Management's Discussion & Analysis
and
Financial Statements

June 30, 2019

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This document provides Management's analysis of the financial condition and results of operations for the Multilateral Investment Guarantee Agency (MIGA or "the Agency") for the fiscal year ended June 30, 2019 (FY19). Key financial indicators for the past five years are provided below in **Box 1**.

Box 1. Key Financial Indicators, Fiscal Years 2015 - 2019

As of and for the fiscal years ended June 30 (*US$ millions, unless otherwise stated*)

	2019	2018	2017	2016	2015
Guarantee Activities (See Section 4. Operational Performance)					
New business	5,548	5,251	4,842	4,258	2,828
Cumulative new business (since inception)[1]	55,751	50,203	44,952	40,110	35,852
Portfolio run-off	3,437	1,813	1,252	2,609	2,699
Gross guarantee exposure	23,327	21,216	17,778	14,187	12,538
Ceded exposure	15,032	13,338	10,998	7,522	4,830
Net guarantee exposure	8,295	7,878	6,780	6,665	7,708
Guarantee portfolio reinsurance rate[2]	64%	63%	62%	53%	38%
Financial Results (See Section 3. Financial Performance)					
Gross premium income	237.9	210.1	179.7	139.8	128.1
Net premium income	115.1	104.1	93.2	86.4	79.0
Operating income[3]	57.3	52.5	41.9	38.3	34.1
Net income (loss)	82.4	40.9	200.2	56.8	(10.8)
Administrative Expense / Net Premium Income Ratio (%)	50%	50%	55%	56%	57%
Cumulative Loss Ratio[4] (%)	1.3%	1.5%	1.7%	1.6%	1.7%
Investing Activities (See Section 8. Investment Management)					
Net investment portfolio	1,650	1,548	1,516	1,376	1,323
Investment income	38.4	15.5	4.8	22.9	24.1
Return on investments (%)	2.4%	1.0%	0.3%	1.7%	2.0%
Portfolio Risk Measures (See Section 9. Financial Risk Management)					
Top five host country concentrations[5]	25.7%	23.8%	25.8%	24.8%	26.9%
Top ten host country concentrations[5]	41.6%	40.4%	43.3%	42.2%	46.7%
Capital Measures (See Section 7. Capital Management)					
Total shareholders' equity	1,320	1,261	1,213	989	971
Operating capital[6]	1,542	1,471	1,398	1,329	1,312
Total economic capital[7,8]	717	685	592	663	705
Total economic capital/operating capital (%)[8]	47%	47%	42%	50%	54%

1. Includes amount leveraged through the Cooperative Underwriting Program (CUP).

2. Guarantee portfolio reinsurance rate is inclusive of public and private reinsurance but excludes amounts ceded to IDA and Conflict Affected and Fragile Economies Facility (CAFEF).

3. Net premium income less Administrative and Pension and Other Post Retirement Benefit Plan expenses.

4. Cumulative claims paid as a percentage of cumulative gross premium income.

5. Net exposure host country concentrations.

6. Comprised of Paid-in capital, Retained earnings/Accumulated Other Comprehensive Income and Insurance Portfolio Reserve, net.

7. Amount of capital utilized in support of the guarantee portfolio as well as the investment portfolio and operational risk.

8. Total EC and total EC/OC ratios from FY17 onwards are based on the new EC model commissioned in December FY17, and are not comparable to EC amounts and ratios relating to fiscal years prior to FY17, that are based on the old EC model.

1. Executive Summary

Operational Results

Guarantees Issued

MIGA's guarantee business during FY19 reached a record high of $5.5 billion in support of 37 projects and reflects a 6% growth over guarantees issued in the previous fiscal year of $5.3 billion.

$5.5 B
Guarantees Issued

Of the 37 projects supported during FY19, 81% addressed at least one of the three strategic priority areas, namely, IDA-eligible countries, Fragile and Conflict-Affected Situations (FCS) and Climate Change.

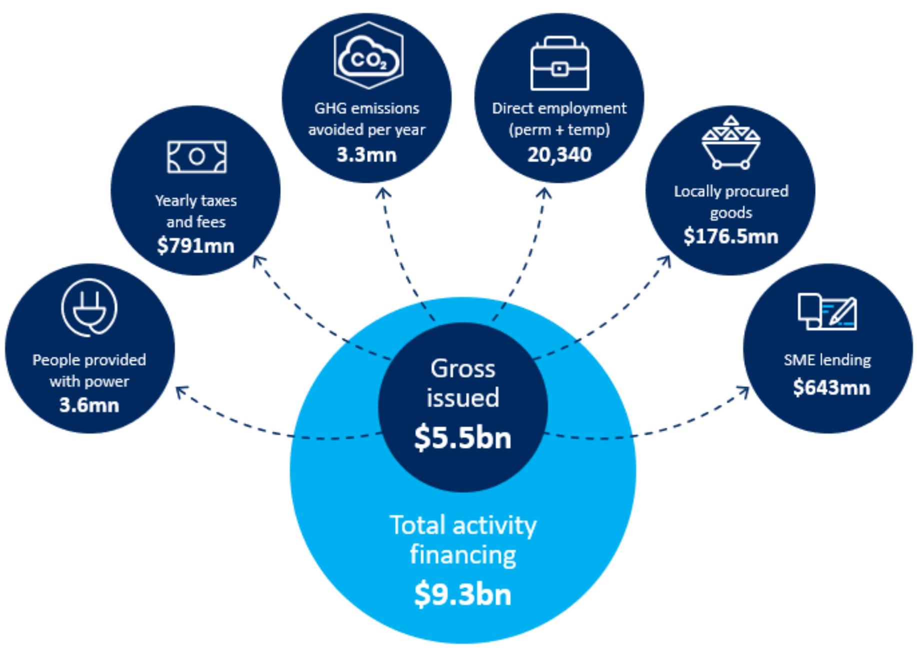
81%
of projects
in a **Strategic Priority Area**

Since its inception in 1988, the Agency has issued more than $55 billion of guarantees and supported over 870 projects.

Over **$55 B**
issued since inception
supporting over
870 projects

The guarantees issued in FY19 are expected to provide 3.6 million people with better access to power, create over 20,000 jobs, generate $0.8 billion in tax revenue to the host governments per year, and avoid 3.3 million metric tons of CO_2 emissions (**See Figure 1**).

Figure 1. Expected Development Results (FY19 New Business)



Guarantee Portfolio

The Agency's gross outstanding guarantee portfolio continued its upward trajectory, reaching a record high of $23.3 billion as of June 30, 2019, representing a 10% increase from $21.2 billion as of June 30, 2018.

$23.3 B
Gross Portfolio

The net outstanding guarantee portfolio also increased to a record high of $8.3 billion as of June 30, 2019 compared to $7.9 billion as of end-FY18. The increases in the gross and net outstanding portfolio are largely a product of the record new business written offset by portfolio run-off during the fiscal year.

$8.3 B
Net Portfolio

Of the gross outstanding exposure as of end-FY19, 30% related to projects supported in IDA-eligible countries, 8% in FCS and 23% related to Climate Finance, reflecting MIGA's strong commitment to these strategic priority areas.

Reinsurance

The Agency continued to utilize reinsurance capacity, ceding $3.8 billion of new business during FY19 to the reinsurance market in line with the strategy of preserving capital to fund future growth. As of June 30, 2019, 64% of the outstanding gross portfolio was reinsured, slightly up from 63% as of end-FY18.

$14.9 B / 64%
Portfolio Reinsurance

Financial Results

Net Income

MIGA recorded net income of $82.4 million in FY19 compared to $40.9 million in the prior year. This result largely reflects the strong performance from the investment portfolio as well as the steady increase in operating income.

$82.4 M
Net Income

Gross Premium Income (GPI)

FY19 gross premium income increased by 13% to $237.9 million from $210.1 million in FY18 reflecting the significantly higher average gross exposure.

$237.9 M
Gross Premium Income

Net Premium Income (NPI)

FY19 net premium income increased by 11% to $115.1 million from 104.1 million in FY18. Contributing to this increase is the effect of ceding commissions, resulting from the enhanced use of reinsurance for portfolio concentration management and prudent capital management. Ceding commissions accounted for 32% of the NPI in FY19 compared to 30% in FY18.

$115.1 M
Net Premium Income

Operating Income

Operating income, defined as net premium income less administrative expenses, increased by 9% to $57.3 million in FY19, up from $52.5 million in FY18.

$57.3 M
Operating Income

Cost Efficiency

The Agency continued to demonstrate enhanced cost efficiency and effectiveness with the decline in the Administrative Expense-to-Net Premium Income ratio over the last five fiscal years, holding steady at 50% in FY19.

50%
Cost Efficiency Ratio

Capital Management

As of June 30, 2019, the guarantee portfolio EC was $626 million while the Total EC was $717 million, and MIGA's capital utilization ratio (defined as Total EC / Operating Capital[1]) stood at 46.5%. The current level of capital utilization is well within the range where the Agency is comfortable to continue growing MIGA's business.

46.5%
Capital Utilization

[1] Operating Capital is defined as the sum of paid-in-capital, retained earnings, accumulated other comprehensive income (AOCI) and the insurance portfolio reserve, net of the corresponding reinsurance recoverable.

2. OVERVIEW

Introduction

MIGA is a member of the World Bank Group (WBG)[2] and is a legal entity separate and distinct from the other WBG entities with its own charter, as amended (the "Convention"), share capital, financial structure, management and staff. Membership in the Agency, which currently stands at 181 countries, is open to all members of the International Bank for Reconstruction and Development (IBRD).

MIGA contributes to both the WBG's twin goals of ending extreme poverty and promoting shared prosperity by facilitating foreign direct investment (FDI) into developing countries to support economic growth, reduce poverty and improve people's lives. To this end, acting as a risk mitigator, the Agency provides investors and lenders in the international investment community with the level of risk mitigation necessary to invest in developing countries by providing political risk insurance (PRI) and credit enhancement products.

MIGA is committed to promoting projects that are economically, environmentally and socially sustainable and that promise a strong development impact. Since its inception, MIGA has issued over $55 billion of guarantees, in support of over 870 projects in 114 of its 181 member countries (inclusive of developed countries). The Agency has also supported multiple programs at regional and global levels in member countries.

MIGA's Outlook and Strategic Focus

In April 2017, MIGA's Board of Directors endorsed the Agency's FY18-20 Strategy, "**MIGA2020#impact@scale**". This strategy addresses the WBG twin goals by mobilizing more foreign direct investment while prioritizing IDA-eligible countries, FCS and Climate Finance and aiming to increase annual guarantees by 40% by FY20 from the FY16 level. MIGA plans to achieve these goals by growing core business, innovating applications, creating projects for impact, and working with the World Bank and IFC to create markets.

Non-Commercial Risk Insurance

MIGA plays a critical role in supporting private investment flows to developing member countries by offering PRI and credit enhancement products.

MIGA provides investment guarantees against certain non-commercial risks to eligible foreign investors for qualified investments in developing member countries and offers coverage against the risks of: 1) transfer restriction and inconvertibility, 2) expropriation, 3) breach of contract, 4) war and civil disturbance, 5) the non-honoring of a sovereign financial obligation, and 6) the non-honoring of a financial obligation by a state-owned enterprise (see **Box 2**)[3]. MIGA insures new and existing cross-border investments originating in any MIGA member country, destined for any developing member country. The types of investments that can be covered include equity, quasi-equity, shareholder and non-shareholder loans, and loan guarantees (provided the loans have a minimum maturity of more than one year). Other forms of

[2] The other institutions of the World Bank Group are the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the International Centre for Settlement of Investment Disputes (ICSID).
[3] Smaller guarantees may be underwritten through the MIGA's Small Investment Program (SIP), but SIP coverage is limited to the risks of transfer restriction, expropriation, and war and civil disturbance.

investments—such as technical assistance and management contracts, or franchising and licensing agreements—may also be eligible.

Box 2. MIGA's Product Line Up

Political Risk Insurance

- **Transfer restriction and inconvertibility –** provides coverage for the risk of inconvertibility of local currency into foreign exchange for transfer outside the host country. Currency depreciation is not covered.
- **Expropriation** – protects against losses attributable to measures taken or approved by the host government that deprive the insured of its ownership or control over all or a substantial portion of its investment.
- **War and civil disturbance** – covers the risk of damage to, or the destruction or disappearance of, tangible covered assets caused by politically motivated acts of war or civil disturbance in the host country, including revolution, insurrection, coups d'état, sabotage and terrorism.
- **Breach of contract** – covers the risk of being unable to obtain or enforce an arbitral or judicial decision recognizing the breach of an obligation by the host government or a state-owned enterprise.

Non-Honoring of Financial Obligations

- **Non-honoring of a sovereign financial obligation (NHSFO) –** covers the risk that a sovereign or sub-sovereign fails to honor an unconditional payment obligation or guarantee, where the underlying project meets all of MIGA's eligibility requirements. Unlike MIGA's breach of contract coverage, credit enhancement coverage does not require a final arbitral award or court decision as a condition to the payment of a claim.
- **Non-honoring of a financial obligation by a state-owned enterprise (NHFO-SOE)–** covers the risk that a state-owned enterprise fails to honor an unconditional payment obligation or guarantee, where the underlying project meets all of MIGA's eligibility requirements. This coverage does not require a final arbitral award or court decision as a condition to the payment of a claim.

