 30, 2023,

(Continued)

## Notes to Financial Statements

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 three 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), and Support for Ukraine's Reconstruction and Economy Trust Fund (SURETF).

The following is a summary of the exposures under these arrangements as of September 30, 2023 and June 30, 2023.

*In thousands of US dollars*

	September 30, 2023	June 30, 2023
CAFEF:		
MIGA's gross exposure	\$ 408,814	\$ 440,197
Of which: Amount ceded to the Trust Fund (First and second loss layer)	46,403	48,942
RECTF:		
MIGA's gross exposure	\$ 9,330	\$ 9,414
Of which: Amount ceded to the Trust Fund (First loss layer)	2,287	2,300
SURETF:		
MIGA's gross exposure	\$ 78,148	\$ 44,335
Of which: Amount ceded to the Trust Fund (First loss layer)	20,617	11,884

MIGA also cedes exposures 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 Fragile and Conflict-Affected Situations (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.

The following is a summary of the exposures under this risk sharing arrangement as of September 30, 2023 and June 30, 2023:

*In thousands of US dollars*

	September 30, 2023	June 30, 2023
MIGA's gross exposure on projects utilizing IDA PSW-MGF	\$ 2,087,935	\$ 2,009,899
Of which: Amount ceded to IDA under the first loss layer	369,170	347,205

(Continued)

## Notes to Financial Statements

The table below provides a reconciliation between MIGA's gross guarantee exposure and net exposure as of September 30, 2023 and June 30, 2023:

*In thousands of US dollars*

	September 30, 2023	June 30, 2023
Gross guarantee exposure	\$ 27,748,459	\$ 27,866,599
Less: Ceded exposures		
Facultative and Treaty reinsurers	(17,930,536)	(18,005,600)
CAFEF	(46,403)	(48,942)
IDA PSW - MGF (Note I)	(369,170)	(347,205)
RECTF	(2,287)	(2,300)
SURETF	(20,617)	(11,884)
Total ceded exposures	<u>(18,369,013)</u>	<u>(18,415,931)</u>
Net guarantee exposure before exposure exchange	<u>9,379,446</u>	<u>9,450,668</u>
Less:		
Exposure Exchange Agreement (Note I)	(3,414)	(519)
Net guarantee exposure	<u>\$ 9,376,032</u>	<u>\$ 9,450,149</u>

MIGA can also provide both public (official) and private insurers with facultative reinsurance. As of September 30, 2023, total insurance exposure assumed by MIGA, primarily with official investment insurers, amounted to \$60,000,000 (\$60,000,000 – June 30, 2023).

(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, 2023 and September 30, 2022 were as follows:

*In thousands of US dollars*

	Three Months Ended	
	September 30, 2023	September 30, 2022
Premiums written		
Direct	\$ 47,084	\$ 34,595
Upfront premium contracts <sup>a</sup>	7,961	2,074
Regular guarantee contracts <sup>b</sup>	39,123	32,521
Assumed	165	310
Ceded	(32,753)	(21,040)
Upfront premium contracts <sup>a</sup>	(7,976)	(1,771)
Regular guarantee contracts <sup>b</sup>	(24,777)	(19,269)
	<u>\$ 14,496</u>	<u>\$ 13,865</u>
Gross premium income		
Direct	\$ 65,966	\$ 58,848
Assumed	165	310
	<u>66,131</u>	<u>59,158</u>
Premium ceded	<u>(45,429)</u>	<u>(37,698)</u>
Net Premium earned	20,702	21,460
Ceding commission and other fees	12,116	10,131
Brokerage and other charges	(1,015)	(1,187)
Net Premium Income	<u>\$ 31,803</u>	<u>\$ 30,404</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, 2023 and June 30, 2023:

*In thousands of US dollars*

	September 30, 2023	June 30, 2023
Upfront premium contracts <sup>a</sup>	\$ 419,657	\$ 435,855
Regular guarantee contracts <sup>b</sup>	1,432	1,659
	<u>\$ 421,089</u>	<u>\$ 437,514</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, 2023 and June 30, 2023:

