Condensed Quarterly Financial Statements

U N A U D I T E D

December 31, 2016

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Condensed Balance Sheets

Expressed in thousands of US dollars

	December 31, 2016	June 30, 2016
Assets		
Cash	$ 29,497	$ 7,087
Investments - Trading (including securities transferred under repurchase agreements) - Note B	1,407,149	1,348,699
Securities purchased under resale agreements - Note B	-	42,001
Derivative assets - Note B	169,339	332,708
Non negotiable, non interest - bearing demand obligations - Note C	108,611	110,292
Reinsurance recoverable - Note E	179,740	216,139
Prepaid premium ceded to reinsurers	239,207	182,267
Other assets - Note B, F and G	49,858	100,029
TOTAL ASSETS	$ 2,183,401	$ 2,339,222
Liabilities and Shareholders' Equity		
LIABILITIES		
Securities sold under repurchase agreements and payable for cash collateral received - Note B	$ -	$ 2,691
Derivative liabilities - Note B	162,608	348,531
Unearned premiums and commitment fees	382,377	307,705
Other liabilities - Note B, F and G	126,480	146,288
Reserve for claims, gross - Note E		
Specific reserves for claims	462	4,458
Insurance portfolio reserve	333,272	541,043
Reserve for claims, gross	333,734	545,501
TOTAL LIABILITIES	1,005,199	1,350,716
CONTINGENT LIABILITIES - Note D		
SHAREHOLDERS' EQUITY		
Capital stock - Note C		
Authorized capital (186,587 shares - December 31, 2016 and June 30, 2016)		
Subscribed capital (177,331 shares - December 31, 2016 and June 30, 2016)	1,918,721	1,918,721
Less uncalled portion of subscriptions	1,552,599	1,552,599
	366,122	366,122
Retained earnings	871,607	684,023
Accumulated other comprehensive loss - Note H	(59,527)	(61,639)
TOTAL SHAREHOLDERS' EQUITY	1,178,202	988,506
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,183,401	$ 2,339,222

See accompanying notes to condensed quarterly financial statements

Condensed Statements of Income

Expressed in thousands of US dollars

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
INCOME				
Income from guarantees - Note D	$ 23,278	$ 21,265	$ 47,374	$ 43,457
(Loss) income from investments - Note B	(6,879)	(757)	(3,292)	5,058
Miscellaneous income	1,151	-	1,151	-
Total income	17,550	20,508	45,233	48,515
EXPENSES				
Decrease in reserves, net - Notes A and E				
Decrease in reserves, excluding translation (gains)	(162,967)	(3,753)	(168,258)	(16,906)
Translation (gains)	(6,260)	(3,050)	(6,138)	(2,920)
Decrease in reserves, net	(169,227)	(6,803)	(174,396)	(19,826)
Administrative expenses	10,567	9,827	19,764	20,721
Expenses from pension and other post retirement benefit plans - Note F	2,545	1,315	5,096	2,630
Translation losses - Investments and other assets	7,260	3,224	7,185	2,809
Decrease in reserves and total expenses	(148,855)	7,563	(142,351)	6,334
NET INCOME	$ 166,405	$ 12,945	$ 187,584	$ 42,181

See accompanying notes to condensed quarterly financial statements

Condensed Statements of Comprehensive Income

Expressed in thousands of US dollars

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Six Months Ended December 31, 2016	Six Months Ended December 31, 2015
NET INCOME…………………………………………………	$ 166,405	$ 12,945	$ 187,584	$ 42,181
OTHER COMPREHENSIVE INCOME - Note H				
Amortization of unrecognized net actuarial losses……..	990	346	1,983	692
Amortization of unrecognized prior service costs………	63	59	129	118
Total other comprehensive income ………………..	1,053	405	2,112	810
COMPREHENSIVE INCOME……………………………..	$ 167,458	$ 13,350	$ 189,696	$ 42,991

Condensed Statements of Changes in Shareholders' Equity

Expressed in thousands of US dollars

	Six Months Ended December 31, 2016	Six Months Ended December 31, 2015
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…………………………………………	684,023	627,210
Net income…………………………………………………………………………	187,584	42,181
Ending Balance…………………………………………………………………	871,607	669,391
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance at beginning of the fiscal year………………………………………..	(61,639)	(22,159)
Other comprehensive income………………………………………………..	2,112	810
Ending Balance………………………………………………………………	(59,527)	(21,349)
TOTAL SHAREHOLDERS' EQUITY	$ 1,178,202	$ 1,014,164