Private Sector Window

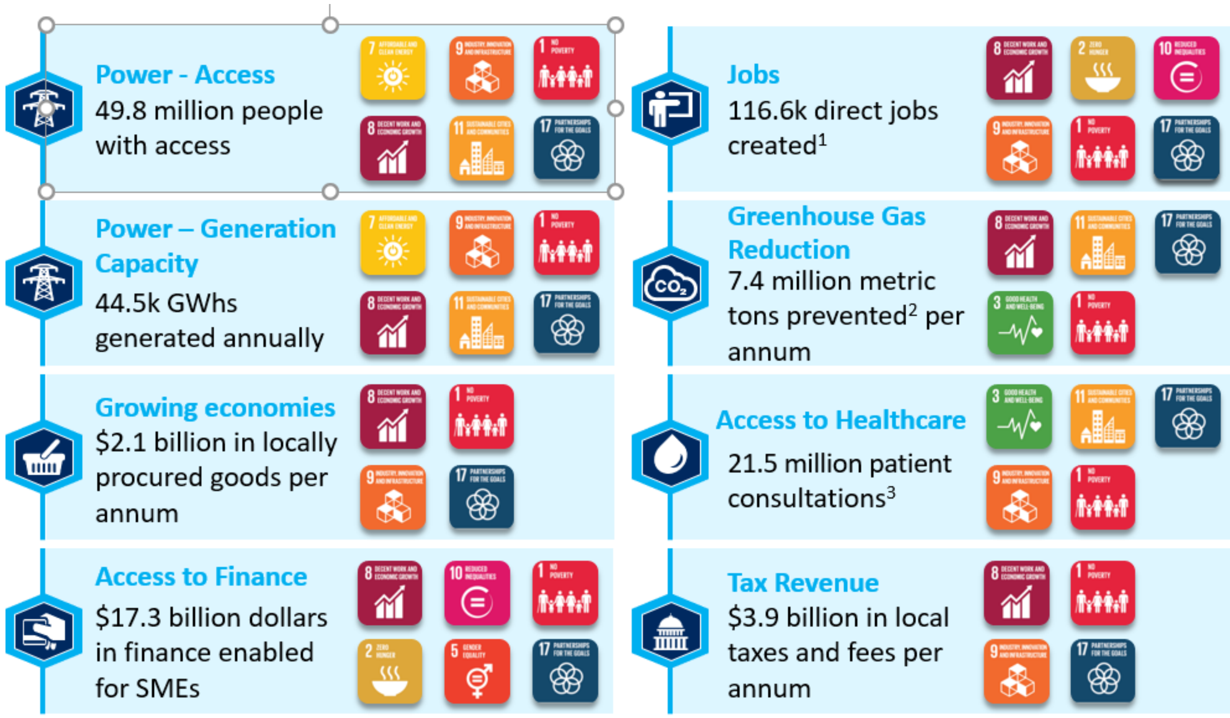
A $2.5 billion IFC-MIGA Private Sector Window (PSW) was created in IDA18 with the goal of mobilizing private sector investment in IDA-only countries, particularly in FCS countries. The PSW will be deployed through four facilities, which have been designed to target critical challenges identified by IFC and MIGA's private sector counterparts and will leverage IFC and MIGA instruments including loan guarantees and derivatives. MIGA will participate in two of the four facilities under the PSW – the MIGA Guarantee Facility (MGF) and the Risk Mitigation Facility (RMF).

The Agency aims to utilize US$ 500 million set aside for the MIGA Guarantee Facility (MGF) of the IDA18 IFC-MIGA PSW through structures with first loss and risk participation akin to reinsurance, with the objective of expanding the coverage of MIGA's PRI products. The Agency will also administer, on behalf of IDA, the Risk Mitigation Facility (RMF), to provide project-based guarantees without sovereign counter-guarantee to crowd-in private investment into large infrastructure projects and public-private partnerships (PPP's) supported by IFC.

Development Impact

MIGA's aggregate expected development results since FY14 include almost 50 million people gaining access to power. With an additional 44,500-gigawatt hours of additional power generation capacity expected annually, host countries have a better chance of supporting manufacturing and creating productive economic activity that can help end poverty. These projects are also expected to help create about 117,000 direct and many more indirect jobs, while preventing the emission of 7.4 million metric tons of greenhouse gases annually. Economic activity is also supported by MIGA-guaranteed projects through the expected $2.1 billion in locally procured goods annually and the $17.3 billion in finance expected to be enabled for SMEs. Projects supported by MIGA since FY14 are leading to better access to modern health care and are expected to enable approximately 21.5 million patient consultations. Government resources are also being improved with an expected $3.9 billion annually in local taxes/fees generated from MIGA-supported projects (See **Figure 2**).

Figure 2. Expected Development Results (FY14-FY19)

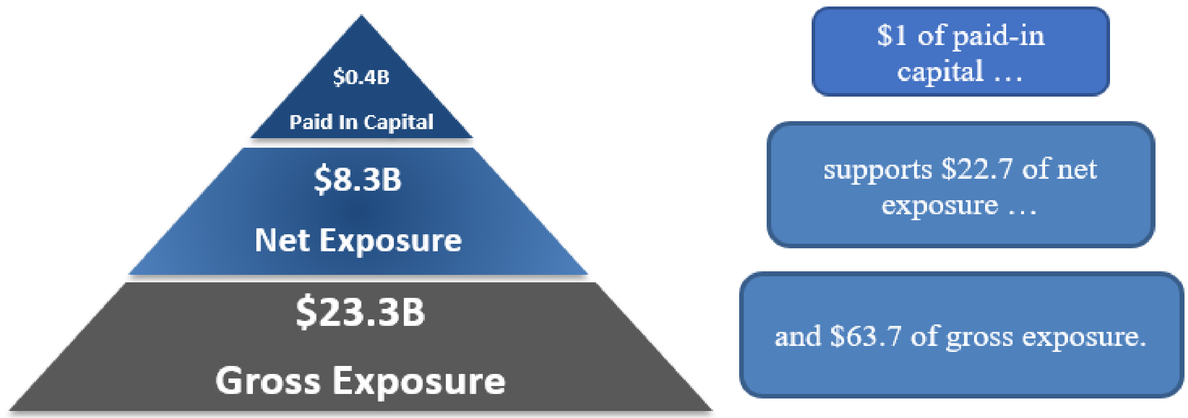


[1] Permanent and temporary jobs
[2] GHG emissions avoided are being accounted from FY17 onwards
[3] In FY14 and FY16 there were no hospital projects

Business and Operating Model

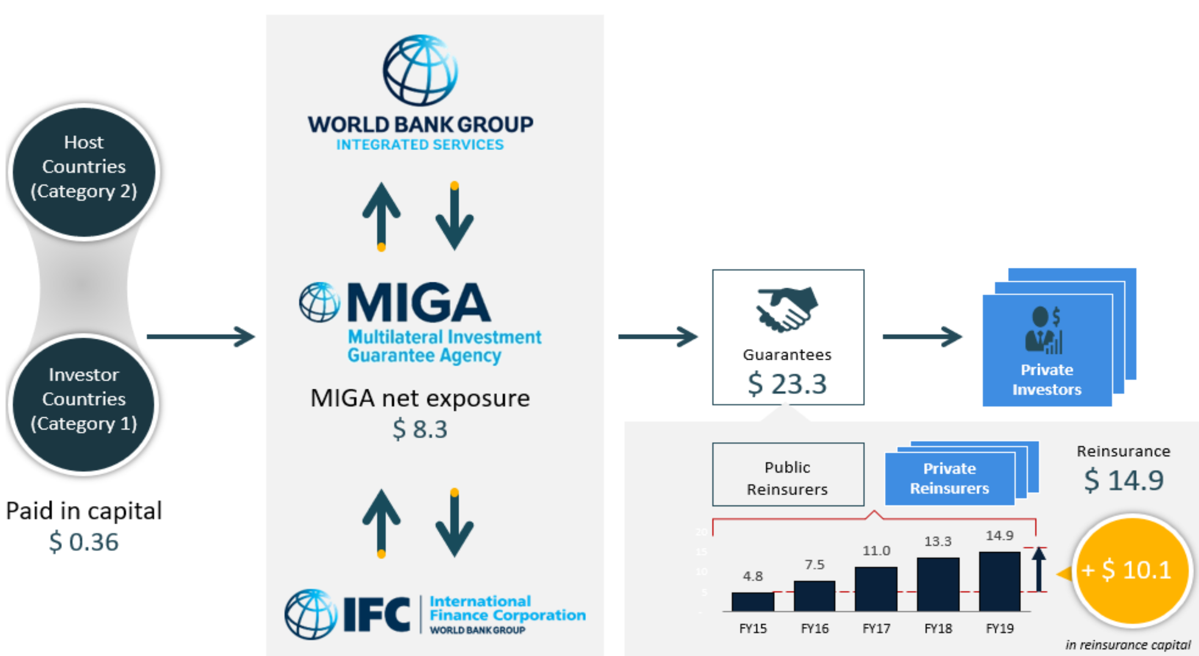
MIGA is financially self-sustaining and its activities are supported by a strong capital base and a comprehensive risk management framework. In the context of its statutory underwriting capacity, the Agency is able to support significant amounts of gross exposure and to contain risk, through the use of reinsurance in order to manage net guarantee exposure and the related capital utilization. **Figure 3** below illustrates how MIGA is able to utilize its capital base, coupled with reinsurance capacity, to maximize its development reach. As of June 30, 2019, each $1 of paid-in capital supported $63.7 of gross guarantee exposure.

Figure 3. Maximizing Development Impact (June 30, 2019)



MIGA's operating model leverages the entire World Bank Group (WBG), and mobilizes private and public reinsurers, multiplying the impact of its guaranteed investments in its member countries. **Figure 4** below is a graphic depiction of the Agency's operating model. Over the last five years, MIGA has secured over $10 billion in reinsurance capital, allowing the Agency to support its growth trajectory through increased guarantee capacity without the need for additional capital from its shareholders.

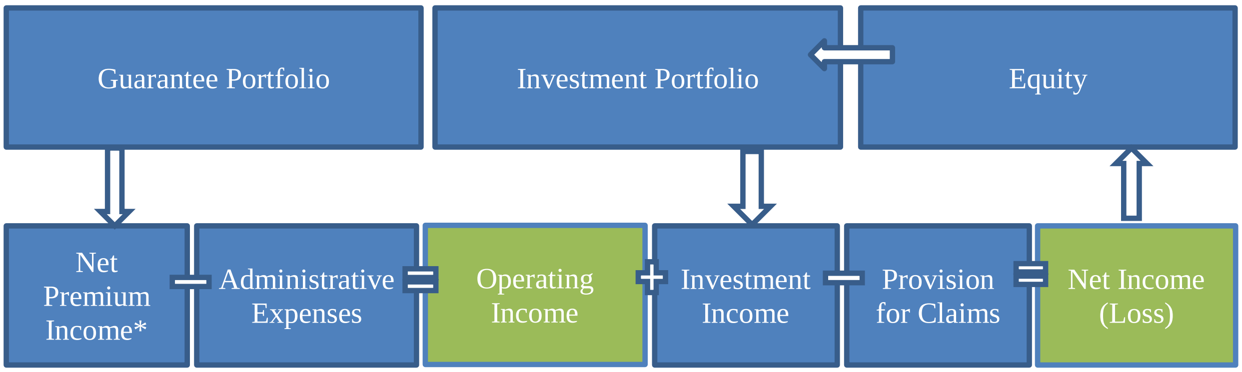
Figure 4. MIGA Operating Model (June 30, 2019) ($B)



Financial Model

In fulfilling its mandate, MIGA seeks to operate in a financially sustainable manner by generating sufficient revenue from its guarantee and investment portfolios to cover its operating and claims-related expenses and contribute to the growth of its capital base. MIGA's business revenue base is represented by net premium income from its guarantee portfolio which is comprised of gross premium income less premium ceded to reinsurers net of ceding commissions and less brokerage costs. Operating income, defined as net premium income less administrative expenses, combined with earnings from the investment portfolio and after claim loss provisioning, enables MIGA to increase capital resources in the form of retained earnings and insurance portfolio reserve to strengthen its ability to support existing and new guarantee exposures. (**See Figure 5**).

Figure 5. MIGA Financial Model



**Net Premium Income = Gross Premium Income – Premium Ceded (Reinsurers) + Ceding Commissions – Brokerage Charges*

Basis of Reporting

MIGA prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). MIGA's accounting policies are discussed in more detail under Note A to MIGA's Financial Statements.

3. FINANCIAL PERFORMANCE

MIGA had a net income of $82.4 million in FY19 compared to $40.9 million in FY18. The increase of $41.5 million is primarily attributable to (i) the higher investment income by $22.9 million, (ii) the lower increase in reserve for claims (exclusive of translation adjustments) by $13.2 million, and (iii) the higher operating income of $4.8 million.

Table 1 below shows the breakdown of MIGA's financial results over the past five years.

Table 1. Summary of Net Income and Key Financial Ratios (FY15-FY19) ($M)

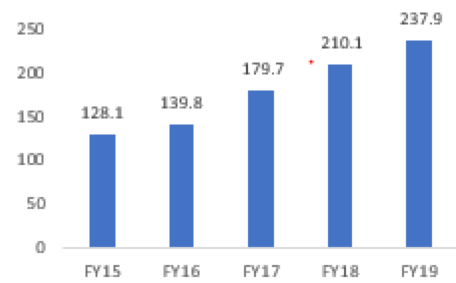
As of and for the Year Ended June 30	2019	2018	2017	2016	2015
Gross Premium Income	237.9	210.1	179.7	139.8	128.1
Premium Ceded	(152.0)	(131.1)	(105.3)	(64.1)	(56.6)
Ceding Commissions and Fees	38.3	32.2	25.5	15.6	12.6
Brokerage and Other Charges	(9.1)	(7.1)	(6.7)	(4.9)	(5.1)
Net Premium Income	**115.1**	**104.1**	**93.2**	**86.4**	**79.0**
Administrative Expenses	(50.7)	(43.8)	(41.1)	(42.8)	(39.0)
Pension and Post Retirement Benefit Plan Expense	(7.1)	(7.8)	(10.2)	(5.3)	(5.9)
Operating Income[(1)]	**57.3**	**52.5**	**41.9**	**38.3**	**34.1**
Income from Investments	38.4	15.5	4.8	22.9	24.1
Miscellaneous Income	0.1	0.1	1.3	-	-
Translation (Losses) Gains	(1.8)	0.4	(2.0)	(0.3)	(18.1)
(Increase) Decrease in Reserves [(2) (3)]	(11.5)	(27.6)	154.3	(4.1)	(50.9)
Net Income (Loss)	**82.4**	**40.9**	**200.2**	**56.8**	**(10.8)**
Key Financial Ratios					
Administrative Expenses / Net Premium Income	50%	50%	55%	56%	57%

Note: numbers may not add up due to rounding.
(1) Operating Income = Net Premium Income less Administrative and Pension and Post Retirement Benefit Plan Expenses
(2) Provisions are net of currency translation effect
(3) FY17 decrease in Reserves includes the effect of a one-time reduction in the Insurance Portfolio Reserve of $164.3 million, resulting from the implementation of a new simulation-based model, also used for provisioning.

Guarantee Business Results

Gross Premium Income (GPI) in FY19 increased by 13% to $237.9 million compared to $210.1 million in the prior year. **Figure 6** shows the growth of the Agency's gross premium income over the past five fiscal years. The increase of 13% over FY19 as well as the 86% growth rate since FY15, is largely driven by the increase in average exposure of the portfolio, coupled with increase in the effective premium rate over the same period.

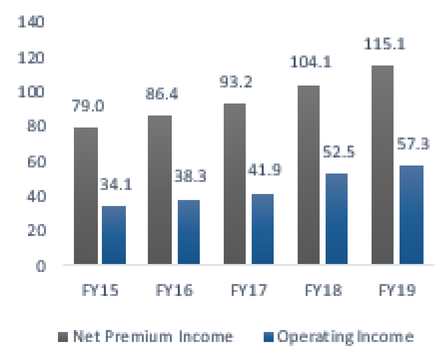
Figure 6. Gross Premium Income (FY15 – FY19) ($M)



As of end-FY19, the average gross exposure of the guarantee portfolio was $22.0 billion compared to $19.0 billion as of end-FY18, a 16% increase, and $12.2 billion as of end- FY15. Increases in portfolio size during FY19 were demonstrated across both product types, with the average PRI exposure as of June 30, 2019 increasing by 15% to $14.2 billion and the average NH product increasing by 17% to $7.8 billion.