*In thousands of US dollars*

	September 30, 2023	June 30, 2023
Upfront premium contracts <sup>a</sup>	\$ 640,266	\$ 657,904
Regular guarantee contracts <sup>b</sup>	33,786	45,744
	<u>\$ 674,052</u>	<u>\$ 703,648</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, 2023, the maximum net exposure which may be assumed by MIGA is \$1,000 million (\$1,000 million – June 30, 2023) in each host country and \$300 million (\$300 million – June 30, 2023) 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, 2023) 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, 2023, the maximum level of guarantees outstanding (including reinsurance) may not exceed \$35,530,900,000 (\$35,385,860,000 – June 30, 2023).

(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, 2023 and June 30, 2023 are as follows:

*In thousands of US dollars*

	September 30, 2023		June 30, 2023	
	Exposure in Top Five Countries	Exposure in Top Ten Countries	Exposure in Top Five Countries	Exposure in Top Ten Countries
Gross Exposure	\$ 8,107,693	\$ 12,920,083	\$ 8,178,732	\$ 13,194,125
% of Total Gross Exposure	29.2	46.6	29.4	47.4
Net Exposure	\$ 1,906,551	\$ 3,369,857	\$ 1,967,437	\$ 3,487,486
% of Total Net Exposure	20.3	35.9	20.8	36.9

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, 2023 and June 30, 2023 is as follows:

*In thousands of US dollars*

	September 30, 2023			June 30, 2023		
	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
East Asia & Pacific	\$ 2,687,649	\$ 610,156	6.5	\$ 2,752,473	\$ 628,894	6.7
Europe & Central Asia	6,971,833	2,230,616	23.8	6,420,819	2,188,610	23.2
Latin America & Caribbean	5,316,178	1,539,107	16.4	5,880,356	1,664,345	17.6
Middle East & North Africa	3,554,917	1,050,579	11.2	3,576,912	1,058,328	11.2
South Asia	1,308,366	515,383	5.5	1,327,065	521,450	5.5
Sub-Saharan Africa	7,545,644	3,356,456	35.8	7,536,735	3,313,090	35.1
Regional Development Bank (RDB)	363,871	73,736	0.8	372,240	75,431	0.8
Total <sup>a</sup>	\$ 27,748,459	\$ 9,376,032	100.0	\$ 27,866,599	\$ 9,450,149	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, 2023 and June 30, 2023 is as follows:

*In thousands of US dollars*

Sector	September 30, 2023			June 30, 2023		
	Gross	Net	% of	Gross	Net	% of
	Exposure <sup>a</sup>	Exposure	Total Net Exposure	Exposure	Exposure <sup>a</sup>	Total Net Exposure
Agribusiness	\$ 9,483	\$ 8,343	0.1	\$ 9,483	\$ 8,343	0.1
Construction	614,814	108,896	1.2	619,503	106,093	1.1
Financial	9,948,705	3,528,741	37.6	10,646,259	3,672,280	38.9
Infrastructure	13,334,010	4,208,098	44.9	12,869,059	4,205,083	44.5
Manufacturing	834,810	503,831	5.4	836,105	509,218	5.4
Mining	1,388,581	319,299	3.4	1,388,581	319,299	3.4
Oil and Gas	141,142	93,491	1.0	141,142	93,491	1.0
Services	1,196,553	388,627	4.1	1,215,284	395,158	4.2
Tourism	169,574	169,574	1.8	131,183	131,183	1.4
Trade Finance (TF)	110,786	47,132	0.5	10,000	10,000	0.1
	<u>\$ 27,748,459</u>	<u>\$ 9,376,032</u>	<u>100.0</u>	<u>\$ 27,856,599</u>	<u>\$ 9,440,149</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, 2023 and June 30, 2023:

*In thousands of US dollars*

	September 30, 2023			June 30, 2023		
	IPR	Specific Reserve for Claims	Total	IPR	Specific Reserve for Claims	Total
Gross Reserve for Claims	\$ 586,735	\$ 99,344	\$ 686,079	\$ 614,017	\$ 102,193	\$ 716,210
Less: Reinsurance recoverable <sup>a,b</sup>	(375,072)	(71,344)	(446,416)	(397,713)	(72,038)	(469,751)
Net Reserve for Claims	<u>\$ 211,663</u>	<u>\$ 28,000</u>	<u>\$ 239,663</u>	<u>\$ 216,304</u>	<u>\$ 30,155</u>	<u>\$ 246,459</u>

