MIGA
Multilateral Investment Guarantee Agency
WORLD BANK GROUP

Condensed Quarterly Financial Statements

UNAUDITED

September 30, 2018

Table of Contents

Condensed Balance Sheets

Expressed in thousands of US dollars

	September 30, 2018	June 30, 2018
Assets		
Cash……….	$ 62,124	$ 41,419
Investments - Trading (including securities transferred under repurchase agreements) - Note B……….	1,557,988	1,507,423
Derivative assets - Note B……….	201,437	148,966
Non-negotiable, non interest - bearing demand obligations - Note C……….	109,844	110,084
Reinsurance recoverable - Note E……….	322,496	251,871
Prepaid premium ceded to reinsurers……….	311,417	241,246
Other assets - Notes B,F, and G……….	24,600	58,697
TOTAL ASSETS……….	$ 2,589,906	$ 2,359,706
Liabilities and Shareholders' Equity		
LIABILITIES		
Reserve for claims, gross - Note E……….		
Specific reserves for claims……….	$ 3,092	$ 3,121
Insurance portfolio reserve……….	527,816	450,100
Reserve for claims - gross……….	530,908	453,221
Unearned premiums and commitment fees……….	483,007	391,249
Derivative liabilities - Note B……….	200,088	146,916
Other liabilities - Notes B, F and G……….	101,684	107,489
Securities sold under repurchase agreements and payable for cash collateral received - Note B……….	-	13
TOTAL LIABILITIES……….	1,315,687	1,098,888
CONTINGENT LIABILITIES - Note D		
SHAREHOLDERS' EQUITY		
Capital stock - Note C		
Authorized capital (186,587 shares - September 30, 2018 and June 30, 2018)		
Subscribed capital (177,331 shares - September 30, 2018 and June 30, 2018)	1,918,721	1,918,721
Less uncalled portion of subscriptions……….	1,552,599	1,552,599
Paid-in Capital……….	366,122	366,122
Retained earnings……….	938,242	925,176
Accumulated other comprehensive loss - Note H……….	(30,145)	(30,480)
TOTAL SHAREHOLDERS' EQUITY……….	1,274,219	1,260,818
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY……….	$ 2,589,906	$ 2,359,706

See accompanying notes to condensed quarterly financial statements

Condensed Statements of Income

Expressed in thousands of US dollars

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
INCOME		
Net premium income - Note D	$ 29,599	$ 25,785
Income from investments - Note B	5,767	5,775
Miscellaneous income	37	-
Total income	35,403	31,560
EXPENSES		
Increase in reserves, net - Note E		
Increase (decrease) in reserves, excluding translation (gains) losses	9,841	(421)
Translation (gains) losses	(421)	2,250
Increase in reserves, net	9,420	1,829
Administrative expenses (including Pension service cost) - Notes F and G	12,751	8,979
Pension (credit) (excluding Pension service cost) - Note F	(445)	1,952
Translation losses (gains) - Investments and other assets	611	(2,309)
Increase in reserves and total expenses	22,337	10,451
NET INCOME	$ 13,066	$ 21,109

See accompanying notes to condensed quarterly financial statements

Condensed Statements of Comprehensive Income
Expressed in thousands of US dollars

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
NET INCOME	$ 13,066	$ 21,109
OTHER COMPREHENSIVE INCOME - Note H		
Amortization of unrecognized net actuarial losses	270	444
Amortization of unrecognized prior service costs	65	66
Total other comprehensive income	335	510
COMPREHENSIVE INCOME	$ 13,401	$ 21,619

Condensed Statements of Changes in Shareholders' Equity
Expressed in thousands of US dollars

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
CAPITAL STOCK		
Balance at beginning of the fiscal year	$ 366,122	$ 366,122
Paid-in subscriptions	-	-
Ending Balance	366,122	366,122
RETAINED EARNINGS		
Balance at beginning of the fiscal year	925,176	884,235
Net income	13,066	21,109
Ending Balance	938,242	905,344
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance at beginning of the fiscal year	(30,480)	(37,161)
Other comprehensive income	335	510
Ending Balance	(30,145)	(36,651)
TOTAL SHAREHOLDERS' EQUITY	$ 1,274,219	$ 1,234,815

See accompanying notes to condensed quarterly financial statements

Condensed Statements of Cash Flows

Expressed in thousands of US dollars

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
CASH FLOW FROM OPERATING ACTIVITIES		
Net income……	$ 13,066	$ 21,109
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase in reserves, net - Note E……	9,420	1,829
Translation losses (gains) - Investments and other assets……	611	(2,309)
Net change in:		
Investments - Trading, net……	(29,566)	19,609
Other assets and liabilities……	(66,111)	(12,907)
Unearned premiums and commitment fees……	92,856	(20,280)
Net cash provided by operating activities	20,276	7,051
EFFECT OF EXCHANGE RATE CHANGES ON CASH……	429	187
Net increase in cash……	20,705	7,238
Cash at beginning of the fiscal year……	41,419	7,076
CASH AT END OF THE PERIOD……	$ 62,124	$ 14,314

See accompanying notes to condensed quarterly financial statements

Notes to Condensed Quarterly 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, 2018 and notes included therein. The condensed comparative information that has been derived from the June 30, 2018 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, 2018.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Due to the inherent uncertainty involved in making those estimates, actual results could differ from these estimates. Significant judgment is used in the establishment of the insurance portfolio loss reserve, reinsurance recoverable, valuation of pension and post-retirement benefits-related liabilities and the related net periodic cost of such benefit plans, and in the valuation of certain financial instruments.