Net Premium Income (NPI) in FY19 increased by 11% in line with the growth in gross premium income and is reflective of the Agency's reinsurance strategy. Through this strategy, out of the $237.9 million GPI in FY19, the Agency ceded premiums to reinsurers and other entities totaling $152.0 million and earned ceding commissions of $ 36.6 million. The latter increased by 19% over the commissions of $30.8 million earned in FY18 and is discussed in more detail in Section 5.

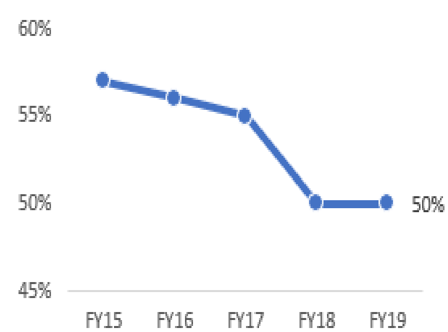
Figure 7. Net Premium and Operating Income (FY15 – FY19) ($M)



Operating Income: FY19 operating income of $57.3 million represents a 9% increase over FY18, primarily driven by the growth in net premium income outpacing that of administrative expenses. **Figure 7** shows the growth of the Agency's net premium and operating income over the past five fiscal years.

Administrative Expenses (including Pension and Post Retirement Benefit Plan Expenses) in FY19, on a combined basis, were $57.8 million, compared to $51.6 million in FY18. The increase of 12% during FY19 reflects planned increases in staff costs, contractual services and travel-related expenses within the context of the FY19 Board-approved budget.

Figure 8. Administrative Expenses-to-NPI Ratio (FY15 – FY19)

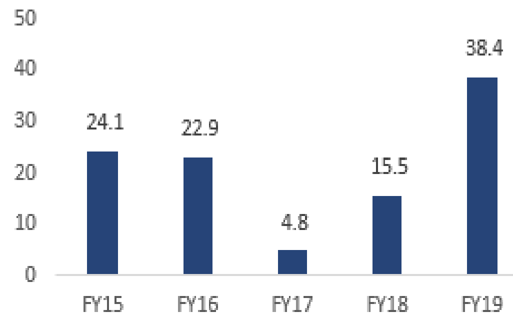


The Administrative Expenses-to-Net Premium Income ratio, a key measure of MIGA's cost efficiency remained at 50% for FY19. This ratio has been consistently below the management-approved cap of 75%, decreasing from 57% in FY15 to 50% in FY19. (See **Figure 8**)

Investment Activity Results

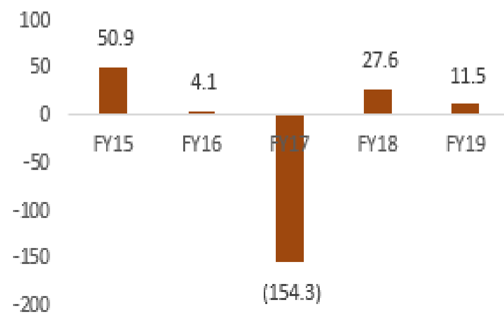
Investment Income: FY19 investment income totaled $38.4 million compared to $15.5 million in FY18. The increase in investment income of $22.9 million was primarily due to higher interest income and mark- to-market gains in FY19 compared to mark-to-market losses from the MBS and U.S. Treasury holdings in FY18. **Figure 9** shows the investment income trend over the past five fiscal years.

Figure 9. Investment Income (FY15 – FY19) ($M)



Reserves for Claims

Figure 10. Change in Reserves for Claims (FY15 – FY19)



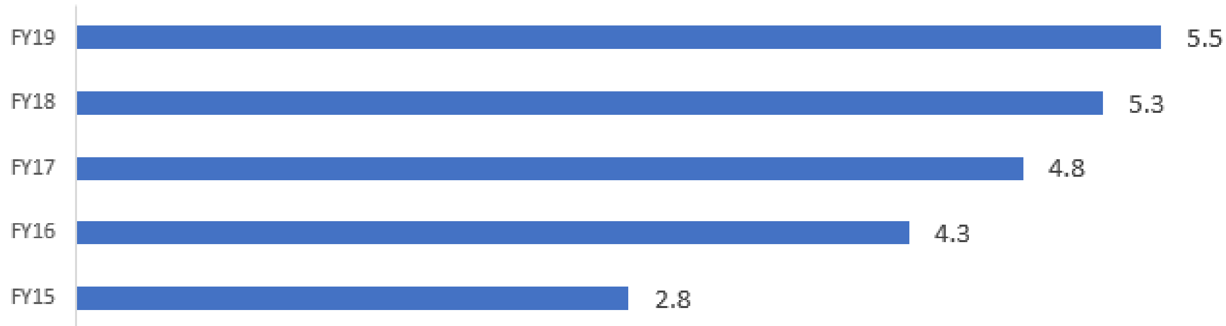
Increase in Reserve for Claims in FY19 of $11.5 million is driven primarily by the increase in the Insurance Portfolio Reserve (IPR) attributable to the increase in the size and changes in the net guarantee portfolio composition, and net host country risk downgrades, largely offset by the effect of the periodic update of the provisioning model's core parameters that resulted in the reserve declining by $9 million. In comparison, reserves for claims increased by $27.6 million in FY18, primarily reflecting the changes in net guarantee portfolio composition and net host country risk downgrades (**Figure 10**).

4. Operational Performance

New Guarantee Issuance

MIGA continued to facilitate foreign direct investment (FDI) into developing countries by providing its guarantee products to fit the unique needs of each project and sponsor. During FY19, the Agency issued a record $5.5 billion in new guarantees in support of 37 projects, reflecting a 6% growth over the $5.3 billion issued in FY18 and almost double the guarantees issued in FY15 of $2.8 billion. **Figure 11** below depicts the growth of MIGA's new business volumes over the last five fiscal years, in terms of the gross issuance.

Figure 11. New Guarantee Issuance (FY15 – FY19) ($B)



Cumulatively, MIGA has issued $55.8 billion in guarantees in 114 countries since its inception. **Table 2** below contains a summary of cumulative guarantees issued in member countries over the last five fiscal years.

Table 2. Cumulative Guarantees Issued in Member Countries

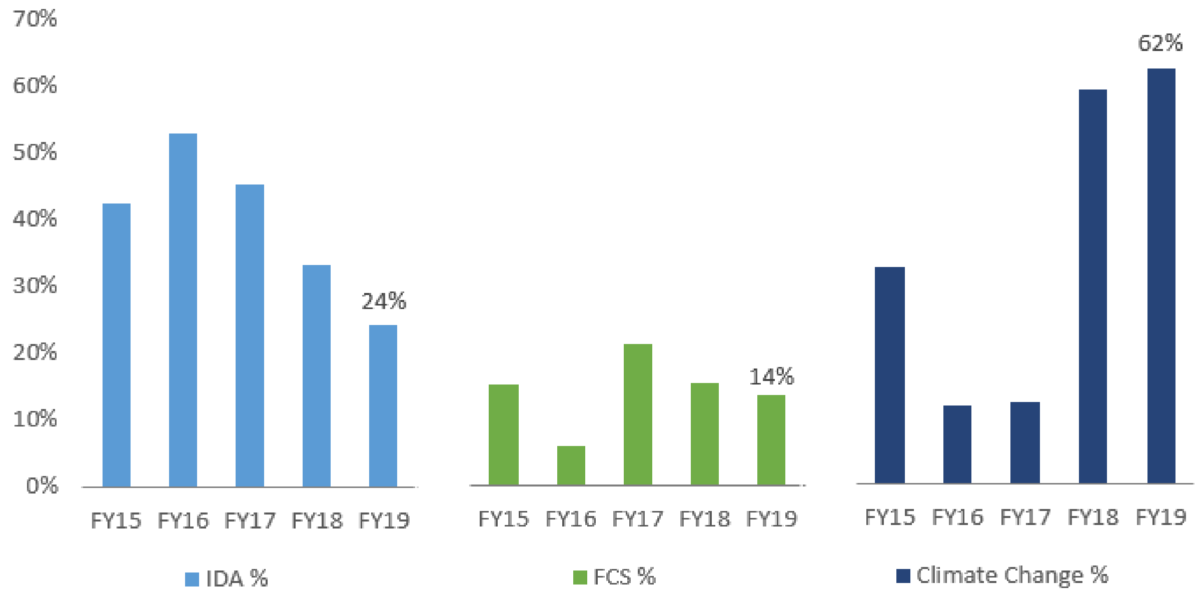
	FY19	FY18	FY17	FY16	FY15
Cumulative Guarantees Issued ($B)	55.8	50.2	45.0	40.1	35.9
Host Countries	114	112	111	109	109

During FY19, MIGA wrote guarantees in two new countries – Malawi and Oman, extending the number of countries wherein the Agency has supported investment projects with its PRI and credit enhancement guarantees since its inception.

Guarantees Issued by Priority Area

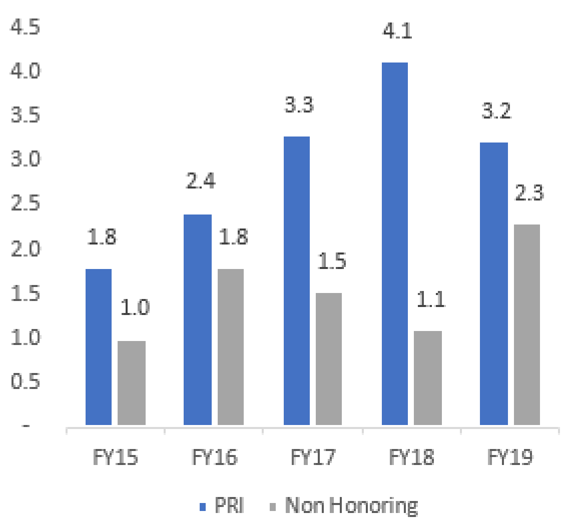
The Agency issued guarantees in support of 37 projects in FY19, of which 81% addressed one or more priority areas under the Agency's FY18-20 strategy. This includes guarantees totaling $1.0 billion issued in support of nine projects (24% of total projects supported) in eight IDA-eligible countries. MIGA issued guarantees for $334 million in support of five projects (14% of total projects supported) in four Fragile and Conflict-Affected States (FCS). The Agency also issued guarantees in support of 23 Climate Finance projects (62% of total projects supported) for a total of $1.0 billion **Figure 12** highlights the percentage of projects addressing each strategic priority area over the past five fiscal years.

Figure 12. Projects Supported by Priority Area (% of Projects)



Note: Share of projects supported by priority areas cannot be added as these are not mutually exclusive.

Figure 13. Guarantees Issued by Product Type ($B)



Guarantees Issued by Product Type

PRI guarantees issued during FY19 amounted to $3.2 billion (58% of total new guarantee business) across all the four PRI covers, compared to $4.1 billion (79% of total new guarantee business) in FY18.

The Agency issued a record volume of credit enhancement guarantees during FY19 for $2.3 billion, compared to $1.1 billion during FY18. This includes the Agency's largest guarantee – a $1.7 billion NHSFO guarantee issued in relation to the Duqm port project in Oman.

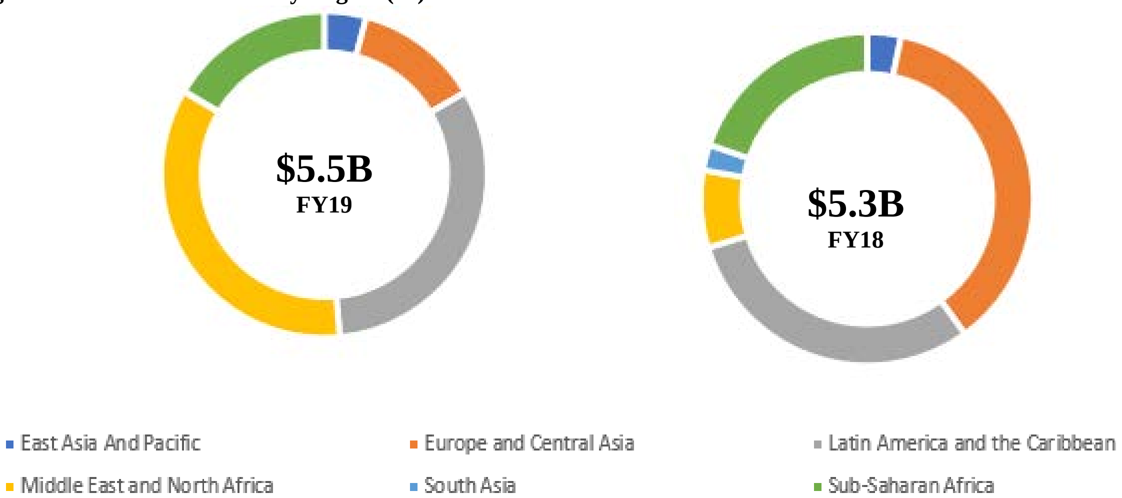
Figure 13 provides the guarantee issuance breakdown by product type over the past five fiscal years.

Geographic Distribution of New Business Volume and Projects

During FY19, MIGA supported 19 projects in Sub Saharan Africa (SSA) issuing guarantees for just under $1.0 billion, several of which supported Climate Finance investments in South Africa. The Agency supported five projects in the Middle East and North Africa region and issued guarantees for a total of $1.9 billion. Three guarantees were issued in Latin America and Caribbean (LAC) for $1.8 billion, in support of two large capital optimization transactions in Chile and Argentina and a wind farm project in Argentina. New guarantees issued in the Europe and Central Asia (ECA) region amounted to $0.7 billion and accounted for 12% of FY19 gross issuances.

Figure 14 provides the regional breakdown of new business in FY19 and FY18, respectively.

Figure 14. Guarantees Issued by Region (%)



Guarantees issued under the IDA Private Sector Window (PSW)

MIGA issued five guarantees for a total of $213.2 million during FY19 with the support of the IDA-PSW MIGA Guarantee Facility (MGF) and ceded $53.1 million under a first loss layer to IDA. The largest project supported was a fiber optic communication project in Myanmar for $116.2 million, of which 16% was ceded to IDA. Two guarantees were issued in relation to a solar power project in Malawi for $58.6 million (40% ceded) and two guarantees issued in support of agribusiness projects in Sierra Leone and Afghanistan for $36 million and $2.4 million, respectively.

Guarantee Portfolio Composition

Portfolio Evolution

MIGA's gross outstanding exposure continued its upward trajectory and reached a record high of $23.3 billion as of June 30, 2019, in comparison to $21.2 billion as of June 30, 2018. This reflects a growth of 10% with the increase primarily due to the record new business written during FY19, partially offset by the effect of portfolio runoff.