*a. As of September 30, 2023, excludes \$7,309 thousand (June 30, 2023 - \$7,892 thousand) reinsurance recoverable, net of allowance for credit losses of \$5 thousand (June 30, 2023 - \$6 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 \$677 thousand (June 30, 2023 - \$722 thousand), associated with prospective reinsurance.*

(Continued)

## Notes to Financial Statements

The following table provides the composition of reinsurance recoverables at September 30, 2023 and June 30, 2023:

*In thousands of US dollars*

		September 30, 2023	June 30, 2023
Prospective reinsurance <sup>a</sup>	- IPR	\$ 375,072	\$ 397,713
	- Specific Reserve for Claims	71,344	72,038
		446,416	469,751
Retroactive reinsurance <sup>b</sup>	- IPR	7,309	7,892
Reinsurance recoverable, net <sup>c</sup>		\$ 453,724	\$ 477,643

a. Includes allowance for credit losses of \$677 thousand (\$722 thousand - June 30, 2023).

b. Includes allowance for credit losses \$5 thousand (\$6 thousand - June 30, 2023).

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

The net (decrease) increase in reserves for claims reflected in the Condensed Statements of Income for the three months ended September 30, 2023 and September 30, 2022 comprised of changes in the Insurance Portfolio Reserve and Specific reserve for claims as follows:

*In thousands of US dollars*

	Three Months Ended	
	September 30, 2023	September 30, 2022
Change in Net Reserves:		
Insurance Portfolio Reserve	\$ (3,179)	\$ (7,661)
Specific reserve for claims	(2,132)	14,395
(Decrease) increase in reserves, before translation adjustment	(5,311)	6,734
Foreign currency translation gains	(1,439)	(4,047)
(Decrease) increase in reserves, net	\$ (6,750)	\$ 2,687

For the three months ended September 30, 2023 and September 30, 2022, 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, 2023 and September 30, 2022, were attributable to the following factors:

*In thousands of US dollars*

	Three Months Ended	
	September 30, 2023	September 30, 2022
Changes in portfolio size and risk profile, net	\$ 1,475	\$ (4,130)
Changes in discount rate	(2,894)	(3,375)
Changes in host country risk ratings, net	(1,760)	(156)
Net decrease	<u>\$ (3,179)</u>	<u>\$ (7,661)</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, 2023 and fiscal year ended June 30, 2023:

*In thousands of US dollars*

	Three Months Ended	Fiscal Year Ended
	September 30, 2023	June 30, 2023
Gross IPR, beginning balance	\$ 614,017	\$ 644,091
Less: Reinsurance recoverables	<u>(397,713)</u>	<u>(406,458)</u>
Net IPR, beginning balance	216,304	237,633
Decrease in reserves before translation adjustments	(3,179)	(23,287)
Foreign currency translation (gains) losses	<u>(1,439)</u>	<u>1,965</u>
Decrease in reserves, net of reinsurance	(4,618)	(21,322)
Decrease in allowance for credit losses	<u>(22)</u>	<u>(6)</u>
Net IPR, ending balance <sup>ad</sup>	211,663	216,304
Add: Reinsurance recoverables, net <sup>b</sup>	<u>375,072</u>	<u>397,713</u>
Gross IPR, ending balance <sup>c</sup>	<u>\$ 586,735</u>	<u>\$ 614,017</u>

a. As of September 30, 2023 represents 2.3% of Total Net Exposure (June 30, 2023 - 2.3%).

b. As of September 30, 2023, excludes \$7,309 thousand (June 30, 2023 - \$7,892 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, 2023 represents 2.1% of Total Gross Exposure (June 30, 2023 - 2.2%).