See accompanying notes to condensed quarterly financial statements

Condensed Statements of Cash Flows

Expressed in thousands of US dollars

	Six Months Ended December 31, 2016	Six Months Ended December 31, 2015
CASH FLOW FROM OPERATING ACTIVITIES		
Net income……………………………………………………………………….	$ 187,584	$ 42,181
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Decrease in reserves, net - Note E……………………………………………	(174,396)	(19,826)
Translation losses - Investments and other assets………………………..	7,185	2,809
Claims paid, net of reinsurance recoveries…………………………………	(4,458)	-
Net change in:		
Investments - Trading, net………………………………………………	(47,980)	(14,876)
Other assets and liabilities………………………………………………	(29,413)	4,578
Unearned premiums and commitment fees…………………………….	83,434	(17,003)
Net cash provided by (used in) operating activities	21,956	(2,137)
EFFECT OF EXCHANGE RATE CHANGES ON CASH………………………….	454	(534)
Net increase (decrease) in cash…………………………………………………..	22,410	(2,671)
Cash at beginning of the fiscal year………………………………………………..	7,087	9,710
CASH AT END OF THE PERIOD…………………………………………………	$ 29,497	$ 7,039

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, 2016 and notes included therein. The condensed comparative information that has been derived from the June 30, 2016 audited financial statements has not been audited.

Multilateral Investment Guarantee Agency's (MIGA) 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, 2016.

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, 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, where applicable.

On February 9, 2017, the Executive Vice President and Chief Executive Officer and the Director, Finance and Risk, authorized the condensed quarterly financial statements for issue, which was also the date through which MIGA's management evaluated subsequent events.

Accounting and Reporting Developments

Reserve for Claims

During the quarter ended December 31, 2016, MIGA implemented its new economic capital model and associated core parameters for the purpose of calculating the Agency's Insurance Portfolio Reserve (IPR), as well as for pricing and assessing capital adequacy. The model was developed in order to ensure that MIGA's main risk model in a flexible and transparent manner reflects the complex risks MIGA faces as an insurer and that it serves as a useful tool for applications which include reserving, pricing, and capital adequacy, while taking into account industry best practice, developments in the political risk landscape, and MIGA's experience and changes in mix of business and reinsurance strategy.

Operating within MIGA's existing reserving policy and methodology, the new model benefits from Monte-Carlo simulation approach that is widely used in the insurance industry, enhanced ability to model complex loss structures, and strengthened calculations of extreme loss scenarios indicative of the low-frequency, high-severity nature of MIGA's exposures. The model core parameters have undergone comprehensive reviews and refinements, for example in terms of claim probabilities, recoveries, correlations, loss dependency assumptions, and consideration of MIGA's unique nature as a part of the World Bank Group.

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Under the new model, the overarching IPR framework (comprised of policy and methodology) were unchanged, with the changes reflecting refinements of the core model parameters. Management's conclusion from the assessment of the changes is that the financial effects associated with the introduction of the new model constitute a change in an accounting estimate, with the results reflected in the current period's Income Statement.

The new model implementation resulted in a net decrease in the IPR of $165,900,000, represented by a $227,100,000 decrease in the Reserve for claims, gross, and a $61,200,000 decrease in Reinsurance recoverable. Included in the decrease in reserves excluding translation gains during the three and six months ended December 31, 2016 of $162,967,000 and $168,258,000, respectively, was the impact of the referenced decrease in the IPR of $165,900,000 associated with the introduction of the new Economic Capital Model.

MIGA's approach to the specific claim and probable reserve calculations remains unchanged.

Accounting Reporting Standards

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (EITF consensus).* The ASU requires that the amounts of restricted cash and restricted cash equivalents are included in the total of cash and cash equivalents at the beginning and end of the period in the statement of cash flows. For non-public entities, the ASU will become effective from the fiscal year beginning after December 15, 2019, and subsequent interim periods. MIGA is currently 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 December 31, 2016, the majority of the Investments – Trading is comprised of Time deposits and Government and agency obligations (55.3% and 22.5%, respectively), with all instruments classified as Level 1 and Level 2 within the fair value hierarchy.

A summary of MIGA's investment portfolio at December 31, 2016 and June 30, 2016 are as follows:

In thousands of US dollars

	Fair Value	
	December 31, 2016	*June 30, 2016*
Government and agency obligations	$ 315,854	$ 627,130
Time deposits	777,873	351,494
Asset-backed securities	313,422	370,075
Total investments - Trading	$ 1,407,149	$ 1,348,699

(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 December 31, 2016 and June 30, 2016:

In thousands of US dollars

	Fair Value	
	December 31, 2016	*June 30, 2016*
Investment - Trading	$ 1,407,149	$ 1,348,699
Cash held in investment portfolio[a]	25,756	2,552
Securities purchased under resale agreements	-	42,001
Receivable for investment securities sold[b]	5,547	11,440
	1,438,452	1,404,692
Derivative assets		
Currency forward contracts	168,909	332,353
Others[c]	430	355
	169,339	332,708
Derivative liabilities		
Currency forward contracts	(162,438)	(348,223)
Others[c]	(170)	(308)
	(162,608)	(348,531)
Payable for investment securities purchased[d]	(7,029)	(10,192)
Securities sold under repurchase agreement and payable for cash collateral received	-	(2,691)
Net investment portfolio	$ 1,438,154	$ 1,375,986

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 related to To-Be-Announced (TBA) securities, exchanged trade options and futures contracts.
d. This amount is included in Other liabilities on the Condensed Balance Sheet.