Net outstanding exposure also increased to a record level of $8.3 billion as of June 30, 2019, from $7.9 billion as of June 30, 2018, reflecting a 5% growth. **Figure 15** highlights the growth in the guarantee portfolio over the last five fiscal years. The lower growth in net guarantee exposure reflects the impact of the enhanced use of reinsurance as discussed previously.

Figure 15. Gross and Net Guarantee Portfolios ($B)

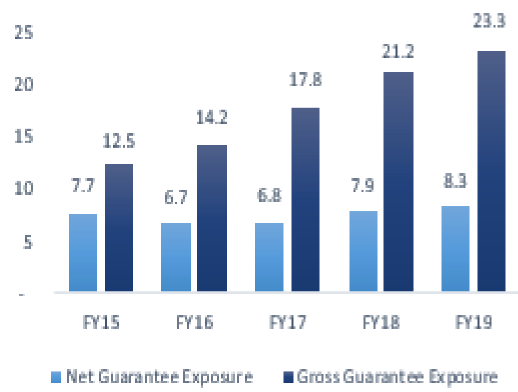
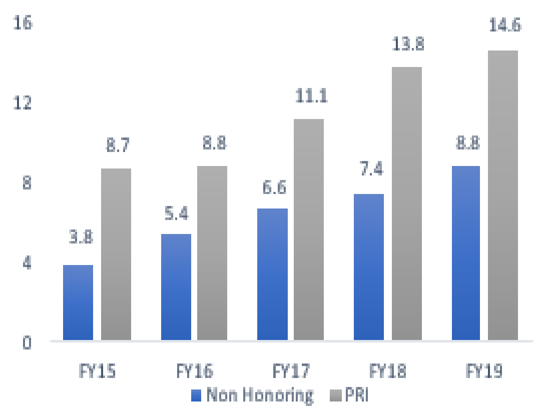


Figure 16. Portfolio Composition by Product ($B)



Portfolio Composition by Product Type

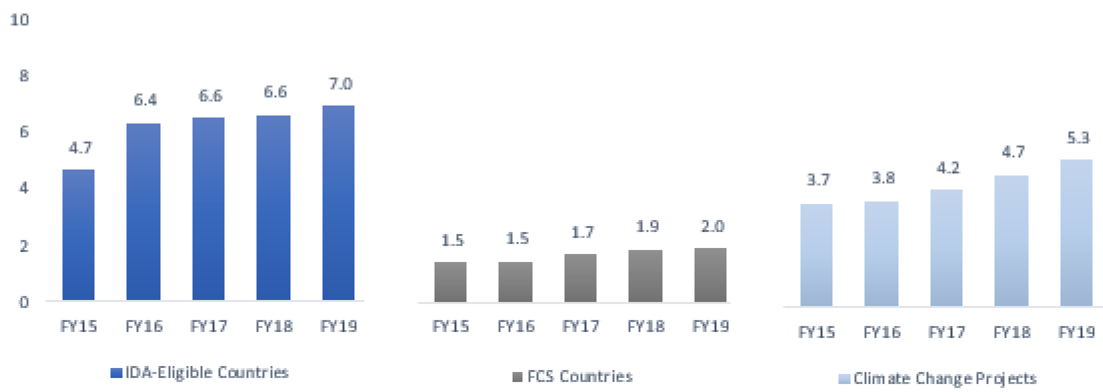
Gross outstanding exposure on PRI guarantees as of end-FY19 was $14.6 billion, slightly up from $13.8 billion as of end-FY18.

The gross outstanding exposure of credit enhancement guarantees as of end-FY19 accounted for $8.8 billion and 38% of the overall portfolio. The contribution of this product to the growth of the overall portfolio over the last five fiscal years has been significant, reflecting increased investor demand for the product from $3.8 billion as of end-FY15 to $8.8 billion as of end-FY19, a growth of $5.0 billion (132%) over the past five fiscal years (**Figure 16**).

Portfolio Exposure in Strategic Priority Areas

Over the last five fiscal years, the Agency has grown its portfolio in the strategic priority areas. As of June 30, 2019, MIGA's gross outstanding exposure in IDA-eligible countries was $7.0 billion compared to $4.7 billion as of end-FY15. MIGA's exposure in FCS countries as of June 30, 2019 was $2.0 billion compared to $1.5 billion as of end-FY15. Similarly, the projects in the Agency's portfolio supporting Climate Finance grew from $3.7 billion at end-FY15 to $5.3 billion at end-FY19. (**Figure 17**).

Figure 17. Gross Portfolio in Strategic Priority Areas ($B)



Facilitating dispute resolution

As soon as it becomes aware of events or disputes that may impact its supported investments, MIGA initiates discussions with host governments and investors so it can help address the issues and the project to continue to provide the expected development impact. The larger number of projects in MIGA's portfolio in general as well as the larger number of projects in IDA and FCS countries has led to an increase in pre-claim management activities. Facilitating discussions between investors and host governments has been quite successful and MIGA's loss ratio remains the lowest in the PRI industry and investors point to this aspect as MIGA's additionality. MIGA's engagement with host governments or investors does not necessarily mean a claim is imminent.

Claim Activities

During FY19, MIGA did not make any claim payments. As of June 30, 2019, there was one pending claim related to War and Civil Disturbance for which appropriate reserves have been maintained. Since its inception, the Agency has paid ten claims for a total of $26.5 million on a gross basis and $10.2 million, net of recoveries. Of the ten claims paid, eight were in relation to War and Civil Disturbance and two related to Expropriation.

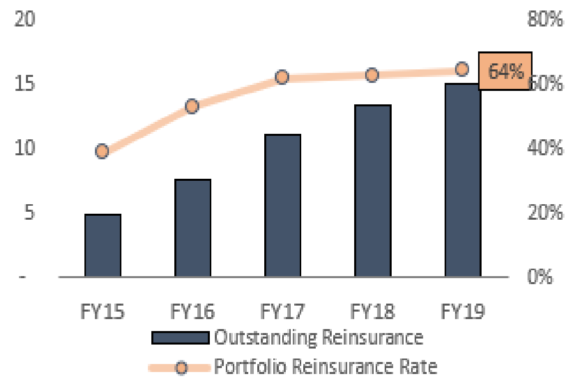
5. Reinsurance Management

Portfolio Reinsurance

MIGA's objective in using reinsurance is to support the Agency's growth while managing portfolio concentration and ensuring efficient capital utilization. The increased use of reinsurance is also in line with the WBG goal of mobilizing the private sector into financing development as well as in line with the Agency's strategy of preserving capital to fund future growth, primarily in priority areas.

As of June 30, 2019, $14.9 billion (64%) of the Agency's gross outstanding exposure was reinsured under facultative and quota share treaty arrangements in comparison to $13.3 billion (63%) as of end-FY18. **Figure 18** shows the evolution of the reinsurance portfolio over the past five fiscal years and the upward trend of the portfolio reinsurance rate.

Figure 18. Portfolio Reinsurance ($B) and Rate (%)

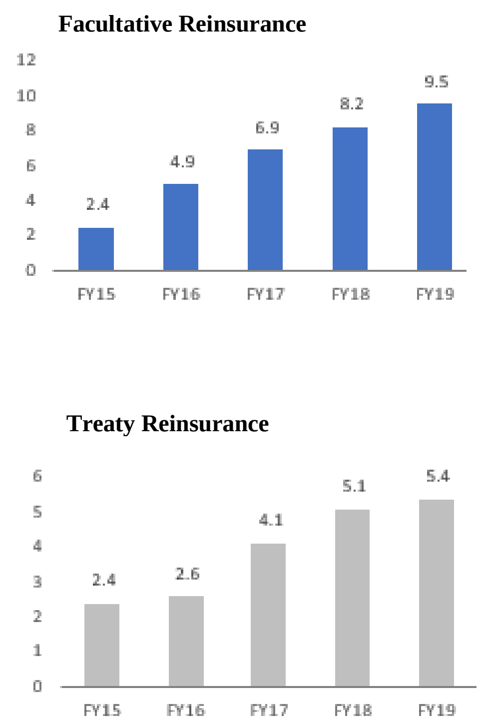


Treaty and Facultative Reinsurance

As part of its reinsurance strategy and in order to meet its increased reinsurance requirements, MIGA expanded its panel of facultative reinsurers and continues to look to add new reinsurer partners with the aim of diversifying the counterparty credit risk created by the increased reinsurance. MIGA typically cedes exposure through facultative reinsurance, as required, for large or high-risk projects or in host countries where the Agency has high concentration levels. As of June 30, 2019, exposure ceded to facultative reinsurers was $9.5 billion, an increase of 17% from the end-FY18 level of $8.2 billion, and an increase of 291% from the end-FY15 level of $2.4 billion.

In addition to facultative reinsurance, MIGA also cedes exposure to a panel of four treaty reinsurers. The Agency's treaty reinsurance attaches to a contract of guarantee when the associated gross exposure exceeds the attachment point defined in the treaty agreements. Attachment points and amounts ceded under treaty reinsurance vary according to country risk. As of June 30, 2019, exposure ceded to the panel of treaty reinsurers amounted to $5.4 billion or 36% of total outstanding reinsurance, in comparison to $5.1 billion as of end-FY18. (**Figure 19**)

Figure 19. Portfolio Reinsurance – Facultative and Treaty ($B)

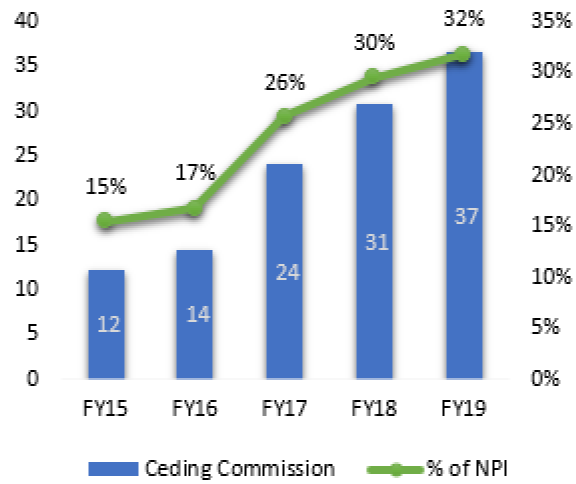


Ceding Commissions Earned on Reinsurance Transactions

Reinsurance allows MIGA to fulfill its developmental mandate by utilizing its capital efficiently and minimizing risk concentrations. Reinsurance also contributes to MIGA's revenue in the form of ceding commissions, (i.e. a percentage of the premiums ceded to reinsurers is retained by MIGA).

During FY19, MIGA earned ceding commissions of $36.6 million or 24% of premiums ceded, and a 19% increase over commissions of $30.8 million earned in FY18. This constitutes 32% of the FY19 NPI and 30% of the FY18 NPI, respectively, reflecting a significant increase in revenue generated by low-risk counterparties (the weighted average rating of MIGA's reinsurance panel is AA-). (**Figure 20**)

Figure 20. Ceding Commissions ($M)



6. FUNDING SOURCES

Capital Stock

MIGA derives its financial strength primarily from the capital backing it receives from its shareholders and from its retained earnings and reserves. MIGA's Convention initially established its authorized capital stock (membership shares) at 100,000 shares—equivalent to $1,082 million—with a provision that the authorized capital stock shall automatically increase upon the admission of a new member to the extent that the total number of authorized shares are sufficient to allow subscription by the new member. As of June 30, 2019, MIGA had 181 member countries and a total subscribed capital of $1.9 billion. **Table 3** provides a summary of the capital stock as of June 30, 2019.

Of the initial membership shares subscribed, 20 percent have been paid-in. The remaining 80 percent is subject to call if needed by MIGA to meet its obligations. As of June 30, 2019, $109.9 million of paid-in capital is in the form of non-negotiable, non-interest bearing demand obligations (promissory notes). The notes are denominated in freely convertible currencies and are due on demand if needed to meet MIGA's obligations. Since inception, MIGA has not encashed any of the promissory notes.

Table 3. Capital Stock ($M) - June 30, 2019

	Total
Subscribed Capital	1,919
Of which:	
Paid in Capital	366
Callable Capital	1,553

Any calls on unpaid subscriptions are uniform on all shares. If the amount received by MIGA on a call is insufficient to meet the obligations requiring the call, then MIGA may make further calls until the amounts received are sufficient to meet such obligations. The liability of a member on a call or calls is limited to the unpaid balance of such member's capital subscription. Since its inception, no call has been made on MIGA's callable capital.

Shareholders' Equity

Total shareholders' equity as of June 30, 2019 was $1,319.7 million compared to $1,260.8 million as of June 30, 2018, an increase of $58.9 million. The increase primarily reflects FY19's net income contribution of $82.4 million, partially offset by the increase in Accumulated Other Comprehensive Loss (AOCL) of $23.5 million, with the latter resulting from actuarial losses on the pension and post-retirement benefit plans.

Actuarial gains and losses occur when actual results differ from expected results in determining the funded status of the pension plans. The discount rate used in determining the pension liabilities is derived from high-grade, AA-rated corporate bond yields. The discount rate declined significantly in FY19, resulting in an increase in the underfunded status of the pension plans, with the MIGA portion increasing from $19.7 million as of end-FY18 to $46.1 million as of June 30, 2019.

Table 4 below shows the MIGA attributable portion of the funded status across all three plans as of June 30, 2019 and 2018 while **Figure 21** highlights the impact of the changes in discount rates on the unrecognized actuarial losses.

Table 4. Pension Plans Funded Status ($M)

	As of June 30, 2019			
	SRP	**RSBP**	**PEBP**	**Total**
Projected Benefit Obligations (PBO)	230.3	34.5	30.4	295.2
Plan Assets	218.1	31.0	-	249.1
Funded Status	**(12.2)**	**(3.6)**	**(30.4)**	**(46.1)**

	As of June 30, 2018			
	SRP	**RSBP**	**PEBP**	**Total**
Projected Benefit Obligations (PBO)	204.5	29.4	22.6	256.5
Plan Assets	208.7	28.0	-	236.8
Funded Status	**4.2**	**(1.4)**	**(22.6)**	**(19.7)**

Figure 21. Discount rate impact on Unrecognized Actuarial Losses ($M) (%)

7. CAPITAL MANAGEMENT

Statutory Underwriting Capacity

MIGA's capital base ensures the financial sustainability of the Agency over both the short-term and long-term. The Council of Governors and the Board of Directors have set the maximum amount of contingent liability that may be assumed by MIGA at 500% of the sum of its unimpaired subscribed capital and reserves plus 100% of the exposure ceded to reinsurers.