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

(Continued)

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## Notes to Financial Statements

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### *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, 2023 and fiscal year ended June 30, 2023:

*In thousands of US dollars*

	Three Months Ended	Fiscal Year Ended
	September 30, 2023	June 30, 2023
Gross specific reserve for claims, beginning balance	\$ 102,193	\$ 81,719
Less: Reinsurance recoverables, net	(72,038)	(60,937)
Net specific reserve for claims, beginning balance	30,155	20,782
(Decrease) increase in specific reserve for claims, before translation adjustments		
- Current year	169	9,540
- Prior years	(2,301)	(15)
(Decrease) increase in specific reserve for claims, net of reinsurance	(2,132)	9,525
Less: Claims paid		
- Current year	-	(282)
- Prior years	-	-
Total Claims paid	-	(282)
Translation adjustment	-	6
(Decrease) increase in allowance for credit losses	(23)	125
Net specific reserve for claims, ending balance <sup>a</sup>	28,000	30,155
Add: Reinsurance recoverables, net	71,344	72,038
Gross specific reserve for claims, ending balance	\$ 99,344	\$ 102,193

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

The gross Specific Reserve for Claims as of September 30, 2023 and June 30, 2023 comprises:

*In thousands of US dollars*

	September 30, 2023	June 30, 2023
Reserve for pending claims	\$ 74,013	\$ 52,611
Probable loss reserve	25,331	49,582
Gross Specific reserve	\$ 99,344	\$ 102,193

(Continued)



## Notes to Financial Statements

### *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

### *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, 2023 and June 30, 2023:

*In thousands of US dollars*

Reinsurer Risk Rating	Allowance for Credit Losses	
	September 30, 2023	June 30, 2023
A-	\$ 14	\$ 17
A	49	49
A+	376	405
AA-	146	155
AA	90	95
AAA	7	7
<b>Total</b>	<b>\$ 682</b>	<b>\$ 728</b>

(Continued)

## Notes to Financial Statements

### *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, 2023 and fiscal year ended June 30, 2023:

*In thousands of US dollars*

	Three Months Ended	Fiscal Year Ended
	September 30, 2023	June 30, 2023
Accumulated allowance, beginning of the fiscal year <sup>a</sup>	\$ 728	\$ 611
Current period (decrease) increase	(46)	117
Accumulated allowance, end of period	<u>\$ 682</u>	<u>\$ 728</u>
Attributable to:		
Prospective Reinsurance	\$ 677	\$ 722
Retroactive Reinsurance	5	6

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

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

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

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

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

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

(Continued)

## Notes to Financial Statements

The following table summarizes MIGA's respective share of the costs associated with the SRP, RSBP, and PEBP for the fiscal year ended September 30, 2023 and September 30, 2022:

*In thousands of US dollars*

Benefit Cost	Three Months Ended September 30, 2023				Three Months Ended September 30, 2022			
	SRP	RSBP	PEBP	Total	SRP	RSBP	PEBP	Total
Interest cost	\$ 3,169	\$ 448	\$ 368	\$ 3,985	\$ 2,917	\$ 449	\$ 316	\$ 3,682
Expected return on plan assets	(4,202)	(666)	-	(4,868)	(4,145)	(651)	-	(4,796)
Amortization of unrecognized prior service cost <sup>a</sup>	12	6	5	23	12	38	6	56
Amortization of unrecognized net actuarial gains <sup>a</sup>	-	(186)	-	(186)	-	(77)	-	(77)
<b>Net periodic pension (credit) cost, excluding service cost</b>	<b>\$ (1,021)</b>	<b>\$ (398)</b>	<b>\$ 373</b>	<b>\$ (1,046)</b>	<b>\$ (1,216)</b>	<b>\$ (241)</b>	<b>\$ 322</b>	<b>\$ (1,135)</b>
Service cost <sup>b</sup>	1,760	411	360	2,531	2,025	486	379	2,890
<b>Net periodic pension cost</b>	<b>\$ 739</b>	<b>\$ 13</b>	<b>\$ 733</b>	<b>\$ 1,485</b>	<b>\$ 809</b>	<b>\$ 245</b>	<b>\$ 701</b>	<b>\$ 1,755</b>

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

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

### Note H: Other Liabilities

The following table provides the composition of other liabilities as of September 30, 2023 and June 30, 2023:

*In thousands of US dollars*

	September 30, 2023	June 30, 2023
Payable to reinsurers and brokers	\$ 36,003	\$ 49,001
Payable to affiliated organizations - administrative and other services (Note I)	14,069	15,146
Premium receipt (future contract periods)	11,595	12,765
Liabilities for application and processing fees	9,735	9,672
Accrued benefit reserves	8,879	8,879
Other/Miscellaneous	7,357	94
Other liabilities	<u>\$ 87,638</u>	<u>\$ 95,557</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.