As of December 31, 2016, investments are denominated primarily in United States dollars with instruments in non-U.S. dollar currencies representing 11.7 percent (10.7 percent – June 30, 2016) of the portfolio, of which the Euro-denominated instruments accounted for 11.5 percent (10.5 percent – June 30, 2016) 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 (Loss) Income from investments.

(Continued)

Notes to Condensed Quarterly Financial Statements

The following table summarizes MIGA's (Loss) Income from investments during the three and six months ended December 31, 2016 and December 31, 2015:

In thousands of US dollars

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Interest income	$ 4,004	$ 3,996	$ 8,816	$ 7,880
Realized - gains (losses)	13,451	(794)	13,167	(701)
Unrealized - (losses)	(24,334)	(3,959)	(25,275)	(2,121)
	$ (6,879)	$ (757)	$ (3,292)	$ 5,058

The following table summarizes MIGA's income from derivative instruments, reported as part of (Loss) Income from Investments, which mainly relates to interest rate futures, options, and covered forwards during the three and six months ended December 31, 2016 and December 31, 2015:

In thousands of US dollars

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Interest income	$ 57	$ 501	$ 1,096	$ 798
Realized - (losses)	(15,338)	(339)	(15,469)	(338)
Unrealized - gains	16,291	575	16,510	7
	$ 1,010	$ 737	$ 2,137	$ 467

(Continued)

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 December 31, 2016 and June 30, 2016:

In thousands of US dollars

	Fair Value Measurements on a Recurring Basis As of December 31, 2016			
	Level 1	*Level 2*	*Level 3*	*Total*
ASSETS:				
Government and agency obligations	$ 176,349	$ 139,505	$ -	$ 315,854
Time deposits	25,001	752,872	-	777,873
Asset backed securities	-	313,422	-	313,422
Total investments - Trading	201,350	1,205,799	-	1,407,149
Derivative assets				
Currency forward contracts	-	168,909	-	168,909
Others[a]	14	416	-	430
Total derivative assets	14	169,325	-	169,339
Total	$ 201,364	$ 1,375,124	$ -	$ 1,576,488
LIABILITIES:				
Derivative liabilities				
Currency forward contracts	$ -	$ 162,438	$ -	$ 162,438
Others[a]	-	170	-	170
Total derivative liabilities	-	162,608	-	162,608
Total	$ -	$ 162,608	$ -	$ 162,608

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

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Notes to Condensed Quarterly Financial Statements

In thousands of US dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2016			
	Level 1	*Level 2*	*Level 3*	*Total*
ASSETS:				
Government and agency obligations	$506,845	$ 120,285	$ -	$ 627,130
Time deposits	35,148	316,346	-	351,494
Asset backed securities	-	370,075	-	370,075
Total investments - Trading	541,993	806,706	-	1,348,699
Securities purchased under resale agreements	42,001	-	-	42,001
Derivative assets				
Currency forward contracts	-	332,353	-	332,353
Others[a]	-	355	-	355
Total derivative assets	-	332,708	-	332,708
Total	$583,994	$1,139,414	$ -	$1,723,408
LIABILITIES:				
Securities sold under repurchase agreements	$ -	$ 2,691	$ -	$ 2,691
Derivative liabilities				
Currency forward contracts	-	348,223	-	348,223
Others[a]	293	15	-	308
Total derivative liabilities	293	348,238	-	348,531
Total	$ 293	$ 350,929	$ -	$ 351,222

a. These relate to TBA securities,exchange traded options and futures.

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 and six months ended December 31, 2016 or December 31, 2015.

Valuation Methods and Assumptions:

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

Investment securities

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, 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

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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 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 Sheets presentation purposes, MIGA presents its securities lending and repurchases, as well as re-sales, on a gross basis. As of December 31, 2016 and June 30, 2016, there were no amounts which could potentially be offset as a result of legally enforceable master netting arrangements.

The following is a summary of the carrying amount of the securities transferred under repurchase agreements, and the related liabilities:

In thousands of US dollars

	December 31, 2016	June 30, 2016
Securities transferred under repurchase agreements	$ -	$ 2,718
Liabilities relating to securities transferred under repurchase agreements	$ -	$ 2,691

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.

As of December 31, 2016 and June 30, 2016, there were no liabilities relating to securities transferred under repurchase securities lending agreements that had not settled at that 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.