On November 12, 2018, the Executive Vice President and Chief Executive Officer and the Director, Finance and Risk, authorized the condensed quarterly financial statements for issuance, which was also the date through which MIGA's management evaluated subsequent events.

Accounting and Reporting Developments

Recently adopted Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and subsequent amendments in 2015 and 2016. The ASUs provide a common framework for revenue recognition for U.S. GAAP, and supersede most of the existing revenue recognition guidance in U.S. GAAP. The core principle of the guidance is that an entity recognizes revenue when it transfers control of promised goods and services to customers in an amount that reflects consideration to which the entity expects to be entitled. The ASUs also require additional quantitative and qualitative disclosures to enable financial statement users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. For MIGA, the revenue streams within the scope of the ASU largely relate to the provision of technical assistance and trustee services to clients and donors, representing less than 0.1% of MIGA's revenue during the quarter ended September 30, 2018. MIGA adopted the ASUs during the quarter ended September 30, 2018, with no changes in revenue recognition policies and no impact on the financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The ASU requires that an employer report the service cost component of net benefit cost in the same line item as other compensation costs. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and are not eligible for capitalization. Given the immateriality of the amounts subject to reclassification under this ASU, MIGA has applied its requirements prospectively effective the quarter ending September 30, 2018.

(Continued)

Notes to Condensed Quarterly Financial Statements

Accounting Standards under Evaluation:

In July 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement.* The amendments in this ASU modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. For MIGA this ASU will become effective for annual periods beginning after December 15, 2019. MIGA is currently in the process of evaluating the impact of this ASU on its financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20) - Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans.* The amendments in this ASU remove disclosures that are no longer considered cost beneficial, clarify the specific requirements of disclosures, and add disclosure requirements identified as relevant. Although narrow in scope, the amendments are considered an important part of the Board's efforts to improve the effectiveness of disclosures in the notes to financial statements by applying concepts in the Concepts Statement. For MIGA, the ASU will be become effective for the annual period beginning July 1, 2022. Early adoption is permitted. MIGA is currently in the process of evaluating the impact of this ASU on its financial statements.

Note B: Investments

The investment securities held by MIGA are carried and reported at fair value. As of September 30, 2018, the majority of the Investments – Trading is comprised of Time deposits and Government and agency obligations (51.5% and 37.2%, respectively), with all instruments classified as Level 1 and Level 2 within the fair value hierarchy.

A summary of MIGA's investment portfolio at September 30, 2018 and June 30, 2018 is as follows:

In thousands of US dollars

	Fair Value	
	September 30, 2018	*June 30, 2018*
Time deposits	$ 802,885	$ 756,413
Government and agency obligations	578,802	595,344
Asset-backed securities	176,301	155,666
Total investments - Trading	$ 1,557,988	$ 1,507,423

(Continued)

Notes to Condensed Quarterly Financial Statements

MIGA manages its investments on a net portfolio basis. The following table summarizes MIGA's net portfolio position as of September 30, 2018, and June 30, 2018:

In thousands of US dollars

	Fair Value	
	September 30, 2018	*June 30, 2018*
Investment - Trading	$ 1,557,988	$ 1,507,423
Cash held in investment portfolio[a]	51,100	35,848
Receivable for investment securities sold[b]	640	30,631
	1,609,728	1,573,902
Derivative assets		
Currency forward contracts	124,726	103,163
Currency swaps	76,696	45,487
Others[c]	15	316
	201,437	148,966
Derivative liabilities		
Currency forward contracts	(123,981)	(101,556)
Currency swaps	(75,852)	(45,344)
Others[c]	(255)	(16)
	(200,088)	(146,916)
Payable for investment securities purchased[d]	(20,394)	(27,941)
Securities sold under repurchase agreement and payable for cash collateral received[e]	-	(13)
Net investment portfolio	$ 1,590,683	$ 1,547,998

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 and futures contracts.
d. This amount is included in Other liabilities on the Condensed Balance Sheet.
e. Includes Cash Collateral received of $Nil (June 30, 2018 - $13thousand).

As of September 30, 2018, investments are denominated primarily in United States dollars with instruments in non-U.S. dollar currencies representing 9.1 percent (9.2 percent – June 30, 2018) of the portfolio, of which the Euro-denominated instruments accounted for 8.9 percent (9.0 percent – June 30, 2018) of the total portfolio.

MIGA classifies all investment securities as trading. Investments classified as trading securities are reported at fair value with unrealized gains or losses included in Income from investments on the Condensed Statements of Income.

(Continued)

Notes to Condensed Quarterly Financial Statements

The following table summarizes MIGA's Income from investments during the three months ended September 30, 2018 and September 30, 2017:

In thousands of US dollars

	Three Months Ended	
	September 30, 2018	September 30, 2017
Interest income	$ 7,778	$ 4,836
Realized (losses) gains	(471)	39
Unrealized (losses) gains	(1,540)	900
	$ 5,767	$ 5,775

The following table summarizes MIGA's income from derivative instruments, reported as part of Income from investments and included in the table above, which mainly relates to interest rate futures, options, and covered forwards during the three months ended September 30, 2018 and September 30, 2017:

In thousands of US dollars

	Three Months Ended	
	September 30, 2018	September 30, 2017
Interest income	$ 296	$ -
Realized gains (losses)	1,501	(6,944)
Unrealized (losses) gains	(1,074)	7,629
	$ 723	$ 685

(Continued)