(Continued)

## Notes to Financial Statements

Total fees paid by MIGA reflected in the Condensed Statements of Income for the three months ended September 30, 2023 and September 30, 2022 are as follows:

*In thousands of US dollars*

	Three Months Ended	
	September 30, 2023	September 30, 2022
Fees charged/premium ceded - IBRD/IDA	\$ 4,014	\$ 3,250
Fees charged by IFC	1,048	1,063

At September 30, 2023 and June 30, 2023, 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, 2023			June 30, 2023		
	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	\$ (9,133)	\$ 26,828	\$ 17,695	\$ (10,648)	\$ 27,227	\$ 16,579
IFC	(4,936)	-	(4,936)	(4,498)	-	(4,498)
	<u>\$ (14,069)</u>	<u>\$ 26,828</u>	<u>\$ 12,759</u>	<u>\$ (15,146)</u>	<u>\$ 27,227</u>	<u>\$ 12,081</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, 2023 and June 30, 2023, the outstanding off-Condensed Balance Sheet amounts relating to this exposure exchange agreement were as follows:

*In thousands of US dollars*

	September 30, 2023	June 30, 2023
IBRD's exposure in Brazil assumed by MIGA	\$ 4,572	\$ 10,201
MIGA's exposure in Panama assumed by IBRD	7,986	10,720
Net amount	<u>\$ (3,414)</u>	<u>\$ (519)</u>

As of September 30, 2023, 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, 2023).

(Continued)

## Notes to Financial Statements

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

As of September 30, 2023, the amounts ceded to IDA under the first and second loss layer totaled \$369,170,000 (\$347,205,000 – June 30, 2023).

Total premium ceded to IDA and the related ceding commission reflected in the Condensed Statements of Income for the three months ended September 30, 2023 and September 30, 2022, are as follows:

*In thousands of US dollars*

	Three Months Ended	
	September 30, 2023	September 30, 2022
Premium ceded	\$ 807	\$ 670
Ceding commission	121	101

### Note J: Accumulated Other Comprehensive Income (Loss)

The following tables present the changes in Accumulated Other Comprehensive Income (Loss) (AOCL) for the three months ended September 30, 2023 and September 30, 2022:

*In thousands of US dollars*

	Three Months Ended September 30, 2023			
	Cumulative Translation Adjustment <sup>a</sup>	Unrecognized Net Actuarial Gains on Benefit Plans	Unrecognized Prior Service Costs on Benefit Plans	Total Accumulated Other Comprehensive Income
Balance, beginning of fiscal year	\$ 3,435	\$ 23,695	\$ (275)	\$ 26,855
Changes during the period:				
Amounts reclassified into net income <sup>b</sup>	-	(186)	23	(163)
Net change during the period	-	(186)	23	(163)
Balance, end of period	\$ 3,435	\$ 23,509	\$ (252)	\$ 26,692

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, 2022			
	Cumulative Translation Adjustment <sup>a</sup>	Unrecognized Net Actuarial Gains 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 the period	-	(77)	56	(21)
Balance, end of period	\$ 3,435	\$ (3,879)	\$ (439)	\$ (883)

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)

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## Notes to Financial Statements

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### Note K: Fair Value Disclosures

#### *Valuation Methods and Assumptions*

As of September 30, 2023 and June 30, 2023, 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, 2023, 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, 2023 and June 30, 2023:

*In thousands of US dollars*

	<i>Fair Value Measurements on a Recurring Basis</i>			
	<i>As of September 30, 2023</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<b>ASSETS</b>				
Government and agency obligations	\$ 110,058	\$ 1,156,574	\$ -	\$ 1,266,632
Time deposits <sup>b</sup>	71,121	749,288	-	820,410
Asset-backed securities	-	48,480	-	48,480
Total investments - Trading <sup>b</sup>	<u>\$ 181,179</u>	<u>\$ 1,954,343</u>	<u>\$ -</u>	<u>\$ 2,135,522</u>
<b>Derivative Assets</b>				
Currency forward contracts	\$ -	\$ 5,289	\$ -	\$ 5,289
Currency swaps	-	28,624	-	28,624
Interest rate swaps	-	21,761	-	21,761
Others <sup>a</sup>	351	-	-	351
	<u>\$ 351</u>	<u>\$ 55,674</u>	<u>\$ -</u>	<u>\$ 56,025</u>
Less:				
Amounts subject to legally enforceable master netting agreements				2,627
Cash collateral received				49,645
<b>Derivative Assets, net</b>				<u>\$ 3,753</u>
<b>LIABILITIES</b>				
<b>Derivative Liabilities:</b>				
Currency forward contracts	\$ -	\$ 207	\$ -	\$ 207
Currency swaps	-	969	-	969
Interest rate swaps	-	1,451	-	1,451
	<u>\$ -</u>	<u>\$ 2,627</u>	<u>\$ -</u>	<u>\$ 2,627</u>
Less:				
Amounts subject to legally enforceable master netting agreements				2,627
<b>Derivative Liabilities, net</b>				<u>\$ -</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.

(Continued)

## Notes to Financial Statements

In thousands of US dollars

	Fair Value Measurements on a Recurring Basis			
	As of June 30, 2023			
	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>				
Government and agency obligations	\$ 123,882	\$ 1,229,828	\$ -	\$ 1,353,710
Time deposits <sup>b</sup>	161,353	535,219	-	696,573
Asset-backed securities	-	43,498	-	43,498
Total investments - Trading <sup>b</sup>	<u>\$ 285,235</u>	<u>\$ 1,808,545</u>	<u>\$ -</u>	<u>\$ 2,093,781</u>
<b>Derivative Assets</b>				
Currency forward contracts	\$ -	\$ 2,081	\$ -	\$ 2,081
Currency swaps	-	20,875	-	20,875
Interest rate swaps	-	17,488	-	17,488
Others <sup>a</sup>	66	-	-	66
	<u>\$ 66</u>	<u>\$ 40,444</u>	<u>\$ -</u>	<u>\$ 40,510</u>
Less:				
Amounts subject to legally enforceable master netting agreements				3,301
Cash collateral received				31,803
<b>Derivative Assets, net</b>				<u>\$ 5,406</u>
<b>LIABILITIES</b>				
<b>Derivative Liabilities</b>				
Currency forward contracts	\$ -	\$ 70	\$ -	\$ 70
Currency swaps	-	2,187	-	2,187
Interest rate swaps	-	1,044	-	1,044
	<u>\$ -</u>	<u>\$ 3,301</u>	<u>\$ -</u>	<u>\$ 3,301</u>
Less:				
Amounts subject to legally enforceable master netting agreements				3,301
<b>Derivative Liabilities, net</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.

During the three months ended September 30, 2023 and fiscal year ended June 30, 2023, there were no transfers within the levels of fair value hierarchy.

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## INDEPENDENT AUDITOR'S REVIEW REPORT

President and Board of Directors  
Multilateral Investment Guarantee Agency:

### Results of Review of Interim Financial Information

We have reviewed the accompanying condensed balance sheet of the Multilateral Investment Guarantee Agency ("MIGA") as of September 30, 2023, and the related condensed statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the three-month periods ended September 30, 2023 and 2022, 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, 2023

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet as of June 30, 2023, 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, 2023. In our opinion, the accompanying condensed balance sheet of MIGA as of June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The logo for Deloitte & Touche is written in a black, cursive script. The word "Deloitte" is on the left, followed by a small ampersand, and "Touche" is on the right. The "UP" is written in a smaller, simpler font at the end of the signature.

November 8, 2023