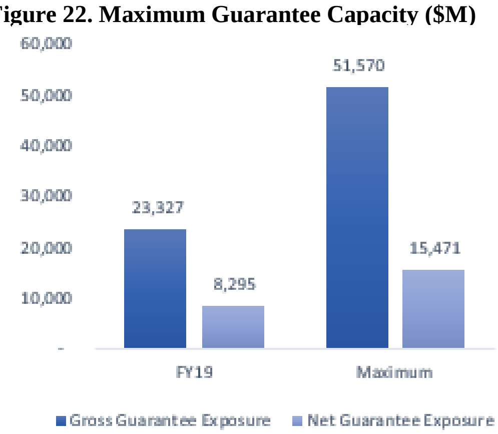
As of June 30, 2019, MIGA's underwriting capacity was $30,373 million, as detailed in **Table 5** below. MIGA's gross outstanding exposure on that date was $23,327 million and represented 77% of the Agency's statutory underwriting capacity.

Table 5. Statutory Underwriting Capacity ($M)

	June 30, 2019	June 30, 2018
Subscribed Capital	1,919	1,919
Retained Earnings	1,008	925
Accumulated Other Comprehensive Loss	(54)	(30)
Insurance Portfolio Reserve (net)	222	210
Total	3,095	3,024
500%[4] of Subscribed Capital, Retained Earnings, Accumulated Other Comprehensive Loss and Insurance Portfolio Reserve, net	15,471	15,120
100% of Exposure Ceded[5]	14,902	13,260
Statutory Underwriting Capacity	**30,373**	**28,380**

As noted in **Section 5**, the Board of Directors has authorized the Agency to reinsure its guarantees up to a maximum of 70% of gross exposure. As a result, as of June 30, 2019, the maximum guarantee capacity can be extended to $51.6 billion based on a maximum net guarantee exposure scenario of $15.5 billion as of that date and 70% maximum portfolio reinsurance rate. **Figure 22** highlights the potential room for growth based upon current levels of exposure.

Figure 22. Maximum Guarantee Capacity ($M)



Maximum Net Exposure reflects 500% of unimpaired subscribed capital and reserves and the Maximum Gross Exposure assumes portfolio reinsurance at 70%.

[4] "Increase in Overall Limit on Guarantee Capacity (Adoption of Resolution and Tally of Voting)", MIGA Resolution No. 101, November 11, 2016 (MIGA/R2016-0094).

[5] For the purposes of calculation of FY19 underwriting capacity, exposure ceded excludes adjustments relating to the exposure exchange agreement with IBRD and amounts ceded to the CAFEF facility and IDA Private Sector Window, which as of June 30, 2019 stood at $0.2 million, $41.3 million and $88.8 million, respectively.

Capital Adequacy

Under its economic capital-based capital adequacy framework, MIGA's measures of capital adequacy and risk-bearing capacity include economic capital (EC) consumed by the guarantee portfolio. It provides an analytically rigorous measure for assessing the consumption of risk capital by the core guarantee business and incorporates the effects from portfolio diversification and concentration. Management also estimates the minimum amount of capital that should be held against operational risk[6] in the Agency and the risk of loss in the investment portfolio. Together, these three measures constitute the total economic capital.

As of June 30, 2019, the economic capital consumed by the guarantee portfolio amounted to $626 million and the total economic capital for the Agency amounted to $717 million, compared to $605 million and $685 million, respectively, as of June 30, 2018.

In addition to gauging the capital adequacy position by comparing the current amount of economic capital consumed by MIGA's activities and available operating capital, MIGA assesses how much economic capital is projected to be utilized in the future under various scenarios of growth and development of the guarantee portfolio. These stress-test scenarios, performed annually, estimate the economic capital consumed under assumptions of continued growth in the portfolio over MIGA's strategy horizon, in combination with increased concentration of exposures, country rating downgrades, regional and global contagion effects, reinsurance risks and changes to the product mix.

Management monitors the level and utilization of available operating capital, comprised of paid-in-capital, retained earnings, accumulated other comprehensive income (AOCI) and the insurance portfolio reserve, net of the corresponding reinsurance recoverable, with the objective of ensuring sufficient operating capital is available to sustain expected and unexpected losses associated with claims and to support the ongoing business. **Table 5** shows the ratios of guarantee portfolio and total economic capital to operating capital over the past three years, which serve as measures of the current utilization of the operating capital by the guarantee portfolio and the whole Agency. These ratios stood at 40.6% and 46.5%, respectively, as of June 30, 2019 compared with 41.1% and 46.6% as of June 30, 2018.

As a gauge of year-on-year changes to the relative risk-level of the guarantee portfolio, **Table 6** also shows the ratio of guarantee portfolio economic capital to portfolio net exposure. As of June 30, 2019, this ratio stood at 7.5% compared to 7.7% at end-FY18. The above ratios indicate a strong and stable capital position for the Agency at the end of FY19.

Table 6. Capital Utilization (FY17-19, $M)

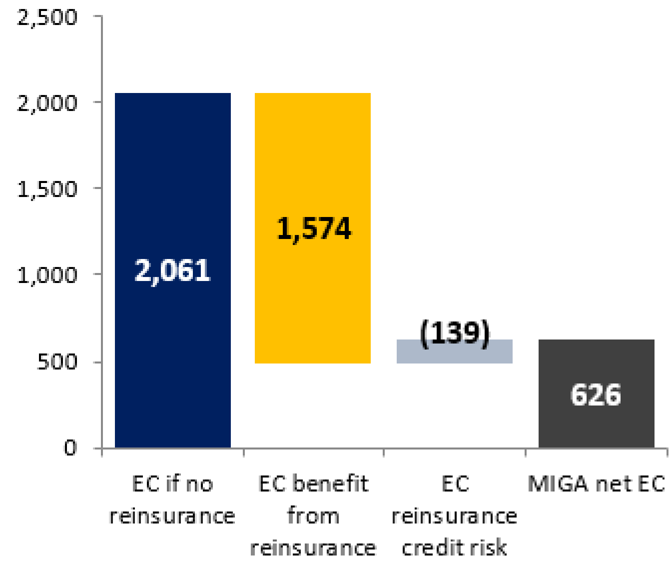
	FY19	FY18	FY17
Guarantee Portfolio Economic Capital	**626**	**605**	**518**
Total Economic Capital	**717**	**685**	**592**
Insurance Portfolio Reserve (net)	222	210	185
Retained Earnings and Accumulated Other Comprehensive Loss	954	895	847
Paid-in Capital	366	366	366
Operating Capital	**1,542**	**1,471**	**1,398**
Net Exposure	**8,295**	**7,878**	**6,780**
Guarantee Portfolio Economic Capital / Operating Capital	**40.6%**	**41.1%**	**37.1%**
Total Economic Capital / Operating Capital	**46.5%**	**46.6%**	**42.3%**
Guarantee Portfolio Economic Capital / Net Exposure	**7.5%**	**7.7%**	**7.6%**

[6] Operational risk capital is based on the Basel II methodology for calculating operational risk capital as a percentage of gross revenues and amounted to $75 million as of June 30, 2019.

Effects of Reinsurance on Economic Capital

As noted in **Section 5**, reinsurance of MIGA's guarantee portfolio plays a key part in risk management and business growth, as it helps MIGA manage its exposure concentration by transferring risk and provides substantial capital relief given the highly rated counterparty credit risk assumed. As of June 30, 2019, reinsurance on the guarantee portfolio provided relief to the overall guarantee portfolio EC consumption by 70% compared to 66% in FY18. **Figure 23** shows the benefit provided by reinsurance on the guarantee portfolio economic capital in FY19, net of EC for reinsurer counterparty credit risk (RCC).

Figure 23. Impact of Reinsurance on Economic Capital ($M)

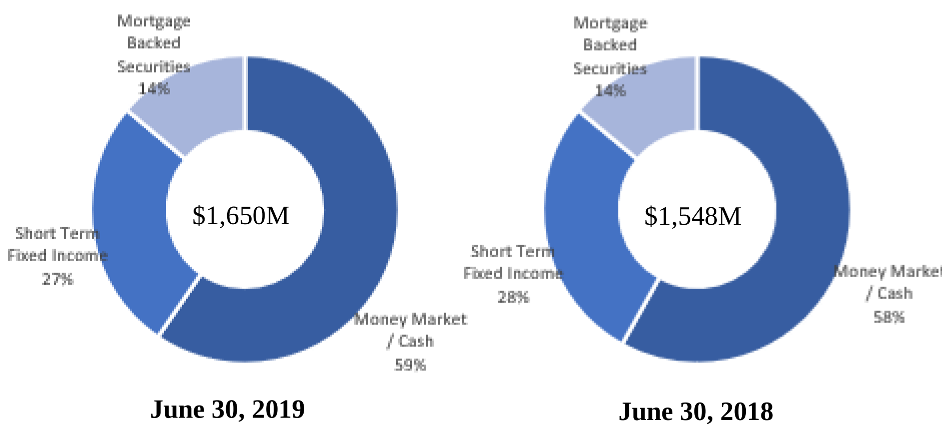


MIGA is also exposed to the risk of default by its reinsurers when claims materialize. **Figure 23** also indicates the impact of the RCC on the guarantee portfolio economic capital. As of June 30, 2019, the amount of RCC EC is estimated at $139 million and is included in the overall guarantee portfolio EC. MIGA closely monitors the credit ratings of and exposure limits to each of its reinsurer counterparts.

8. INVESTMENT MANAGEMENT

MIGA's investment policy objectives are to provide liquidity to pay for unanticipated claims and to grow MIGA's capital base to support MIGA's long-term business strategy. As of June 30, 2019, MIGA's net investment portfolio holdings totaled $1,650 million, comprising of cash and money market instruments, U.S. Treasuries, Agency Mortgage-backed Securities, Asset-backed Securities, sovereign and government guaranteed securities, as well as derivatives. **Figure 24** shows the broad asset class allocation. Most of the Agency's assets are denominated in USD, with a small portion in non-USD holdings. As of end-FY19, MIGA held cash and government securities denominated in currencies other than USD totaling $150 million or 9.1% of its total holdings.

Figure 24. Composition of MIGA's Investment Portfolio by Asset Class ($M)



MIGA's investment portfolio had an annual return of 2.4% in FY19 compared to 1.0% in FY18. The increase in return can be attributed to the higher interest rate environment and MIGA's decision to hold investments in shorter-duration instruments. **Table 7** provides details on the investment income by asset class over the past three fiscal years. Total investment income earned in FY19 was $38.4 million compared to $15.5 million in FY18.

Table 7. Investment Income Analysis by Asset Class (FY17-FY19) ($M)

Asset Class	FY19	FY18	FY17
Money Market / Cash	20.0	12.4	6.2
US Short Term (0-3 Year)	5.3	2.9	1.8
Mortgage Backed Securities (MBS)	13.1	0.2	(3.0)
Total Investment Income	**38.4**	**15.5**	**4.8**
Total Portfolio Return	**2.4%**	**1.0%**	**0.3%**

9. FINANCIAL RISK MANAGEMENT

The responsibility for approving MIGA's risk management policies lies with the Board of Directors. The Audit Committee of the Board deals with risk management issues. While the Executive Vice President and Chief Executive Officer assumes the responsibility for overall risk management with the support of the senior management team, the responsibility for the design and operational implementation of the risk management framework lies with the Finance and Risk Management Group with input from the Legal Affairs and Claims Group, the Operations Group and the Economics and Sustainability Group.

Risk Categories

MIGA is exposed to a variety of risks and uses risk management programs such as an Economic Capital Framework and reinsurance arrangements to measure and manage its risk. Below is a description of the risk management programs for MIGA's principal risks.

Insurance Risk

Insurance risk arises from MIGA's core business of issuing investment guarantees. The Agency's primary risk is the claim payout from political risk and sovereign default events and is inherent in the guarantee portfolio.

The Agency's rigorous underwriting process is an integral part of MIGA's overall risk management. At the individual project level, a thorough assessment of the financial risk is undertaken from the perspectives of the host country and the project, and the impact to MIGA's overall risk and return balance. Each project, depending on complexity, is discussed and approved for guarantee issuance by either a Final Approval Meeting (FAM) chaired by the Director of Operations or a Project Review Committee (PRC) comprised of MIGA's management team. The PRC is preceded by an initial Early Screening Meeting (ESM), chaired by the Executive Vice President and Chief Executive Officer of the Agency, and serves as an initial filter for whether to commit underwriting resources to a guarantee application. Finally, all projects other than those under the Small Investment Program, require Board concurrence or approval as well as host country approval for the investment.

MIGA's earnings depend on the extent to which claims experience is consistent with assumptions used in setting prices for products and establishing technical provisions for claims. If actual claims experience of the Agency is less favorable than underlying assumptions, then income would be reduced. MIGA monitors claim activities and provisions for pending claims. In addition, claim reserves for the guarantee portfolio are calculated using a simulation-based model.

Concentration Risk

For portfolio risk management purposes, MIGA utilizes an Economic Capital (EC) [7] Model, based on best practices applied in risk modeling. Under the EC Model, MIGA defines its economic capital as the 99.97th percentile of the aggregate loss distribution over a three-year horizon, minus the mean of the loss distribution, which is in line with industry practice for a AAA rated institution. The model helps evaluate concentration risk in the guarantee portfolio and facilitates active, risk-based exposure management by allocating the Economic Capital to particular regions, countries, sectors, covers, or individual contracts, based on their respective risk contribution. The Agency's Portfolio Management Committee (PMC) provides governance on portfolio concentration matters and is comprised of members from MIGA's management and its risk analytics and reinsurance teams. The PMC meets on a quarterly basis to discuss

[7] The Economic Capital concept is a widely recognized risk management tool in the banking and insurance industries, defining the minimum amount of capital an organization needs to hold in order to withstand larger than expected losses with a high degree of confidence, over a defined time horizon and given the risk exposure and defined risk tolerance.

the risk profile of the Agency's guarantee portfolio and proposes measures to avoid excessive concentration in the portfolio. **Table 8** below captures the top five and top ten largest EC consuming countries in the portfolio as of June 30, 2019.

Table 8. Top EC Consuming Countries – June 30, 2019 ($M)

Country	EC	% Share
Turkey	176.7	28.2%
Egypt, Arab Republic of	35.7	5.7%
Oman	31.5	5.0%
South Africa	29.2	4.7%
Honduras	29.1	4.7%
Total, Top 5	**302.2**	**48.3%**
Myanmar	25.5	4.1%
Pakistan	22.0	3.5%
Azerbaijan	21.1	3.4%
Mauritania	20.9	3.3%
Cameroon	19.2	3.1%
Total, Top 10	**411.0**	**65.7%**

In addition, in order to prevent excessive risk concentration, MIGA has in place nominal maximum net guarantee exposure limits per country and per project, which have stood at $820 million and $250 million, respectively since their last revision in FY15. Effective July 1, 2019, the Agency received Board approval to increase the single country and single project net exposure limits to $1 billion and $300 million, respectively.