Notes to Condensed Quarterly Financial Statements

Fair Value Disclosures:

The following tables present MIGA's fair value hierarchy for investment assets and liabilities measured at fair value on a recurring basis as of September 30, 2018 and June 30, 2018:

In thousands of US dollars

	Fair Value Measurements on a Recurring Basis As of September 30, 2018			
	Level 1	*Level 2*	*Level 3*	*Total*
ASSETS:				
Time deposits	$ 56,010	$ 746,875	$ -	$ 802,885
Government and agency obligations	182,103	396,699	-	578,802
Asset backed securities	-	176,301	-	176,301
Total investments - Trading	238,113	1,319,875	-	1,557,988
Derivative assets				
Currency forward contracts	-	124,726	-	124,726
Currency swaps	-	76,696	-	76,696
Others[a]	-	15	-	15
Total derivative assets	-	201,437	-	201,437
Total	$ 238,113	$ 1,521,312	$ -	$ 1,759,425
LIABILITIES:				
Derivative liabilities				
Currency forward contracts	$ -	$ 123,981	$ -	$ 123,981
Currency swaps	-	75,852	-	75,852
Others[a]	14	241	-	255
Total derivative liabilities	14	200,074	-	200,088
Total	$ 14	$ 200,074	$ -	$ 200,088

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

(Continued)

Notes to Condensed Quarterly Financial Statements

In thousands of US dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2018			
	Level 1	*Level 2*	*Level 3*	*Total*
ASSETS:				
Time deposits	$ 39,004	$ 717,409	$ -	$ 756,413
Government and agency obligations	189,710	405,634	-	595,344
Asset backed securities	-	155,666	-	155,666
Total investments - Trading	228,714	1,278,709	-	1,507,423
Derivative assets				
Currency forward contracts	-	103,163	-	103,163
Currency swaps	-	45,487	-	45,487
Others[a]	38	278	-	316
Total derivative assets	38	148,928	-	148,966
Total	$ 228,752	$ 1,427,637	$ -	$ 1,656,389
LIABILITIES:				
Derivative liabilities				
Currency forward contracts	$ -	$ 101,556	$ -	$ 101,556
Currency swaps	-	45,344	-	45,344
Others[a]	-	16	-	16
Total derivative liabilities	-	146,916	-	146,916
Total	$ -	$ 146,916	$ -	$ 146,916

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

Inter-Level Transfers:

MIGA's policy is to recognize transfers in and transfers out of levels as of the end of the reporting period in which they occur.

There were no inter-level transfers during the three months ended September 30, 2018 or September 30, 2017.

Valuation Methods and Assumptions:

Summarized below are the techniques applied in determining the fair values of investments.

Investment securities and derivatives

Where available, quoted market prices are used to determine the fair value of trading securities. Examples include most government and agency securities, futures contracts, asset-backed securities and TBAs.

For instruments for which marked quotations are not available, fair values are determined using model-based valuation techniques, whether internally-generated or vendor-supplied, that include the standard discounted cash flow method using market observable inputs such as yield curves, credit spreads, and constant prepayment rates. Where applicable, unobservable inputs such as constant prepayment rates, probability of default and loss severity are used. Unless quoted prices are available, time deposits are reported at face value which approximates fair value, as they are short term in nature.

(Continued)

Notes to Condensed Quarterly Financial Statements

Securities purchased under resale agreements, Securities sold under repurchase agreements, and Securities lent under securities lending agreements

These securities are reported at face value which approximates fair value.

Securities Lending, Borrowing and Repurchases:
MIGA may engage in securities lending and repurchases, against adequate collateral, as well as securities borrowing and reverse repurchases (resale) of government and agency obligations and asset-backed securities. These transactions are conducted under legally enforceable master netting arrangements, which allow MIGA to reduce its gross credit exposure related to these transactions. For Balance Sheet presentation purposes, MIGA presents its securities lending and repurchases, as well as re-sales, on a gross basis. As of September 30, 2018 and June 30, 2018, 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, 2018 and June 30, 2018, 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 Balance Sheets as the accounting criteria for treatment as a sale have not been met. As of September 30, 2018 and June 30, 2018, 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.

Asset backed securities (ABS) holdings are investment grade, and therefore, do not pose a significant concentration risk or credit risk to MIGA as of June 30, 2018. However, market deterioration could cause this to change in future periods.

(Continued)

Notes to Condensed Quarterly Financial Statements

Derivative Instruments:

MIGA uses currency forward contracts to enhance the returns from and manage the currency risk in the investment portfolio.

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 on the Condensed Balance Sheets as of September 30, 2018 and June 30, 2018:

In thousands of US dollars

Type of contracts	September 30, 2018	June 30, 2018
Currency forward contracts and currency swaps		
Credit exposure	$ 2,100	$ 1,903
Exchange traded options and futures[a]		
Notional long position	106,200	167,000
Notional short position	172,600	460,000
Others[b]		
Notional long position	69,000	69,000
Notional short position	5,000	5,000
Credit exposure	15	278

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.

b. These relate to TBA securities.

Offsetting Assets and Liabilities:

MIGA enters into 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 presentation of derivative instruments is consistent with the manner in which these instruments are settled, with currency forward contracts settled on a gross basis.

(Continued)

Notes to Condensed Quarterly Financial Statements

The following tables summarize information on derivative receivables and payables (before and after netting adjustments) that are reflected on MIGA's Condensed Balance Sheets as of September 30, 2018 and June 30, 2018. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of legally enforceable master netting agreements and, where applicable, the net derivative asset positions are further reduced by the cash collateral received.