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Notes to Condensed Quarterly Financial Statements

As of December 31, 2016, there were no repurchase agreements that were accounted for as secured borrowings.

The following table presents the disaggregation of the gross obligation by class of collateral pledged and the remaining contractual maturities for repurchase agreements that were accounted for as secured borrowings as of June 30, 2016:

In thousands of US dollars

	June 30, 2016		
	Remaining contractual maturity of the agreements		
	Overnight and continuous	Up to 30 days	Total
Repurchase or security lending agreements			
Government and agency obligations[a]	$ 2,691	$ -	$ 2,691
Total liabilities relating to securities transferred under repurchase or security lending agreements	$ 2,691	$ -	$ 2,691

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 December 31, 2016, MIGA had received securities with a fair value of $Nil ($42,095,615 - June 30, 2016) under resale agreements.

Credit Exposure:
The maximum credit exposure of investments closely approximates the fair values of the financial instruments.

Asset backed securities (ABS) are diversified among credit cards, student loans, home equity loans and mortgage backed securities. Since these holdings are investment grade, neither concentration risk nor credit risk represents a significant risk to MIGA as of December 31, 2016. However, market deterioration could cause this to change in future periods.

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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 December 31, 2016 and June 30, 2016:

In thousands of US dollars

Type of contracts	December 31, 2016		June 30, 2016	
Currency forward contracts				
Credit exposure	$	6,472	$	244
Exchange traded options and futures[a]				
Notional long position		14,200		12,400
Notional short position		69,000		173,600
Others[b]				
Notional long position		116,000		84,000
Notional short position		16,000		5,000
Credit exposure		416		355

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.

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 December 31, 2016 and June 30, 2016. 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.

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Notes to Condensed Quarterly Financial Statements

	December 31, 2016					
	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	$ 168,909	$ -	$ 168,909	$ 162,438	$ -	$ 162,438
Others[a]	464	(34)	430	170	-	170
	$ 169,373	$ (34)	$ 169,339	$ 162,608	$ -	$ 162,608
Amounts subject to legally enforcable master netting agreement			(162,554)			(162,554)
Net derivative positions at counterparty level			$ 6,785			$ 54

a. These relate to TBA securities, exchange traded options and futures.

	June 30, 2016					
	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	$ 332,353	$ -	$ 332,353	$ 348,223	$ -	$ 348,223
Others[a]	355	-	355	389	(81)	308
	$ 332,708	$ -	$ 332,708	$ 348,612	$ (81)	$ 348,531
Amounts subject to legally enforcable master netting agreement			(332,361)			(332,361)
Net derivative positions at counterparty level			$ 347			$ 16,170

a. These relate to TBA securities, exchange traded options and futures.

(Continued)

Note C: Capital Stock

At December 31, 2016, MIGA's authorized capital stock comprised 186,587 (186,587 – June 30, 2016) shares, of which 177,331 (177,331 – June 30, 2016) 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 December 31, 2016, $366,122,000 ($366,122,000 – June 30, 2016) has been paid in; and the remaining $1,552,599,000 ($1,552,599,000 - June 30, 2016) is subject to call. At December 31, 2016, MIGA had $108,611,000 ($110,292,000 – June 30, 2016) 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 six months ended December 31, 2016 and fiscal year ended June 30, 2016 is as follows:

	Initial Capital		Capital Increase		Total	
	Shares	(US$000)	Shares	(US$000)	Shares	(US$000)
At December 31, 2016						
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, 2016						
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)

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 financial obligation by a state-owned enterprise.

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 or the arbitration award.

Contingent Liability
The maximum amount of contingent liability (gross exposure) of MIGA under guarantees issued and outstanding at December 31, 2016 totaled $15,770,023,000 ($14,187,021,000 – June 30, 2016). 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. MIGA is currently at risk for amounts placed on current. The maximum amount of contingent liability is MIGA's maximum exposure to insurance claims, which includes standby and future interest coverage for which MIGA is committed but not currently at risk. At December 31, 2016, MIGA's actual exposure to insurance claims, exclusive of standby and future interest coverage is $12,094,527,000 ($11,069,996,000 – June 30, 2016).

Trust Fund Activities
MIGA also acts as administrator of some investment guarantee trust funds. MIGA, on behalf of the trust funds, issues guarantees against loss 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 and outstanding as of December 31, 2016, totaled $23,480,000 ($30,820,480 – June 30, 2016).

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 to its guarantee holders and cedes to the CAFEF an initial loss layer of which MIGA shares a portion, for eligible projects. As of December 31, 2016, out of $278,745,000 ($174,926,000 – June 30, 2016) in gross exposure under this arrangement, amounts ceded to CAFEF under the initial loss layer totaled $26,446,000 ($24,192,000 – June 30, 2016).