The top five and ten largest exposure countries by net exposure as of June 30, 2019 are shown below in **Table 9,** accounting for 26% and 42% of the total net guarantee portfolio, respectively.

Table 9. Top Countries By Net Exposures – June 30 2019 ($M)

Country	Gross Exposure	Net Exposure	% Share of Net Exposure
Turkey	2,967.4	612.7	7.4%
South Africa	1,662.0	501.9	6.1%
Egypt, Arab Republic of	472.1	377.7	4.6%
Serbia	843.6	325.7	3.9%
Cameroon	459.5	310.7	3.7%
Total, Top 5	**6,404.6**	**2,128.7**	**25.7%**
Pakistan	374.6	287.5	3.5%
Myanmar	873.2	275.9	3.3%
Argentina	1,620.9	263.9	3.2%
Jordan	604.9	249.7	3.0%
Oman	1,701.1	246.6	3.0%
Total, Top 10	**11,579.3**	**3,452.4**	**41.6%**

Liquidity Risk

Adequate liquidity resources need to be maintained to sustain the Agency over prolonged periods of cash payouts due to claims. MIGA assesses and monitors the availability of its liquid assets on a periodic basis and analyzes the impact on its finances (capital and liquidity) under various stress scenarios.

Commercial Counterparty Credit Risk

MIGA's commercial counterparty credit risk is concentrated in its investment portfolio, in instruments issued by sovereign governments and non-sovereign holdings such as Asset Backed Securities, Time Deposits, Corporates and Agencies. MIGA's overall commercial counterparty credit risk was about $1.6 billion as of June 30, 2019. As indicated below in **Table 10** below, the majority of the Agency's investments are concentrated in the upper end of the credit ratings range with 76% of the portfolio rated AA or above and the remaining portfolio primarily rated A.

Table 10. Commercial Counterparty Credit Risk Exposure ($M)

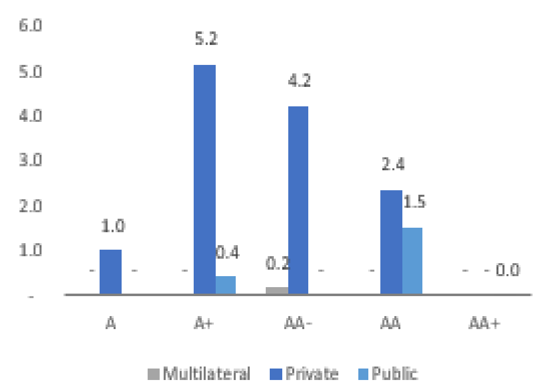
	As of June 30, 2019			
	Investments			
Counterparty Rating	*Sovereigns*	*Non-Sovereigns*	Total	% of Total
AAA	192.0	504.1	696.1	42%
AA	1.4	566.1	567.5	34%
A	120.7	262.2	382.9	23%
BBB	-	-	-	-
BB or lower	-	0.1	0.1	0%
Total	**314.1**	**1,332.4**	**1,646.6**	**100%**

Numbers may not add up due to rounding

Reinsurance Counterparty Credit Risk (RCC)

Counterparty credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations. MIGA's exposure to counterparty credit risk is derived mainly from its reinsurance counterparts and is the risk of default by MIGA's reinsurers when claims materialize. MIGA requires that private sector reinsurers, with which it conducts business, be rated by at least two of the four major rating agencies (Standard & Poor's, A.M. Best, Moody's and Fitch), and that the ratings be above a minimum threshold. MIGA has also established limits both at the project and portfolio levels, which restrict the amount of reinsurance. **Figure 25** provides a graphical representation of the ceded exposure with reinsurance counterparties by credit risk ratings.

Figure 25. Reinsurer Counterparty Exposure Distribution by Rating ($B)



As discussed in **Section 5**, given the strong growth in the portfolio reinsurance rate over the last five fiscal years, the Agency has established a dedicated team that monitors and manages the RCC to which MIGA is exposed. The team performs amongst others, the in-house credit risk analysis of MIGA's reinsurance counterparts, the setting of limits for each reinsurer and the development of the reporting and credit monitoring frameworks, as well as policies and operating guidelines, for the credit risks assumed under MIGA's reinsurance programs. Additionally, in FY19, the Reinsurance Counterparty Credit Risk (RCCR) Committee was constituted with the mandate to identify, measure, monitor and manage credit risk arising from MIGA's exposure to reinsurer counterparties. The RCCR Committee is chaired by the Director of Finance and its key responsibilities are the monitoring of MIGA's exposures and counterparties' ratings in relation to MIGA's risk appetite and to take action on early warning signals or areas of potential RCCR concern. The Committee also assigns and approves RCCR ratings and exposure limits to MIGA's existing and prospective reinsurance counterparties, and also approves new counterparties.

RCC as computed by the EC model as of June 30, 2019 was $139 million **(See Figure 23)**.

Operational Risk

Operational risk is intrinsic to financial institutions and is an important component of the agency-wide risk management framework. The most important types of operational risk involve breakdowns in internal controls, processes, systems and corporate governance.

MIGA mitigates operational risks by maintaining a sound internal control system based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO)'s 2013 *Integrated Internal Control* framework. A key component of this framework is the effectiveness of key controls over external financial reporting. This component is assessed and validated annually.

Legal Risk

Legal risks arise primarily from changes in the legal parameters of MIGA's member countries as a result of legislation or court decisions that may affect MIGA's activities. There are also legal risks associated with MIGA being involved in legal disputes and arbitration proceedings, especially in the context of claim resolution or settlement, and with MIGA failing to protect its assets, including its intellectual property.

MIGA manages these risks by monitoring current and prospective developments by way of ongoing discussions with member countries' representatives on the Board of Directors and Council of Governors. MIGA also shares information and analyses with other members of the World Bank Group, the IMF and the United Nations. In addition, as a member of the Berne Union, MIGA participates in discussions and analyses of the changes in the operating investment environment in its member countries. MIGA also manages these legal risks by developing and enforcing policies and procedures to govern its activities.

10. CRITICAL ACCOUNTING POLICIES AND THE USE OF ESTIMATES

Note A to MIGA's financial statements contain a detailed summary of MIGA's accounting policies. Described below are those accounting policies which involve significant management judgment and estimates when preparing the Agency's financial statements and accompanying notes to conform to U.S. GAAP. Accounting estimates generally involve the establishment of parameters by management based on judgments about the probable outcome of future conditions, transactions, or events. Because these are projections, actual results may differ from those estimates in a variety of areas. The area which management deems most critical with respect to the application of estimates and assumptions is the establishment of MIGA's loss reserves.

Reserve for Claims

MIGA's provisioning methodology builds on portfolio risk quantification models that use both individually assessed loss probabilities for projects at risk and rating-based loss probabilities that are applied to the entire guarantee portfolio. Under this methodology, for the purpose of presentation in the financial statements, MIGA's reserve consists of two primary components, the Specific Reserve and the Insurance Portfolio Reserve.

The Specific Reserve is calculated based on contract specific parameters that are reviewed each quarter by management for those contracts that have known difficulties and where there is a distinct likelihood of a claim payment being made.

The Insurance Portfolio Reserve (IPR) is calculated based on the long term historical experiences of the non-commercial political risk insurance industry and the default history of sovereigns and sub-sovereigns. Estimates of the reserves are derived from a simulation-based model, designed specifically for MIGA's insurance products and with consideration to the low frequency but high severity type of losses inherent in the Agency's business model. The IPR is calculated as the 95th percentile loss less the mean loss from the model.

Reserves are presented on a gross basis on the liability side of the balance sheet, and the associated reinsurance assets on the asset side, since reinsurance does not relieve MIGA of its primary liability to the insured. A detailed summary of MIGA's provisioning policy can be found in the Notes to Financial Statements – Note A, *Summary of Significant Accounting and Related Policies*.

Pension and Other Postretirement Benefits

Along with IBRD and IFC, MIGA participates in pension and post-retirement benefit plans that cover almost all of their staff members. All costs, assets, and liabilities associated with these plans are allocated among IBRD, IFC, and MIGA based upon their employees' respective participation in the plans. The underlying actuarial assumptions, fair value of plan assets, and funded status associated with these plans are based on financial market interest rates, past experience, and management's best estimate of future benefit changes and economic conditions. For further details, please refer to the Notes to Financial Statements – Note F, *Pension and Other Post Retirement Benefits*.

Fair Value of Financial Instruments

The fair values of financial instruments are based on a three-level hierarchy. For financial instruments classified as Levels 1 and 2, inputs are based on observable market data, with less judgment applied in arriving at fair values. For financial instruments classified as Level 3, where applicable, unobservable inputs are used. These require Management to make significant assumptions and judgments in determining fair value measures.

All of MIGA's financial instruments are classified as Levels 1 and 2, as the inputs are based on observable market data, with less judgment applied in arriving at fair value measures. The methodology, inputs, and assumptions are reviewed, on a quarterly basis, to assess the appropriateness of the fair value hierarchy classification of each financial instrument.

In cases where Management relies on instrument valuations supplied by external pricing vendors, procedures are in place to validate the appropriateness of the models used, as well as the inputs applied in determining those values.

11. GOVERNANCE AND CONTROL

General Governance

Board Membership

MIGA's Board of Directors consists of 25 members. In accordance with the Convention establishing MIGA, all members of the Board are elected every two years by their member governments. Directors are neither officers, nor staff of MIGA. The President serves as the presiding officer, is the only management member of the Board of Directors, and ordinarily has no vote except a deciding vote in the case of an equal division. The Board has established five standing committees which are each chaired by a Director: (i) Committee on Development Effectiveness or CODE, (ii) Audit Committee or AC, (iii) Budget Committee or BC, (iv) Human Resources Committee or HRC, and (v) Committee on Governance and Administrative Matters or COGAM. The Directors maintain an Ethics Committee to consider matters relating to the interpretation or application of the Code of Conduct for Board Officials.

The Directors and their committees operate in continuous session at the principal offices of the World Bank Group and meet in accordance with the Agency's business needs. Each committee's terms of reference establishes its respective roles and responsibilities. Their role is primarily to help the full Board of Directors discharge its oversight responsibilities through in-depth examination of policies and practices.

Senior Management Changes

Effective February 1, 2019 Mr. Jim Yong Kim resigned as President of the World Bank Group. Mr. David Malpass was appointed as President of the World Bank Group effective April 9, 2019.

Ms. Keiko Honda announced that she will retire as Executive Vice President and Chief Executive Officer of MIGA at the end of October 2019.

Mr. Ethiopis Tafara was appointed as Vice President, Corporate Services and Chief Risk, Legal and Administrative Officer, MIGA effective in the fall of 2019.

Audit Committee

Membership

The Audit Committee consists of eight members of the Board of Directors. Membership in the Committee is determined by the Board of Directors, based on nominations by the Chairman of the Board, following informal consultation with the Directors.

Key Responsibilities

The Audit Committee has a mandate to assist the Board of Directors in overseeing MIGA's finances, accounting, risk management, internal controls and institutional integrity. Specific responsibilities include:

- The review and oversight of MIGA's financial statements and financial reporting related to trust funds.
- Recommending to the Board of Directors the appointment of the external auditor, as well as monitoring the performance and independence of the external auditor.
- Oversight of the internal audit function, including reviewing the responsibilities, staffing, annual internal audit plan, and effectiveness of internal audit.
- In the execution of its role, the Committee discusses with management, the external auditors, and internal auditors, financial issues and policies which have an impact on the Agency's financial position and risk-bearing capacity.
- Monitoring the evolution of developments in corporate governance and promoting continuous improvement of, and adherence to MIGA's policies, procedures, and practices.

Communications

The Audit Committee communicates regularly with the full Board of Directors through distribution of the following documents:

- The minutes of its meetings.
- Reports of the Audit Committee prepared by the Chairman, which document discussions held. These reports are distributed to the Directors, Alternates Directors, World Bank Group Senior Management, and MIGA Senior Management.
- "Statement(s) of the Chairman" and statements issued by other members of the Audit Committee.
- The Annual Report to the Board of Directors, which provides an overview of the main issues addressed by the committee over the year.

The Audit Committee's communications with the external auditor are described in the Auditor Independence section.

Executive Sessions

Under the Audit Committee's Terms of Reference, members of the Audit Committee shall meet periodically in separate executive or, where specifically required, closed sessions with management, the Auditor General, the External Auditor, and the Vice President for Institutional Integrity, to discuss any matters that the Committee or any of the foregoing believes should be discussed privately.

Access to Resources and to Management

Throughout the year, the Audit Committee receives a large volume of information, with respect to the financial position, financial statement presentations, risk assessment, and risk management, as well as matters regarding governance and controls. The Audit Committee meets both formally and informally throughout the year to discuss finance, accounting, risk management, and internal controls matters. The Directors have unrestricted access to Management. The Audit Committee reviews and discusses with Management topics within its terms of reference. The committee also reviews with the external auditor the financial statements prior to their publication and recommends these for approval to the Board of Directors.

The Audit Committee has the authority to seek advice and assistance from outside legal, accounting, or other advisors as it deems necessary.

Business Conduct Framework

Staff members' ethical obligations to the institution are embodied in its Core Values and Principles of Staff Employment. As a member organization, MIGA has adopted the updated World Bank Group Code of Conduct, *Living our Values* (the Code), which is a practical guide to assist staff in making the Bank Group's Core Values a part of what staff does every day. The Code applies to all staff worldwide and is available on IBRD's website, **www.worldbank.org**.

In addition to the Code, the business conduct obligations of staff are articulated in the Staff Manual (Principles of Staff Employment, Staff Rules), Administrative Manual, and other guidelines. The Principles and Staff Rules require that all staff avoid or properly manage conflicts of interest. To protect individual staff in MIGA from apparent and real (potential or actual) conflicts of interest, senior staff are required to complete an annual financial disclosure statement with the Office of Ethics and Business Conduct. Guidance for staff is also provided through programs, training materials, and other resources. Managers are responsible for ensuring that internal systems, policies, and procedures are consistently aligned with MIGA's business conduct framework. The following World Bank Group units assist in communicating business conduct expectations to staff:

- The Office of Ethics and Business Conduct (EBC) provides leadership, management and oversight for MIGA's ethics infrastructure including the Ethics HelpLine, a consolidated conflicts of interest disclosure/resolution system, financial disclosure, ongoing training to both internal and external audiences, and communication resources. This office has the mandate to review and assist in the resolution of allegations of staff misconduct.
- The Integrity Vice Presidency (INT) is charged with investigating allegations of fraud and corruption in projects benefiting from World Bank Group funding or guarantees. It also trains and educates staff and clients in detecting and reporting fraud and corruption.

Both EBC and INT report directly to the President and each is composed of professionals from a range of disciplines including financial analysts, researchers, investigators, lawyers, prosecutors, forensic accountants, and staff with operational experience across the World Bank Group. These units maintain comprehensive websites to provide guidance on how to handle concerns.