	September 30, 2018					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented
Currency forward contracts	$ 124,726	$ -	$ 124,726	$ 123,981	$ -	$ 123,981
Currency swaps	76,696	-	76,696	75,852	-	75,852
Others[a]	15	-	15	372	(117)	255
	$ 201,437	$ -	$ 201,437	$ 200,205	$ (117)	$ 200,088
Amounts subject to legally enforcable master netting agreement			(199,413)			(199,413)
Net derivative positions at counterparty level			$ 2,024			$ 675

a. These relate to TBA securities and futures contracts.

	June 30, 2018					
	Derivative Assets			Derivative Liabilities		
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Presented
Currency forward contracts	$ 103,163	$ -	$ 103,163	$ 101,556	$ -	$ 101,556
Currency swaps	45,487	-	45,487	45,344	-	45,344
Others[a]	408	(92)	316	16	-	16
	$ 149,058	$ (92)	$ 148,966	$ 146,916	$ -	$ 146,916
Amounts subject to legally enforcable master netting agreement			(146,840)			(146,840)
Net derivative positions at at counterparty level before collateral			$ 2,126			$ 76
Less:						
Cash collateral received[b]			(13)			
Net derivative exposure after collateral			$ 2,113			

a. These relate to TBA securities and futures contracts..

b. Does not include excess collateral received.

(Continued)

Notes to Condensed Quarterly Financial Statements

Note C: Capital Stock

At September 30, 2018, MIGA's authorized capital stock comprised 186,587 (186,587 – June 30, 2018) shares, of which 177,331 (177,331 – June 30, 2018) shares had been subscribed. Each share has a par value of SDR10,000, valued at the rate of $1.082 per SDR. Of the subscribed capital, as of September 30, 2018, $366,122,000 ($366,122,000 – June 30, 2018) has been paid in; and the remaining $1,552,599,000 ($1,552,599,000 - June 30, 2018) is subject to call.

At September 30, 2018, MIGA had $109,844,000 ($110,084,000 – June 30, 2018) in the form of non-negotiable, non-interest bearing demand obligations (promissory notes).

A summary of the changes in MIGA's authorized, subscribed and paid-in capital during the three months ended September 30, 2018 and fiscal year ended June 30, 2018 is as follows:

	Initial Capital		Capital Increase		Total	
	Shares	(US$000)	Shares	(US$000)	Shares	(US$000)
At September 30, 2018						
Authorized:						
At beginning of fiscal year	108,028	$ 1,168,863	78,559	$ 850,008	186,587	$ 2,018,871
New membership	-	-	-	-	-	-
At end of period	108,028	$ 1,168,863	78,559	$ 850,008	186,587	$ 2,018,871
Subscribed:						
At beginning of fiscal year	108,028	$ 1,168,863	69,303	$ 749,858	177,331	$ 1,918,721
New membership	-	-	-	-	-	-
At end of period	108,028	$ 1,168,863	69,303	$ 749,858	177,331	$ 1,918,721
Uncalled portion of the Subscription		(935,091)		(617,508)		(1,552,599)
Paid-in Capital		$ 233,772		$ 132,350		$ 366,122
At June 30, 2018						
Authorized:						
At beginning of fiscal year	108,028	$ 1,168,863	78,559	$ 850,008	186,587	$ 2,018,871
New membership	-	-	-	-	-	-
At end of fiscal year	108,028	$ 1,168,863	78,559	$ 850,008	186,587	$ 2,018,871
Subscribed:						
At beginning of fiscal year	108,028	$ 1,168,863	69,303	$ 749,858	177,331	$ 1,918,721
New membership	-	-	-	-	-	-
At end of fiscal year	108,028	$ 1,168,863	69,303	$ 749,858	177,331	$ 1,918,721
Uncalled portion of the Subscription		(935,091)		(617,508)		(1,552,599)
Paid-in Capital		$ 233,772		$ 132,350		$ 366,122

(Continued)

Notes to Condensed Quarterly Financial Statements

Note D: 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. 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 $21,439,325,000 as of September 30, 2018 ($21,215,880,000 – June 30, 2018).

The table below provides a reconciliation between MIGA's gross exposure and actual exposure to insurance claims, represented by amounts placed on current:

In thousands of US dollars

	September 30, 2018	June 30, 2018
Gross exposure	$ 21,439,325	$ 21,215,880
Less:		
Standby and Future interest amounts	(4,544,205)	(4,763,353)
Actual exposure (Current amounts)	$ 16,895,120	$ 16,452,527

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 $26,809,275 as of September 30, 2018 ($28,388,900 – June 30, 2018).

(Continued)

Notes to Condensed Quarterly Financial Statements

Reinsurance and Other Ceded Exposures

MIGA obtains treaty and facultative reinsurance (both public and private) to augment its underwriting capacity and to mitigate its risk by protecting portions of its insurance portfolio, and not for speculative reasons. All reinsurance contracts are ceded on a proportionate basis. However, MIGA is exposed to reinsurance non-performance risk in the event that reinsurers fail to pay their proportionate share of the loss in case of a claim. MIGA manages this risk by requiring that private sector reinsurers be rated by at least two of the four major rating agencies (Standard & Poor's, A.M. Best, Moody's and Fitch). The minimum rating required for private reinsurers is A by S&P or Fitch, A2 by Moody's and A- by A.M. Best. In addition, MIGA may also place reinsurance with public insurers of member countries that operate under and benefit from the full faith and credit of their governments and with multilateral agencies that represent an acceptable counterparty risk. MIGA has established limits, at both the project and portfolio levels, which restrict the amount of reinsurance that may be ceded. As of September 30, 2018, the project limit states that MIGA may cede no more than 90 percent of any individual project. Similarly, the portfolio limit states that MIGA may not reinsure more than 70 percent of its aggregate gross exposure.