Reinsurance
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), and that such ratings be above a minimum threshold. In addition, MIGA may also place reinsurance with public insurers of member countries that operate

(Continued)

under and benefit from the full faith and credit of their governments and with multilateral agencies that represent an acceptable counterparty risk. MIGA has established limits, at both the project and portfolio levels, which restrict the amount of reinsurance that may be ceded. As of December 31, 2016, 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.

Of the $15,770,023,000 outstanding contingent liability (gross exposure) as at December 31, 2016 ($14,187,021,000 – June 30, 2016), $9,306,095,000 ($7,495,065,000 – June 30, 2016) was ceded through contracts of reinsurance and $26,446,000 ($24,192,000 – June 30, 2016) was ceded to CAFEF. After adjusting for the impact of the Exposure Exchange Agreement with IBRD (See Note G, Transactions with Affiliated Organizations) of $1,743,000 ($2,500,000 – June 30, 2016) the net exposure amounted to $6,435,739,000 as at December 31, 2016 ($6,665,264,000 – June 30, 2016).

MIGA can also provide both public (official) and private insurers with facultative reinsurance. As of December 31, 2016, total insurance assumed by MIGA, primarily with official investment insurers, amounted to $195,090,000 ($200,610,000 – June 30, 2016).

Premiums, fees and commission relating to direct, assumed, and ceded contracts for the three and six months ended December 31, 2016 and December 31, 2015 were as follows:

In thousands of US dollars

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Premiums written				
Direct	$ 70,179	$ 22,184	$ 143,219	$ 45,904
Assumed	1,745	1,758	1,839	1,872
Ceded	(51,078)	(8,339)	(109,658)	(19,228)
	20,846	15,603	35,400	28,548
Premium income				
Direct	42,883	32,524	85,749	65,402
Assumed	500	566	1,017	1,120
	$ 43,383	$ 33,090	$ 86,766	$ 66,522
Premium ceded	(24,675)	(14,201)	(48,648)	(28,248)
Brokerage and other charges	(1,320)	(888)	(2,617)	(1,625)
Ceding commission and other fees	5,890	3,264	11,873	6,808
Income from guarantees	$ 23,278	$ 21,265	$ 47,374	$ 43,457

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.

(Continued)

Claims risk, the largest risk for MIGA, is the risk of incurring a financial loss as a result of a claimable non-commercial risk event in developing countries. Non-commercial risk assessment forms an integral part of MIGA's underwriting process and includes the analysis of both country-related and project-related risks.

Country risk assessment is a combination of quantitative and qualitative analysis. Ratings are assigned individually to each risk for which MIGA provides insurance coverage in a country. Country ratings are reviewed and updated every quarter. Country risk assessment forms the basis of the underwriting of insurance contracts, setting of premium levels, capital adequacy assessment and reserve for claims.

Project-specific risk assessment is performed by a cross-functional team. Based on the analysis of project-specific risk factors within the country context, the final project risk ratings can be higher or lower than the country ratings of a specific coverage. The decision to issue an insurance contract is subject to approval by MIGA's senior management and concurrence or approval by the Board of Directors. For insurance contracts that are issued under the Small Investment Program (SIP), the Board has delegated approval to MIGA's senior management. In order to avoid excessive risk concentration, MIGA sets exposure limits per country and per project. As of December 31, 2016, the maximum net exposure which may be assumed by MIGA is $820 million ($820 million – June 30, 2016) in each host country and $250 million ($250 million – June 30, 2016) for each project.

Effective November 11, 2016, 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 (350 percent – June 30, 2016) of the sum of MIGA's unimpaired subscribed capital, retained earnings, accumulated other comprehensive income (loss) and net insurance portfolio reserve plus 100 percent of gross exposure ceded by MIGA through contracts of reinsurance. Accordingly, at December 31, 2016, the maximum level of guarantees outstanding (including reinsurance) may not exceed $23,789,260,000 ($17,581,348,000 – June 30, 2016).

Portfolio Diversification

MIGA aims to diversify its guarantee portfolio so as to limit the concentration of exposure to loss in a host country, region, or sector. The portfolio shares of the top five and top ten largest exposure countries provide an indicator of concentration risk. The gross and net exposures of the top five and top ten countries at December 31, 2016 and June 30, 2016 are as follows:

In thousands of US dollars

	December 31, 2016		June 30, 2016	
	Exposure in Top Five Countries	Exposure in Top Ten Countries	Exposure in Top Five Countries	Exposure in Top Ten Countries
Gross Exposure	$ 5,587,700	$ 8,434,663	$ 5,029,036	$ 7,629,847
% of Total Gross Exposure	35.4	53.5	35.4	53.8
Net Exposure	$ 1,640,035	$ 2,747,072	$ 1,651,670	$ 2,809,156
% of Total Net Exposure	25.5	42.7	24.8	42.1

A regionally diversified portfolio is desirable for MIGA as an insurer, because correlations of claims occurrences are typically higher within a region than between regions. When a correlation is higher, the probability of simultaneous occurrences of claims will be higher.