Auditor Independence

The appointment of the external auditor for MIGA is governed by a set of Board-approved principles. These include:

- Requiring all audit-related services to be pre-approved on a case-by-case basis by the Board of Directors, upon the recommendation of the Audit Committee; and
- Mandatory rebidding of the external audit contract every five years, with a limit of two consecutive terms and mandatory rotation thereafter, provided however that the Audit Committee may exceptionally recommend that the incumbent audit firm should be allowed to participate in the re-bidding.
- Monetary limit on the external auditor's provision of non-audit related services. The monetary limit equals seventy percent of the audit fees over the term of the relevant external audit engagement and will be applied when considering the fees relating to the total non-audit related services over the same period.

External Auditor

The external auditor is appointed to a five-year term of service, with a limit of two consecutive terms, and is subject to annual reappointment based on the recommendation of the Audit Committee and approval of a resolution by the Directors. On November 28, 2017, following a mandatory rebidding of the external audit contract, MIGA's Board of Directors approved the appointment of Deloitte & Touche LLP as MIGA's external auditor for a five-year term commencing FY19.

As standard practice, the external auditor is invited as an observer to attend all Audit Committee meetings and is frequently asked to present its perspective on issues. In addition, the Audit Committee meets periodically with the external auditor in private sessions without the presence of management.

Communication between the external auditor and the Audit Committee is ongoing and carried on as often as deemed necessary by either party. MIGA's external auditors follow the communication requirements with audit committees set out under generally accepted auditing standards in the United States. In addition, individual members of the Audit Committee have independent access to the external auditor.

Internal Control

Internal Control Over Financial Reporting

Management makes an annual assertion whether, as of June 30 of each fiscal year, the organization's system of internal control over its external financial reporting has met the criteria for effective internal control over external financial reporting as described in the 2013 *Internal Control – Integrated Framework* issued by The Committee of the Sponsoring Organizations of the Treadway Commission (COSO)[8].

Concurrently, MIGA's external auditor provides an independent opinion on the effectiveness of internal control over external financial reporting.

[8] COSO was formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, an independent private-sector initiative which studied the casual factors that can lead to fraudulent financial reporting. In 1992, COSO issued its Internal Control-Integrated Framework, which provided a common definition of internal control and guidance on judging its effectiveness, and subsequently revised on May 14, 2013.

12. ABBREVIATIONS AND ACRONYMS

AOCL : Accumulated Other Comprehensive Loss
CAFEF: Conflict-Affected and Fragile Economies Facility
CODE: Committee on Development Effectiveness
COGAM: Committee on Governanace and Administrative Matters
COSO: Committee of the Sponsoring Organizations of the Treadway Commission
EAP: East Asia and Pacific
EC: Economic Capital
ECA: Europe and Central Asia
FCS: Fragile and Conflict-Affected Situations
IBRD: International Bank for Reconstruction and Development
IDA: International Development Association
IFC: International Finance Corporation
IPR: Insurance Portfolio Reserve
LAC: Latin America and the Caribbean
MBS: Mortgage Backed Securities
MIGA: Multilateral Investment Guarantee Agency
MGF: MIGA Guarantee Facility
NHFO-SOE: Non-Honoring of Financial Obligation by a State Owned Enterprise
NHSFO: Non-Honoring of a Sovereign Financial Obligation
PBO: Projected Benefit Obligation
PMC: Portfolio Management Committee
PRI: Political Risk Insurance
PSW: Private Sector Window
RMF: Risk Mitigation Facility
SAR: South Asia
SSA: Sub-Saharan Africa
WBG: World Bank Group

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WORLD BANK GROUP

Management's Report Regarding Effectiveness of Internal Control over Financial Reporting

August 8, 2019

The management of the Multilateral Investment Guarantee Agency (MIGA) is responsible for the preparation, integrity, and fair presentation of its published financial statements. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, and include amounts based on informed judgments and estimates made by management.

The financial statements have been audited by an independent audit firm, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors and their Committees. Management believes that all representations made to the independent auditors during their audit of MIGA's financial statements and audit of its internal control over financial reporting were valid and appropriate. The independent auditors' reports accompany the audited financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting for financial statement presentations in conformity with accounting principles generally accepted in the United States of America. Management maintains a comprehensive system of controls intended to ensure that transactions are executed in accordance with management's authorization, assets are safeguarded, and financial records are reliable. The system of internal control contains monitoring mechanisms, and actions are taken to correct deficiencies identified. Management believes that internal control over financial reporting supports the integrity and reliability of the external financial statements.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

MIGA assessed its internal control over financial reporting for financial statement presentation in conformity with accounting principles generally accepted in the United States of America as of June 30, 2019. This assessment was based on the criteria for effective internal control over financial reporting described in the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based upon this assessment, management believes that MIGA maintained effective internal control over financial reporting presented in conformity with accounting principles generally accepted in the United States of America as of June 30, 2019. The independent audit firm that audited the financial statements has issued an Independent Auditors' Report which expresses an opinion on MIGA's internal control over financial reporting.

The Board of Directors of MIGA has appointed an Audit Committee responsible for monitoring the accounting practices and internal controls of MIGA. The Audit Committee is comprised entirely of Directors who are independent of MIGA's management. The Audit Committee is responsible for recommending to the Board of Directors the selection of independent auditors. It meets periodically with management, the independent auditors, and the internal auditors to ensure that they are carrying out their responsibilities. The Audit Committee is responsible for performing an oversight role by reviewing and monitoring the financial, accounting and auditing procedures of MIGA in addition to reviewing MIGA's financial reports. The independent auditors and the internal auditors have full and free access to the Audit Committee, with or without the presence of management, to discuss the adequacy of internal control over financial reporting and any other matters which they believe should be brought to the attention of the Audit Committee.

David Malpass
President

Keiko Honda
Executive Vice President and CEO

Santiago Gerardo Assalini
Director, Corporate Risk

Deloitte.

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INDEPENDENT AUDITORS' REPORT

President and Board of Directors
Multilateral Investment Guarantee Agency:

We have audited the internal control over financial reporting of the Multilateral Investment Guarantee Agency ("MIGA") as of June 30, 2019, based on the criteria established in the *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management's Responsibility for Internal Control over Financial Reporting

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management's Report Regarding Effectiveness of Internal Control Over Financial Reporting.

Auditors' Responsibility

Our responsibility is to express an opinion on MIGA's internal control over financial reporting based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, MIGA maintained, in all material respects, effective internal control over financial reporting as of June 30, 2019, based on the criteria established in the *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Report on Financial Statements

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet as of June 30, 2019, and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year ended June 30, 2019 of MIGA, and our report dated August 8, 2019 expressed an unmodified opinion on those financial statements.

Deloitte & Touche LLP

August 8, 2019

Deloitte.

Deloitte & Touche LLP

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INDEPENDENT AUDITORS' REPORT

President and Board of Directors
Multilateral Investment Guarantee Agency:

We have audited the accompanying financial statements of the Multilateral Investment Guarantee Agency ("MIGA" or the "Agency"), which comprise the balance sheet as of June 30, 2019, and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MIGA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MIGA as of June 30, 2019, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Predecessor Auditors' Opinion on 2018 Financial Statements

The financial statements of MIGA as of and for each of the years in the two year period ended June 30, 2018, before the effects of the adjustments to retrospectively apply the change in presentation of derivative balances as discussed in Note A to the financial statements, were audited by other auditors whose report, dated August 9, 2018, expressed an unmodified opinion on those statements. We have audited the adjustments to the 2018 financial statements to retrospectively apply the change in accounting for presentation of derivative balances in 2018, as discussed in Note A to the financial statements. In our opinion, such retrospective adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the 2018 financial statements of the Agency other than with respect to the retrospective adjustments, and accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements taken as a whole.

Other Matter

Accounting principles generally accepted in the United States of America require that the disclosure of short-duration contracts included in Note E to the financial statements be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2019 financial statements as a whole. The statement of subscriptions to capital stock and voting power and the statement of guarantees outstanding as of June 30, 2019 ("supplementary information") listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 2019 information has been subjected to the auditing procedures applied in our audit of the 2019 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2019 financial statements or to the 2019 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such 2019 information is fairly stated in all material respects in relation to the 2019 financial statements as a whole. The 2018 supplementary information was subjected to auditing procedures by other auditors whose report, dated August 9, 2018, referred to above, stated that such information is fairly stated in all material respects in relation to the 2018 financial statements as a whole.

Report on Internal Control over Financial Reporting

We also have audited in accordance with auditing standards generally accepted in the United States of America, MIGA's internal control over financial reporting as of June 30, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated August 8, 2019 expressed an unmodified opinion on MIGA's internal control over financial reporting.

Deloitte & Touche LLP

August 8, 2019

Balance Sheets

June 30, 2019 and June 30, 2018

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

	June 30, 2019	June 30, 2018
Assets		
Cash…………	$ 85,819	$ 41,419
Investments - Trading (including securities transferred under repurchase agreements) - Note B…………	1,569,504	1,507,423
Derivative assets, net - Note C……	428	2,113
Non-negotiable, non interest - bearing demand obligations - Note D…………	109,917	110,084
Receivable for investment securities sold - Note B…………	11,065	30,631
Reinsurance recoverable - Note F…………	354,800	251,871
Prepaid premium ceded to reinsurers…………	266,181	241,246
Net assets under retirement benefits plans - Note G…………	-	4,245
Miscellaneous assets - Note I…………	21,915	23,821
TOTAL ASSETS…………	$ 2,419,629	$ 2,212,853
Liabilities and Shareholders' Equity		
LIABILITIES		
Payable for investment securities purchased - Note B…………	$ 5,165	$ 27,941
Securities sold under repurchase agreements and payable for cash collateral received - Note B…………	61	-
Derivative liabilities, net - Note C…………	6,901	76
Unearned premiums and commitment fees…………	422,545	391,249
Other liabilities - Notes H and I…………	95,516	79,548
Reserve for claims, gross - Note F…………		
Specific reserves for claims…………	3,124	3,121
Insurance portfolio reserve…………	566,635	450,100
Reserve for claims - gross…………	569,759	453,221
TOTAL LIABILITIES…………	1,099,947	952,035
CONTINGENT LIABILITIES - Note E		
SHAREHOLDERS' EQUITY		
Capital stock - Note D		
Authorized capital (186,587 shares - June 30, 2019 and June 30, 2018)		
Subscribed capital (177,331 shares - June 30, 2019 and June 30, 2018)	1,918,721	1,918,721
Less uncalled portion of subscriptions…………	1,552,599	1,552,599
	366,122	366,122
Retained earnings…………	1,007,608	925,176
Accumulated other comprehensive loss - Note J…………	(54,048)	(30,480)
TOTAL SHAREHOLDERS' EQUITY…………	1,319,682	1,260,818
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY…………	$ 2,419,629	$ 2,212,853

See accompanying notes to the financial statements

Statements of Income

For the fiscal years ended June 30, 2019 and June 30, 2018
Expressed in thousands of US dollars

	2019	2018
INCOME		
Income from guarantees		
Gross premium income - Note E	$ 237,920	$ 210,089
Premium ceded - Note E	(152,023)	(131,073)
Net premium earned - Note E	85,897	79,016
Ceding commission and other fees - Note E	38,315	32,214
Brokerage and other charges - Note E	(9,109)	(7,092)
Net Premium Income	115,103	104,138
Income from investments - Note B	38,355	15,455
Miscellaneous income	143	121
Total income	153,601	119,714
EXPENSES		
Increase in reserves, net - Note F		
Increase in reserves, excluding translation (gains) losses	12,799	26,026
Translation (gains) losses	(1,277)	1,547
Increase in reserves, net	11,522	27,573
Administrative expenses (including Pension service cost) - Notes G and I	59,600	43,810
Pension (credit) cost (excluding Pension service cost) - Note G	(1,790)	7,804
Translation losses (gains) - Investments and other assets	1,837	(414)
Increase in reserves and total expenses	71,169	78,773
NET INCOME	$ 82,432	$ 40,941

See accompanying notes to the financial statements

Statements of Comprehensive Income

For the fiscal years ended June 30, 2019 and June 30, 2018
Expressed in thousands of US dollars

	2019	2018
NET INCOME	$ 82,432	$ 40,941
OTHER COMPREHENSIVE INCOME - Note J		
Net actuarial (losses) gains on benefit plans	(23,822)	6,423
Prior service credits on benefit plans	254	258
Total other comprehensive (loss) income	(23,568)	6,681
COMPREHENSIVE INCOME	$ 58,864	$ 47,622

Statements of Changes in Shareholders' Equity

For the fiscal years ended June 30, 2019 and June 30, 2018
Expressed in thousands of US dollars

	2019	2018
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	82,432	40,941
Ending Balance	1,007,608	925,176
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance at beginning of the fiscal year	(30,480)	(37,161)
Other comprehensive (loss) income	(23,568)	6,681
Ending Balance	(54,048)	(30,480)
TOTAL SHAREHOLDERS' EQUITY	$ 1,319,682	$ 1,260,818

See accompanying notes to the financial statements

Statements of Cash Flows

For the fiscal years ended June 30, 2019 and June 30, 2018
Expressed in thousands of US dollars

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Net income……………………………………………………………………….	$ 82,432	$ 40,941
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase in reserves, net - Note F……………………………………………….	11,522	27,573
Translation losses (gains) - Investments and other assets	1,837	(414)
Net change in:		
Investments - Trading, net………………………………………………	(61,628)	3,329
Other assets……………………………………………………………….	(19,452)	24,363
Other liabilities…………………………………………………………….	(7,430)	(14,288)
Unearned premiums and commitment fees…………………………….	36,735	(47,322)
Net cash provided by operating activities	44,016	34,182
EFFECT OF EXCHANGE RATE CHANGES ON CASH………………………….	384	161
Net increase in cash………………………………………………………………..	44,400	34,343
Cash at beginning of the fiscal year…………………………………………………	41,419	7,076
CASH AT END OF THE FISCAL YEAR…………………………………………….	$ 85,819	$ 41,419

See accompanying notes to the financial statements

Statement of Subscriptions to Capital Stock and Voting Power

As of June 30, 2019

Expressed in thousands of US dollars (*Unless otherwise stated*)