In addition, MIGA administers the Conflict Affected and Fragile Economies Facility (CAFEF), a donor partner-funded trust fund established in April 2013. Under the CAFEF reinsurance structure, MIGA issues guarantees and cedes to the CAFEF an initial loss layer, for eligible projects. As of September 30, 2018, out of $404,229,000 ($425,637,000 – June 30, 2018) in gross exposure under this arrangement on MIGA's own account, amounts ceded to CAFEF under the initial loss layer totaled $39,538,000 ($41,318,000 – June 30, 2018).

MIGA is also able to cede exposures to International Development Association (IDA) under the MIGA Guarantee Facility (MGF), one of the four facilities set up under the IDA18 IFC-MIGA Private Sector Window to promote investment in IDA-only and FCS countries. Under this facility, MIGA issues guarantees and cedes to IDA an initial first loss layer for eligible projects. As of September 30, 2018, out of $217,185,000 ($217,689,000 – June 30, 2018) MIGA's gross exposure under this facility, amount ceded to IDA under the first loss layer totaled $35,986,000 ($36,067,000 – June 30, 2018)

The table below provides a reconciliation between MIGA's gross guarantee exposure and net exposure as of September 30, 2018 and June 30, 2018.

In thousands of US dollars

	September 30, 2018	June 30, 2018
Gross guarantee exposure	$ 21,439,325	$ 21,215,880
Less: Ceded exposures		
Facultative and Treaty reinsurers	(13,652,871)	(13,259,806)
CAFEF	(39,538)	(41,318)
IDA PSW - MGF (Note G)	(35,986)	(36,067)
Net guarantee exposure before exposure exchanges	7,710,930	7,878,689
Less:		
Exposure Exchange Agreement (Note G)	(3,604)	(491)
Net guarantee exposure	$ 7,707,326	$ 7,878,198

MIGA can also provide both public (official) and private insurers with facultative reinsurance. As of September 30, 2018, total insurance assumed by MIGA, primarily with official investment insurers, amounted to $218,533,000 ($218,533,000 – June 30, 2018).

(Continued)

Notes to Condensed Quarterly Financial Statements

Premiums, fees and commission relating to direct, assumed, and ceded contracts for the three months ended September 30, 2018 and September 30, 2017 were as follows:

In thousands of US dollars

	Three Months Ended September 30,	
	2018	2017
Premiums written		
Direct	$ 132,043	$ 39,546
Assumed	151	84
Ceded	(108,522)	(25,129)
	23,672	14,501
Premium income		
Direct	59,250	50,285
Assumed	566	501
	$ 59,816	$ 50,786
Premium ceded	(37,602)	(31,399)
Ceding commission and other fees	9,563	7,772
Brokerage and other charges	(2,178)	(1,374)
Net premium income	$ 29,599	$ 25,785

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, 2018, the maximum net exposure which may be assumed by MIGA is $820 million ($820 million – June 30, 2018) in each host country and $250 million ($250 million – June 30, 2018) for each project.

(Continued)

Notes to Condensed Quarterly Financial Statements

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, 2018) 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, 2018, the maximum level of guarantees outstanding (including reinsurance) may not exceed $28,886,626,000 ($28,379,337,000 – June 30, 2018).

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, 2018 and June 30, 2018 are as follows:

In thousands of US dollars

	September 30, 2018		June 30, 2018	
	Exposure in Top Five Countries	Exposure in Top Ten Countries	Exposure in Top Five Countries	Exposure in Top Ten Countries
Gross Exposure	$ 8,126,614	$ 12,016,542	$ 7,557,155	$ 11,499,654
% of Total Gross Exposure	37.9	56.0	35.6	54.2
Net Exposure	$ 1,951,870	$ 3,255,542	$ 1,872,671	$ 3,186,143
% of Total Net Exposure	25.3	42.2	23.8	40.4

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, 2018 and June 30, 2018 is as follows:

In thousands of US dollars

	September 30, 2018			June 30, 2018		
	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
East Asia & Pacific	$ 2,473,183	$ 625,767	8.1	$ 2,506,351	$ 632,099	8.0
Europe & Central Asia	7,296,698	2,388,296	31.0	6,824,126	2,370,913	30.1
Latin America & Caribbean	4,221,158	1,425,516	18.5	4,250,751	1,450,119	18.4
Middle East & North Africa	1,141,229	681,574	8.8	1,152,481	691,918	8.8
South Asia	1,025,395	503,471	6.5	1,041,481	507,048	6.4
Sub-Saharan Africa	5,281,662	2,082,702	27.1	5,440,690	2,226,101	28.3
	$ 21,439,325	$ 7,707,326	100.0	$ 21,215,880	$ 7,878,198	100.0

(Continued)

Notes to Condensed Quarterly Financial Statements

The sectoral distribution of MIGA's portfolio at September 30, 2018 and June 30, 2018 is shown in the following table:

In thousands of US dollars

	September 30, 2018			June 30, 2018		
Sector	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
Agribusiness	$ 83,194	$ 82,054	1.1	$ 83,991	$ 82,851	1.1
Financial	7,713,758	2,293,450	29.8	7,204,915	2,260,494	28.7
Infrastructure	10,084,097	3,934,669	51.0	10,297,407	4,103,992	52.1
Manufacturing	480,248	393,547	5.1	501,844	412,766	5.2
Mining	1,231,474	292,050	3.8	1,231,474	292,050	3.7
Oil and Gas	835,912	305,097	4.0	878,325	316,994	4.0
Services and Tourism	1,010,642	406,459	5.2	1,017,924	409,051	5.2
	$ 21,439,325	$ 7,707,326	100.0	$ 21,215,880	$ 7,878,198	100.0

Note E: ***Reserve for Claims and other Exposures***

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

The following table provides an analysis of reserve for claims as of September 30, 2018 and June 30, 2018.