(Continued)

Notes to Condensed Quarterly Financial Statements

The regional distribution of MIGA's portfolio at December 31, 2016 and June 30, 2016 is as follows:

In thousands of US dollars

	December 31, 2016			June 30, 2016		
	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
East Asia & Pacific	$ 2,346,440	$ 562,448	8.7	$ 1,975,232	$ 513,826	7.7
Europe & Central Asia	5,129,928	1,878,032	29.2	4,037,936	1,996,550	30.0
Latin America & Caribbean	2,085,223	1,174,711	18.3	2,200,961	1,268,737	19.0
Middle East & North Africa	903,282	505,296	7.9	730,084	506,227	7.6
South Asia	933,821	473,860	7.3	822,414	453,614	6.8
Sub-Saharan Africa	4,371,329	1,841,392	28.6	4,420,394	1,926,310	28.9
	$ 15,770,023	$6,435,739	100.0	$14,187,021	$6,665,264	100.0

The sectoral distribution of MIGA's portfolio at December 31, 2016 and June 30, 2016 is shown in the following table:

In thousands of US dollars

	December 31, 2016			June 30, 2016		
Sector	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
Agribusiness	$ 60,616	$ 60,319	0.9	$ 118,203	$ 117,906	1.7
Financial	4,709,165	1,712,387	26.6	3,822,790	1,771,011	26.6
Infrastructure	7,619,539	3,312,400	51.5	7,254,963	3,436,119	51.6
Manufacturing	498,669	408,021	6.3	534,507	442,650	6.6
Mining	982,061	149,764	2.3	1,000,000	152,500	2.3
Oil and Gas	1,233,193	472,599	7.3	1,088,189	477,609	7.2
Tourism, Retail and Services	666,780	320,249	5.1	368,369	267,469	4.0
	$15,770,023	$6,435,739	100.0	$14,187,021	$6,665,264	100.0

(Continued)

Notes to Condensed Quarterly Financial Statements

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

As discussed under Note A, Summary of Significant Accounting and Related Policies, during the quarter ended December 31, 2016, MIGA implemented a new economic capital model and associated core parameters for the purpose of calculating the Agency's insurance portfolio reserve (IPR), as well as for pricing and assessing capital adequacy. Consequently, MIGA's gross reserve for claims and other exposures at December 31, 2016 amounted to $333,734,000 ($545,501,000 - June 30, 2016) and the related reinsurance recoverables amounted to $179,740,000 ($216,139,000 - June 30, 2016), with the reduction largely reflecting the impact of the introduction of the new provisioning model.

The following table provides an analysis of the changes in the gross reserve for claims and other exposures for the six months ended December 31, 2016 and fiscal year ended June 30, 2016:

In thousands of US dollars

	Six Months Ended December 31, 2016	Fiscal Year Ended June 30, 2016
Gross reserve balance	$ 545,501	$ 465,710
Less: Reinsurance recoverables	(200,353)	(124,670)
Net reserve balance, beginning of the year	345,148	341,040
(Decrease) increase in reserves before translation (gains) losses	(168,258)	4,954
Foreign currency translation (gains)	(6,138)	(846)
(Decrease) increase in reserves, net of reinsurance	(174,396)	4,108
Less: Claims paid, net of reinsurance recoveries	(4,458)	-
Net reserve balance[a]	166,294	345,148
Add: Reinsurance recoverables[b]	167,440	200,353
Gross reserve balance, end of the period[c]	$ 333,734	$ 545,501

a. As of December 31, 2016 represents 2.6% of Total Net Exposure (June 30, 2016 - 5.2%).

b. As of December 31, 2016, excludes $12,300K (June 30, 2016 - $15,786K) reinsurance recoverables associated with retroactive reinsurance contracts, which is included in the Reinsurance recoverables on the Condensed Balance Sheets.

c. As of December 31, 2016 represents 2.1% of Total Gross Exposure (June 30, 2016 - 3.8%).

(Continued)

Notes to Condensed Quarterly Financial Statements

The net decrease in reserves for claims for the three and six months ended December 31, 2016 and December 31, 2015 reflected the following changes in the Insurance portfolio reserve and Specific reserve for claims:

In thousands of US dollars

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Decrease in Reserves:				
Insurance portfolio reserve	$ (163,429)	$ (3,753)	$ (168,720)	$ (16,906)
Specific reserve for claims	462	-	462	-
Decrease in reserves before translation adjustment	(162,967)	(3,753)	(168,258)	(16,906)
Foreign currency translation (gains)	(6,260)	(3,050)	(6,138)	(2,920)
Decrease, net	$ (169,227)	$ (6,803)	$ (174,396)	$ (19,826)

As noted previously, included in the decrease in reserves before translation adjustments during the three and six months ended December 31, 2016 of $162,967,000 and $168,258,000, respectively, was the impact of the change in accounting estimate totaling $165,900,000, being a reserve release associated with the introduction of the new economic capital model.