In thousands of US dollars

	September 30, 2018			June 30, 2018		
	IPR	Specific Reserve for Claims	Total	IPR	Specific Reserve for Claims	Total
Gross reserve for claims	$ 527,816	$ 3,092	$ 530,908	$ 450,100	$ 3,121	$ 453,221
Less: Reinsurance recoverable[a]	(307,883)	-	(307,883)	(239,616)	-	(239,616)
Net reserve for claims	$ 219,933	$ 3,092	$ 223,025	$ 210,484	$ 3,121	$ 213,605

a. As of September 30, 2018, excludes $14,613thousand (June 30, 2018 - $12,255thousand) reinsurance recoverable associated with retroactive reinsurance contracts, which is included in the Reinsurance recoverable on the Condensed Balance Sheet.

(Continued)

Notes to Condensed Quarterly Financial Statements

The following table provides the composition of reinsurance recoverables at September 30, 2018 and June 30, 2018:

In thousands of US dollars

			September 30, 2018	June 30, 2018
Prospective reinsurance	-	IPR	$ 307,883	$ 239,616
	-	Specific reserve for claims	-	-
			307,883	239,616
Retroactive reinsurance	-	IPR	14,613	12,255
			$ 322,496	$ 251,871

As of September 30, 2018, the deferred gains reflecting the shortfall between the retroactive reinsurance contracts associated reserves and the related premium ceded totaled $7,916,000 ($6,308,500 – June 30, 2018), and is included in Other liabilities on the Condensed Balance Sheets.

The net increase in reserves for claims reflected in the Condensed Statement of Income for the three months ended September 30, 2018 and September 30, 2017 comprised changes in the Insurance Portfolio Reserve and Specific reserve for claims as follows:

In thousands of US dollars

	Three Months Ended	
	September 30, 2018	September 30, 2017
Increase in Net Reserves:		
Insurance Portfolio Reserve	$ 9,870	$ (2,042)
Specific reserve for claims	(29)	1,621
Increase (decrease) in reserve, before translation adjustments	9,841	(421)
Foreign currency translation adjustments	(421)	2,250
Increase in reserves, net	$ 9,420	$ 1,829

For the three months ended September 30, 2018, MIGA's claims reserving methodology and the related assumptions remained unchanged. Excluding translation effects, the $9,841,000 increase in reserves largely reflects the impact of the changes in host country risk ratings, change in portfolio composition and increase in net guarantee exposure.

The foreign currency translation adjustment reflects the impact on MIGA's Insurance Portfolio Reserve revaluation of guarantee contracts denominated in currencies other than US dollar and managed of by holding equivalent amounts in the same currency in the Investment portfolio. The amount by which the reserve increases (decreases) as a result of translation adjustment is offset by the translation gains (losses) on MIGA's investment portfolio and other assets, reported on the Condensed Statements of Income.

(Continued)

Notes to Condensed Quarterly Financial Statements

Insurance Portfolio Reserve (IPR)

The IPR reflects provisions set aside for unexpected 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, 2018 and fiscal year ended June 30, 2018:

In thousands of US dollars

	Three Months Ended September 30, 2018	Fiscal Year Ended June 30, 2018
Gross IPR, beginning balance	$ 450,100	$ 398,725
Less: Reinsurance recoverables	(239,616)	(214,181)
Net IPR, beginning balance	210,484	184,544
Increase in reserve before translation adjustments	9,870	24,393
Foreign currency translation losses (gains)	(421)	1,547
Increase in reserves, net of reinsurance	9,449	25,940
Net IPR, ending balance[a]	219,933	210,484
Add: Reinsurance recoverables[b]	307,883	239,616
Gross IPR, ending balance[c]	$ 527,816	$ 450,100

a. As of September 30, 2018 represents 2.9% of Total Net Exposure (June 30, 2018 - 2.7%).

b. As of June 30, 2018, excludes $14,613thousand (June 30, 2018 - $12,255thousand) reinsurance recoverables associated with retroactive reinsurance contracts which is included in the Reinsurance recoverables on the Condensed Balance Sheet.

c. As of September 30, 2018 represents 2.5 % of Total Gross Exposure (June 30, 2018 - 2.1%).

The increase in reserve before translation adjustments for the three months ended September 30, 2018 and fiscal year ended June 30, 2018 were attributable to the following factors:

In thousands of US dollars

	Three Months Ended September 30, 2018	Fiscal Year Ended June 30, 2018
Changes in portfolio size and risk profile	$ 699	$ 21,832
Changes in host country risk ratings	10,040	6,263
Changes in discount rate	(838)	(3,795)
Other	(31)	93
	$ 9,870	$ 24,393

(Continued)

Notes to Condensed Quarterly 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.