The foreign currency translation adjustment reflects the impact on MIGA's claim reserve arising from the revaluation of guarantee contracts denominated in currencies other than US dollar. The foreign currency translation impact on claim reserve is effectively managed through MIGA's system for managing exposures to foreign currencies by holding equivalent amounts 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.

Reinsurance Recoverables

The following table provides an analysis of the composition of reinsurance recoverables at December 31, 2016 and June 30, 2016:

In thousands of US dollars

	December 31, 2016	June 30, 2016
Prospective reinsurance	167,440	200,353
Retroactive reinsurance[a]	$ 12,300	$ 15,786
	$ 179,740	$ 216,139

a. This amount is included in Reinsurance recoverables on the Condensed Balance Sheeet.

As of December 31, 2016, the deferred gains reflecting the shortfall between the retroactive reinsurance contracts associated reserves and the related premium paid totaled $6,340,400 ($12,126,000 – June 30, 2016), and is included in Other liabilities on the Condensed Balance Sheets.

(Continued)

Notes to Condensed Quarterly Financial Statements

Specific Reserve for Claims

The specific reserve for claims is composed of reserves for pending claims and reserves for contracts where a claimable event, or events that may give rise to a claimable event, may have occurred, but in relation to which no claim has been filed, but where a loss is probable. 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. At December 31, 2016, the specific reserves amounted to $462,000 ($4,458,000 – June 30, 2016).

The following table shows how the estimates of the specific reserves for each reporting period have developed over the past reporting periods:

Specific Reserve development

In thousands of US dollars

Reporting Period	Up to FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17 YTD
Estimate of cumulative - claims:										
At end of reporting period	55,900	13	30,300	5,000	4,200	5,200	-	403	4,458	462
One year later	25,691	13	2,900	-	9,100	268	-	-	-	
Two years later	9,991	13	-	-	5,932	273	-	-		
Three years later	9,900	13	-	-	4,781	-	-			
Four years later	4,691	13	-	-	-	-				
Five years later	4,591	13	-	-	-					
Six years later	1,191	13	-	-						
Seven years later	-	-	-							
Eight years later	-	-								
Nine years later	-									

Specific reserves at December 31, 2016

Reporting Period	Up to FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17 YTD	Total
Estimate of cumulative claims at July 1	1,191	13	-	-	4,781	273	-	403	4,458	462	11,581
Cumulative payments	(1,191)	(13)	-	-	(4,781)	(273)	-	(403)	-	(4,458)	(11,119)
Specific reserves at December 31, 2016	-	-	-	-	-	-	-	-	4,458	(3,996)	462

(Continued)

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.

The following tables summarizes MIGA's respective share of the costs associated with the SRP, RSBP, and PEBP for the three and six months ended December 31, 2016 and December 31, 2015:

In thousands of US dollars

	Six Months Ended December 31, 2016				Six Months Ended December 31, 2015			
Benefit Cost	SRP	RSBP	PEBP	Total	SRP	RSBP	PEBP	Total
Service cost	$ 3,282	$ 714	$ 578	$ 4,574	$2,704	$ 594	$ 456	$3,754
Interest cost	3,222	516	380	4,118	3,328	528	348	4,204
Expected return on plan assets	(5,060)	(648)	-	(5,708)	(5,456)	(682)	-	(6,138)
Amortization of prior service cost[a]	30	87	12	129	30	76	12	118
Amortization of unrecognized net loss[a]	1,378	113	492	1,983	374	-	318	692
Net periodic pension cost	$ 2,852	$ 782	$ 1,462	$ 5,096	$ 980	$ 516	$1,134	$2,630

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

(Continued)

In thousands of US dollars

	Three Months Ended December 31, 2016				Three Months Ended December 31, 2015			
Benefit Cost	SRP	RSBP	PEBP	Total	SRP	RSBP	PEBP	Total
Service cost	$ 1,641	$ 357	$ 289	$ 2,287	$1,352	$ 297	$ 228	$1,877
Interest cost	1,611	258	190	2,059	1,664	264	174	2,102
Expected return on plan assets	(2,530)	(324)	-	(2,854)	(2,728)	(341)	-	(3,069)
Amortization of prior service cost[a]	15	42	6	63	15	38	6	59
Amortization of unrecognized net loss[a]	688	56	246	990	187	-	159	346
Net periodic pension cost	$ 1,425	$ 389	$ 731	$ 2,545	$ 490	$ 258	$ 567	$1,315

a. Amounts reclassified into net income (See Note H - Accumulated Other Comprehensive Income (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, International Development Association (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 charged for referral services on guarantee projects.