(Continued)

Notes to Condensed Quarterly 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, 2018 and fiscal year ended June 30, 2018:

In thousands of US dollars

	Three Months Ended September 30, 2018	Fiscal Year Ended June 30, 2018
Gross specific reserve for claims, beginning balance	$ 3,121	$ 1,488
Less: Reinsurance recoverables	-	-
Net specific reserve for claims, beginning balance	3,121	1,488
(Decrease) increase in specific reserve for claims - Prior years	(29)	1,633
Net specific reserve for claims, ending balance	3,092	3,121
Add: Reinsurance recoverables	-	-
Gross Specific reserve for claims, ending balance	$ 3,092	$ 3,121

The gross specific reserve for claims as of September 30, 2018 and June 30, 2018 comprises:

In thousands of US dollars

	Three Months Ended September 30, 2018	Fiscal Year Ended June 30, 2018
Reserve for pending claims	$ 1,928	$ 1,946
Probable loss reserve	1,164	1,175
Gross specific reserve	$ 3,092	$ 3,121

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. Since MIGA has not had any claims history on the Non-honoring product since its introduction, the disclosures below pertain solely to Political Risk Insurance.

MIGA generally creates a claim file for a policy at the contract level by type of risk coverage and recognizes one count for each claim filed by the guarantee holder and for which a claim reserve has been created.
For the purposes of the claims development tables presented below, the Agency counts claims for policies issued even if the claims are eventually closed without a payment being made.

For the purpose of short-duration contracts disclosures, incurred and paid claims information include both the probable loss reserve and reported claims for each accident year.

(Continued)

Notes to Condensed Quarterly Financial Statements

The following tables present information about incurred and paid claims development as of September 30, 2018, net of reinsurance, and cumulative claim frequency. The tables include unaudited information about incurred and paid claims development for the years ended June 30, 2010 through 2017, which is presented as supplementary information:

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

In thousands of US dollars	For the Reporting period											
	Unaudited											
	Reported Claims											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 Q1	Probable Loss Reserve	Cumulative number of Reported Claims
Accident Year												
2010	-	-	-	-	-	-	-	-	-	-	30,807	-
2011		-	-	-	-	-	-	-	-	-	6,082	1
2012			3,833	8,232	5,350	4,303	4,303	4,303	4,303	4,303	5,593	1
2013				5,166	299	273	273	273	273	273	6,905	-
2014					-	-	-	-	-	-	1,752	1
2015						363	363	363	363	363	-	2
2016							4,458	4,458	4,458	4,458	-	-
2017								1,215	2,268	2,250	595	3
2018									-	-	1,175	2
2019 Q1										-	1,164	-
Total										11,647		

Political Risk Insurance: Cumulative Claim Payments, Net of Reinsurance

In thousands of US dollars	For the Reporting period									
	Unaudited									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 Q1
Accident Year										
2010	-	-	-	-	-	-	-	-	-	-
2011		-	-	-	-	-	-	-	-	-
2012			-	-	-	4,303	4,303	4,303	4,303	4,303
2013				-	-	273	273	273	273	273
2014					-	-	-	-	-	-
2015						363	363	363	363	363
2016							-	4,458	4,458	4,458
2017								322	322	322
2018									-	-
2019 Q1										-
Total										9,719
			Outstanding liabilities before 2010, net of reinsurance							-
			Liabilities for claims, net of reinsurance							1,928

(Continued)

Notes to Condensed Quarterly 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:

In thousands of US dollars

	September 30, 2018		June 30, 2018	
Specific reserve for claims, net of reinsurance	$	3,092	$	3,121
Reinsurance recoverable		-		-
Gross specific reserve for claims	$	3,092	$	3,121

The following table presents supplementary information about average historical claims duration as of September 30, 2018:

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	11%	11%	11%	14%	0%	0%	0%	0%	0%	0%

Note F: Pension and Other Post Retirement Benefits

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

The SRP provides regular pension benefits and includes a cash balance plan. The regular pension benefit component provides a final salary guaranteed benefit or equivalent annuity, while the cash balance plan provides benefits equal to the amounts contributed by both the employer and the employee plus investment returns, or equivalent annuity. The RSBP provides certain health and life insurance benefits to eligible retirees. The PEBP provides certain pension benefits administered outside the SRP.

Responsibility for governance of the plans, including overseeing all aspects of the plans including investment decisions and contribution rates, lies with the IBRD's Pension Financial Committee.

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 Condensed Quarterly Financial Statements

The following tables summarizes MIGA's respective share of the costs associated with the SRP, RSBP, and PEBP for the three months ended September 30, 2018 and September 30, 2017:

In thousands of US dollars

	Three Months Ended September 30, 2018			
Benefit Cost	SRP	RSBP	PEBP	Total
Interest cost	$ 2,042	$ 302	$ 228	$ 2,572
Expected return on plan assets	(2,951)	(401)	-	(3,352)
Amortization of unrecognized prior service cost[a]	15	44	6	65
Amortization of unrecognized net actuarial losses[a]	59	-	211	270
Net periodic pension cost, excluding service cost	$ (835)	$ (55)	$ 445	$ (445)
Service cost[b]	1,593	354	285	2,232
Net periodic pension cost	$ 758	$ 299	$ 730	$ 1,787

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

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

In thousands of US dollars

	Three Months Ended September 30, 2017			
Benefit Cost	SRP	RSBP	PEBP	Total
Service cost	$ 1,570	$ 356	$ 295	$ 2,221
Interest cost	1,811	284	223	2,318
Expected return on plan assets	(2,729)	(368)	-	(3,097)
Amortization of unrecognized prior service cost[a]	15	45	6	66
Amortization of unrecognized net actuarial losses[a]	211	-	233	444
Net periodic pension cost	$ 878	$ 317	$ 757	$ 1,952

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

Note G: Transactions with Affiliated Organizations

MIGA contributes its share of the World Bank Group's corporate costs. Payments for these services are made by MIGA to IBRD, IDA and IFC based on negotiated fees, charge backs and allocated charges where charge back is not feasible. Transactions with IBRD and IFC also include brokerage fees paid for referral and due diligence services on guarantee projects.

(Continued)

Notes to Condensed Quarterly Financial Statements

Total fees paid by MIGA reflected in the Condensed Statements of Income during the three months ended September 30, 2018 and September 30, 2017 are as follows:

In thousands of US dollars

	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017
Fees charged by IBRD/IDA	$ 2,217	$ 1,845
Fees charged by IFC	450	221

At September 30, 2018 and June 30, 2018, MIGA had the following (payables to) receivables from its affiliated organizations regarding administrative and other services, and pension and other postretirement benefits:

In thousands of US dollars

	September 30, 2018			June 30, 2018		
	Administrative & Other Services[a]	Pension and Other Postretirement Benefits[b]	Total	Administrative & Other Services[a]	Pension and Other Postretirement Benefits[b]	Total
IBRD	$ (8,010)	$ 13,146	$ 5,136	$ (12,327)	$ 12,977	$ 650
IFC	(6,736)	-	(6,736)	(7,164)	-	(7,164)
	$ (14,746)	$ 13,146	$ (1,600)	$ (19,491)	$ 12,977	$ (6,514)

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 Agreement with IBRD

During FY14, MIGA entered into an exposure exchange agreement with IBRD under which MIGA and IBRD agreed to exchange $120 million each of notional amount of exposure on their respective balance sheets with one another. Under the agreement, IBRD provided a guarantee on principal and interest pertaining to MIGA's guarantee exposure under its Non-Honoring of Sovereign's Financial Obligation in exchange for MIGA's guarantee on IBRD's loan principal and interest exposure. As of September 30, 2018, and June 30, 2018, the outstanding off-balance sheets amounts relating to the exposure exchange agreement were as follows:

In thousands of US dollars

	September 30, 2018	June 30, 2018
IBRD's exposure assumed by MIGA	$ 65,282	$ 71,746
MIGA's exposure assumed by IBRD	68,886	72,237
Net amount	$ (3,604)	$ (491)

As of September 30, 2018, the recorded liabilities related to MIGA's obligation under the existing exposure exchange agreement with IBRD amounted to $0.4 million ($0.5 million – June 30, 2018) and is included in Insurance portfolio reserve on the Condensed Balance Sheets.

(Continued)

Notes to Condensed Quarterly Financial Statements

IDA18 IFC-MIGA Private Sector Window (PSW)

As of September 30, 2018, the amounts ceded to IDA under the first loss layer totaled $35,986,000 ($36,067,000 – June 30, 2018).

Note H: Accumulated Other Comprehensive Loss

The following tables present the changes in Accumulated Other Comprehensive Loss (AOCL) for the three months ended September 30, 2018 and September 30, 2017:

In thousands of US dollars

	Three Months Ended September 30, 2018			
	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	$ (32,428)	$ (1,487)	$ (30,480)
Changes during the Period[b] :				
Amounts reclassified into net income[c]	-	270	65	335
Net change during the Period	-	270	65	335
Balance, end of Period	$ 3,435	$ (32,158)	$ (1,422)	$ (30,145)

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. Changes in fair value relating to provision and other post-retirement benefit plans are assessed annually.
c. See Note F, Pension and Other Post Retirement Benefits.

In thousands of US dollars

	Three Months Ended September 30, 2017			
	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	$ (38,851)	$ (1,745)	$ (37,161)
Changes during the Period[b] :				
Amounts reclassified into net income[c]	-	444	66	510
Net change during the Period	-	444	66	510
Balance, end of Period	$ 3,435	$ (38,407)	$ (1,679)	$ (36,651)

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. Changes in fair value relating to provision and other post-retirement benefit plans are assessed annually.
c. See Note F, Pension and Other Post Retirement Benefits.

(Continued)

Deloitte.

Deloitte & Touche LLP

7900 Tysons One Place
Suite 800
McLean, VA 22102
USA

Tel: +1 703 251 1000
Fax: +1 703 251 3400
www.deloitte.com

INDEPENDENT AUDITORS' REVIEW REPORT

President and Board of Directors
Multilateral Investment Guarantee Agency:

We have reviewed the accompanying condensed balance sheet of the Multilateral Investment Guarantee Agency ("MIGA") as of September 30, 2018, and the related condensed statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the three-month period ended September 30, 2018 (the "interim financial information"). The condensed statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the three-month period ended September 30, 2017, were reviewed by other auditors whose report dated November 13, 2017, stated that based on their review, they were not aware of any material modifications that should be made to those statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. The balance sheet of MIGA as of June 30, 2018, and the related statements of income, comprehensive income, changes shareholders' equity, and cash flows for the year then ended (not presented herein), were audited by other auditors whose report dated August 9, 2018, expressed an unmodified opinion on those statements.

Management's Responsibility for the Interim Financial Information

MIGA's 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; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America 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. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information. Accordingly, we do not express such an opinion.

Conclusion

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

Deloitte & Touche LLP

November 12, 2018