Total fees paid by MIGA reflected in the Condensed Statements of Income during the three and six months ended December 31, 2016 and December 31, 2015 are as follows:

In thousands of US dollars

	Three Months Ended December 31,		Six Months Ended December 31,	
	2016	2015	2016	2015
Fees charged by IBRD/IDA[a]	$ 2,590	$ 2,674	$ 4,502	$ 5,091
Fees charged by IFC[b]	1,545	2,131	1,673	2,282

a. Reported as part of Administrative expenses.
b. Brokerage & marketing fees charged against gross premium income in determining Income from guarantees.

(Continued)

Notes to Condensed Quarterly Financial Statements

At December 31, 2016 and June 30, 2016, MIGA had the following (payables to) receivables from its affiliated organizations with regard to administrative services, pension and other postretirement benefits and referral services:

In thousands of US dollars

	December 31, 2016			June 30, 2016		
	Administrative & Other Services[a]	Pension and Other Postretirement Benefits[b]	Total	Administrative & Other Services[a]	Pension and Other Postretirement Benefits[b]	Total
IBRD	$ (13,074)	$ 8,971	$(4,103)	$ (5,367)	$ 8,594	$ 3,227
IFC	(4,516)	-	(4,516)	(4,793)	-	(4,793)
	$ (17,590)	$ 8,971	$(8,619)	$ (10,160)	$ 8,594	$(1,566)

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

b. This amount is included under 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 December 31, 2016 and June 30, 2016, the outstanding off-balance sheets amounts relating to the exposure exchange agreement were as follows:

In thousands of US dollars

	December 31, 2016	June 30, 2016
IBRD's exposure assumed by MIGA	$ 90,938	$ 97,072
MIGA's exposure assumed by IBRD	92,681	99,572
Net amount	$ (1,743)	$ (2,500)

As of December 31, 2016, the recorded liabilities related to MIGA's obligation under the existing exposure exchange agreement with IBRD amounted to $1.2 million ($4.0 million – June 30, 2016) and is included in Insurance portfolio reserve on the Condensed Balance Sheets.

(Continued)

Notes to Condensed Quarterly Financial Statements

Note H: Accumulated Other Comprehensive Loss

The following tables present the changes in Accumulated Other Comprehensive Loss (AOCL) for the six months ended December 31, 2016 and December 31, 2015:

In thousands of US dollars

	Six Months Ended December 31, 2016			
	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	$ (63,071)	$ (2,003)	$ (61,639)
Changes during the period[b] :				
Amounts reclassified into net income[c]	-	1,983	129	2,112
Net change during the period	-	1,983	129	2,112
Balance, end of period	$ 3,435	$ (61,088)	$ (1,874)	$ (59,527)

In thousands of US dollars

	Six Months Ended December 31, 2015			
	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	$ (23,649)	$ (1,945)	$ (22,159)
Changes during the year[b] :				
Amounts reclassified into net income[c]	-	692	118	810
Net change during the period	-	692	118	810
Balance, end of period	$ 3,435	$ (22,957)	$ (1,827)	$ (21,349)

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 pension and other post-retirement benefit plans are assessed annually.

c. See Note F, Pension and Other Post Retirement Benefits.

Note I: Subsequent Event - Risk Rating Downgrade for one host country

On January 26, 2017, based on significant developments subsequent to the reporting date, MIGA effected a one-notch downgrade to the internal risk ratings for one of the host countries. Given the significance of these parameters to the IPR calculations, the effect of this development, which will impact FY17 Q3 financial reporting are: a $19.5m increase in Reserve for claims, gross, a $13m increase in Reinsurance recoverable, and a $6.5m increase in Reserves for claims, net.

KPMG LLP
1676 International Drive
McLean, VA 22102

Independent Auditors' Review Report

President and Board of Directors
Multilateral Investment Guarantee Agency:

Report on the Financial Statements

We have reviewed the condensed financial statements of the Multilateral Investment Guarantee Agency (MIGA), which comprise the condensed balance sheet as of December 31, 2016, the related condensed statements of income and comprehensive income for the three and six-month periods ended December 31, 2016 and 2015, and the condensed statements of changes in shareholders' equity and cash flows for the six-month periods ended December 31, 2016 and 2015.

Management's Responsibility

MIGA's management is responsible for the preparation and fair presentation of the condensed 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 reviews 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 reviews, we are not aware of any material modifications that should be made to the condensed financial information referred to above for it to be in accordance with accounting principles generally accepted in the United States of America.

Report on Condensed Balance Sheet as of June 30, 2016

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet as of June 30, 2016, 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, 2016. In our opinion, the accompanying condensed balance sheet of MIGA as of June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Washington, District of Columbia
February 9, 2017