		SUBSCRIPTIONS (NOTE D)			VOTING POWER	
Members	Shares[1]	Total Subscribed	Amount Paid-in	Amount Subject to Call	Number of Votes	% of Total
Afghanistan	118	$ 1,277	$ 255	$ 1,022	344	0.16
Albania	102	1,104	210	894	328	0.15
Algeria	1,144	12,378	2,350	10,028	1,370	0.63
Angola	187	2,023	405	1,618	413	0.19
Antigua and Barbuda	50	541	108	433	276	0.13
Argentina	2,210	23,912	4,539	19,373	2,436	1.12
Armenia	80	866	173	693	306	0.14
Australia	3,019	32,666	6,201	26,465	3,245	1.49
Austria	1,366	14,780	2,806	11,974	1,592	0.73
Azerbaijan	115	1,244	249	995	341	0.16
Bahamas, The	176	1,904	362	1,542	402	0.18
Bahrain	136	1,472	279	1,193	362	0.17
Bangladesh	599	6,481	1,230	5,251	825	0.38
Barbados	120	1,298	246	1,052	346	0.16
Belarus	233	2,521	504	2,017	459	0.21
Belgium	3,577	38,703	7,347	31,356	3,803	1.74
Belize	88	952	181	771	314	0.14
Benin	108	1,169	222	947	334	0.15
Bolivia	220	2,380	452	1,928	446	0.20
Bosnia and Herzegovina	80	866	173	693	306	0.14
Botswana	88	952	181	771	314	0.14
Brazil	2,606	28,197	5,353	22,844	2,832	1.30
Bulgaria	643	6,957	1,321	5,636	869	0.40
Burkina Faso	61	660	132	528	287	0.13
Burundi	74	801	160	641	300	0.14
Bhutan	50	541	108	433	276	0.13
Cambodia	164	1,774	337	1,437	390	0.18
Cameroon	107	1,158	232	926	333	0.15
Canada	5,225	56,535	10,732	45,803	5,451	2.50
Cape Verde	50	541	108	433	276	0.13
Central African Rep	60	649	130	519	286	0.13
Chad	60	649	130	519	286	0.13
Chile	855	9,251	1,756	7,495	1,081	0.50
China	5,530	59,835	11,359	48,476	5,756	2.64
Colombia	770	8,331	1,582	6,749	996	0.46
Comoros	50	541	108	433	276	0.13
Congo, Democratic Republic of	596	6,449	1,224	5,225	822	0.38
Congo, Republic of	115	1,244	236	1,008	341	0.16
Costa Rica	206	2,229	423	1,806	432	0.20
Cote d'Ivoire	310	3,354	637	2,717	536	0.25
Croatia	330	3,571	678	2,893	556	0.25
Cyprus	183	1,980	376	1,604	409	0.19
Czech Republic	784	8,483	1,610	6,873	1,010	0.46
Denmark	1,265	13,687	2,598	11,089	1,491	0.68
Djibouti	50	541	108	433	276	0.13
Dominica	50	541	108	433	276	0.13
Dominican Republic	147	1,591	318	1,273	373	0.17
Ecuador	321	3,473	659	2,814	547	0.25
Egypt, Arab Republic of	809	8,753	1,662	7,091	1,035	0.47

Statement of Subscriptions to Capital Stock and Voting Power *(cont'd)*

As of June 30, 2019

Expressed in thousands of US dollars (*Unless otherwise stated*)

		SUBSCRIPTIONS (NOTE D)			VOTING POWER	
Members	**Shares[1]**	**Total Subscribed**	**Amount Paid-in**	**Amount Subject to Call**	**Number of Votes**	**% of Total**
El Salvador	122	$ 1,320	$ 264	$ 1,056	348	0.16
Equatorial Guinea	50	541	108	433	276	0.13
Eritrea	50	541	108	433	276	0.13
Estonia	115	1,244	236	1,008	341	0.16
Eswatini	58	628	126	502	284	0.13
Ethiopia	123	1,331	253	1,078	349	0.16
Fiji	71	768	154	614	297	0.14
Finland	1,057	11,437	2,171	9,266	1,283	0.59
France	8,565	92,673	17,593	75,080	8,791	4.03
Gabon	169	1,829	347	1,482	395	0.18
Gambia, The	50	541	108	433	276	0.13
Georgia	111	1,201	240	961	337	0.15
Germany	8,936	96,688	18,355	78,333	9,162	4.20
Ghana	432	4,674	887	3,787	658	0.30
Greece	493	5,334	1,013	4,321	719	0.33
Grenada	50	541	108	433	276	0.13
Guatemala	140	1,515	303	1,212	366	0.17
Guinea	91	985	197	788	317	0.15
Guinea-Bissau	50	541	108	433	276	0.13
Guyana	84	909	182	727	310	0.14
Haiti	75	812	162	650	301	0.14
Honduras	178	1,926	366	1,560	404	0.19
Hungary	994	10,755	2,042	8,713	1,220	0.56
Iceland	90	974	195	779	316	0.14
India	5,371	58,114	11,032	47,082	5,597	2.56
Indonesia	1,849	20,006	3,798	16,208	2,075	0.95
Iran, Islamic Rep	1,659	17,950	3,590	14,360	1,885	0.86
Iraq	350	3,787	757	3,030	576	0.26
Ireland	650	7,033	1,335	5,698	876	0.40
Israel	835	9,035	1,715	7,320	1,061	0.49
Italy	4,970	53,775	10,208	43,567	5,196	2.38
Jamaica	319	3,452	655	2,797	545	0.25
Japan	8,979	97,153	18,443	78,710	9,205	4.22
Jordan	171	1,850	351	1,499	397	0.18
Kazakhstan	368	3,982	756	3,226	594	0.27
Kenya	303	3,278	622	2,656	529	0.24
Korea, Republic of	791	8,559	1,625	6,934	1,017	0.47
Kosovo	96	1,039	208	831	322	0.15
Kuwait	1,639	17,734	3,367	14,367	1,865	0.85
Kyrgyz Republic	77	833	167	666	303	0.14
Lao People's Dem	60	649	130	519	286	0.13
Latvia	171	1,850	351	1,499	397	0.18
Lebanon	250	2,705	514	2,191	476	0.22
Lesotho	88	952	181	771	314	0.14
Liberia	84	909	182	727	310	0.14
Libya	549	5,940	1,188	4,752	775	0.36
Lithuania	187	2,023	384	1,639	413	0.19
Luxembourg	204	2,207	419	1,788	430	0.20
Madagascar	176	1,904	362	1,542	402	0.18

Statement of Subscriptions to Capital Stock and Voting Power *(cont'd)*

As of June 30, 2019

Expressed in thousands of US dollars (*Unless otherwise stated*)

		SUBSCRIPTIONS (NOTE D)			VOTING POWER	
Members	Shares[1]	Total Subscribed	Amount Paid-in	Amount Subject to Call	Number of Votes	% of Total
Malawi	77	$ 833	$ 167	$ 666	303	0.14
Malaysia	1,020	11,036	2,095	8,941	1,246	0.57
Maldives	50	541	108	433	276	0.13
Mali	143	1,547	294	1,253	369	0.17
Malta	132	1,428	271	1,157	358	0.16
Mauritania	111	1,201	228	973	337	0.15
Mauritius	153	1,655	314	1,341	379	0.17
Myanmar	178	1,926	385	1,541	404	0.19
Mexico	1,192	12,897	2,579	10,318	1,418	0.65
Micronesia, Fed. States of	50	541	108	433	276	0.13
Moldova	96	1,039	208	831	322	0.15
Mongolia	58	628	126	502	284	0.13
Montenegro	61	660	132	528	287	0.13
Morocco	613	6,633	1,259	5,374	839	0.38
Mozambique	171	1,850	351	1,499	397	0.18
Namibia	107	1,158	232	926	333	0.15
Nepal	122	1,320	251	1,069	348	0.16
Netherlands	3,822	41,354	7,850	33,504	4,048	1.85
New Zealand	513	5,551	1,110	4,441	739	0.34
Nicaragua	180	1,948	370	1,578	406	0.19
Niger	62	671	134	537	288	0.13
Nigeria	1,487	16,089	3,054	13,035	1,713	0.78
North Macedonia	88	952	181	771	314	0.14
Norway	1,232	13,330	2,531	10,799	1,458	0.67
Oman	166	1,796	341	1,455	392	0.18
Pakistan	1,163	12,584	2,389	10,195	1,389	0.64
Palau	50	541	108	433	276	0.13
Panama	231	2,499	474	2,025	457	0.21
Papua New Guinea	96	1,039	208	831	322	0.15
Paraguay	141	1,526	290	1,236	367	0.17
Peru	657	7,109	1,350	5,759	883	0.40
Philippines	853	9,229	1,752	7,477	1,079	0.49
Poland	764	8,266	1,653	6,613	990	0.45
Portugal	673	7,282	1,382	5,900	899	0.41
Qatar	241	2,608	495	2,113	467	0.21
Romania	978	10,582	2,009	8,573	1,204	0.55
Russian Federation	5,528	59,813	11,355	48,458	5,754	2.64
Rwanda	132	1,428	271	1,157	358	0.16
St. Kitts & Nevis	50	541	108	433	276	0.13
St. Lucia	88	952	181	771	314	0.14
St. Vincent and the Grenadines	88	952	181	771	314	0.14
Samoa	50	541	108	433	276	0.13
Sao Tome & Principe	50	541	108	433	276	0.13
Saudi Arabia	5,528	59,813	11,355	48,458	5,754	2.64
Senegal	256	2,770	526	2,244	482	0.22
Serbia	407	4,404	836	3,568	633	0.29
Seychelles	50	541	108	433	276	0.13
Sierra Leone	132	1,428	271	1,157	358	0.16
Singapore	272	2,943	559	2,384	498	0.23
Slovak Republic	391	4,231	803	3,428	617	0.28

Statement of Subscriptions to Capital Stock and Voting Power *(cont'd)*

As of June 30, 2019

Expressed in thousands of US dollars (*Unless otherwise stated*)

		SUBSCRIPTIONS (NOTE D)			VOTING POWER	
Members	**Shares[1]**	**Total Subscribed**	**Amount Paid-in**	**Amount Subject to Call**	**Number of Votes**	**% of Total**
Slovenia	180	$ 1,948	$ 370	$ 1,578	406	0.19
Solomon Islands	50	541	108	433	276	0.13
South Africa	1,662	17,983	3,414	14,569	1,888	0.87
South Sudan	155	1,677	335	1,342	381	0.17
Spain	2,265	24,507	4,652	19,855	2,491	1.14
Sri Lanka	478	5,172	982	4,190	704	0.32
Sudan	206	2,229	445	1,784	432	0.20
Suriname	82	887	177	710	308	0.14
Sweden	1,849	20,006	3,798	16,208	2,075	0.95
Switzerland	2,643	28,597	5,429	23,168	2,869	1.31
Syrian Arab Republic	296	3,203	608	2,595	522	0.24
Tajikistan	130	1,407	267	1,140	356	0.16
Tanzania	248	2,683	509	2,174	474	0.22
Thailand	742	8,028	1,524	6,504	968	0.44
Timor-Leste	50	541	108	433	276	0.13
Togo	77	833	167	666	303	0.14
Trinidad and Tobago	358	3,874	735	3,139	584	0.27
Tunisia	275	2,976	565	2,411	501	0.23
Turkey	814	8,807	1,672	7,135	1,040	0.48
Turkmenistan	66	714	143	571	292	0.13
Uganda	233	2,521	478	2,043	459	0.21
Ukraine	1,346	14,564	2,765	11,799	1,572	0.72
United Arab Emirates	656	7,098	1,347	5,751	882	0.40
United Kingdom	8,565	92,673	17,593	75,080	8,791	4.03
United States	32,564	352,342	67,406	284,936	32,790	15.02
Uruguay	202	2,186	437	1,749	428	0.20
Uzbekistan	175	1,894	379	1,515	401	0.18
Vanuatu	50	541	108	433	276	0.13
Venezuela, R.B. de	1,427	15,440	3,087	12,353	1,653	0.76
Vietnam	388	4,198	797	3,401	614	0.28
Yemen, Republic of	155	1,677	335	1,342	381	0.17
Zambia	318	3,441	688	2,753	544	0.25
Zimbabwe	236	2,554	511	2,043	462	0.21
Total - June 30, 2019[2]	177,331	$ 1,918,721	$ 366,122	$ 1,552,599	218,237	100.00
Total - June 30, 2018	177,331	$ 1,918,721	$ 366,122	$ 1,552,599	218,237	100.00

1. Subscribed shares pertaining to the General Capital Increase include only those shares for which the subscription process has been completed, i.e., for which required payment has been received.

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

Statement of Guarantees Outstanding

As of June 30, 2019
Expressed in thousands of US dollars

Host Country	Gross Exposure (Note E)				Total	Ceded Exposure[1]	Net
	US Dollars	Euro	Swiss Franc	JPY			
Afghanistan	$ 123,228	$ 398	$ -	$ -	$ 123,626	$ 43,821	$ 79,805
Albania	-	230,890	-	-	230,890	105,795	125,095
Angola	-	281,460	-	-	281,460	237,004	44,457
Argentina	1,620,938	-	-	-	1,620,938	1,357,000	263,938
Armenia	39,177	-	-	-	39,177	-	39,177
Azerbaijan	772,681	323,962	-	-	1,096,643	860,062	236,581
Bangladesh	501,866	-	-	-	501,866	370,679	131,187
Belarus	-	118,952	-	-	118,952	-	118,952
Benin	-	5,635	-	-	5,635	-	5,635
Bosnia and Herzegovina	-	421,740	-	-	421,740	253,708	168,032
Brazil[2]	269,802	-	-	-	269,802	126,159	143,644
Bulgaria	-	30,538	-	-	30,538	15,269	15,269
Burundi	3,432	7,069	-	-	10,501	697	9,804
Cameroon	180,000	279,508	-	-	459,508	148,766	310,742
Colombia	76,000	2,271	-	-	78,271	-	78,271
Congo, Democratic Republic of	67,500	-	-	-	67,500	60,542	6,958
Cote d'Ivoire	501,143	64,706	-	-	565,849	320,823	245,026
Djibouti	24,300	-	-	-	24,300	-	24,300
Dominican Republic	64,945	-	-	-	64,945	9,742	55,204
Egypt, Arab Republic of	467,552	4,536	-	-	472,088	94,420	377,668
El Salvador	9,500	-	-	-	9,500	-	9,500
Ethiopia	10,774	-	-	-	10,774	-	10,774
Gabon	-	5,378	-	-	5,378	-	5,378
Georgia	113,321	-	-	-	113,321	-	113,321
Ghana	442,598	-	-	-	442,598	212,334	230,264
Guinea	127,338	-	-	-	127,338	67,477	59,861
Honduras	265,546	-	-	-	265,546	27,442	238,105
Hungary	-	329,709	-	-	329,709	211,236	118,474
Indonesia	200,000	-	-	-	200,000	-	200,000
Iraq	74,816	-	-	-	74,816	6,500	68,316
Jamaica	17,363	-	-	-	17,363	3,473	13,891
Jordan	604,871	-	-	-	604,871	355,161	249,710
Kenya	101,597	42,996	-	-	144,592	-	144,592
Kosovo	-	93,142	-	-	93,142	-	93,142
Lao People's Democratic Republic	13,550	-	-	-	13,550	6,775	6,775
Lebanon	35,460	-	-	-	35,460	-	35,460
Madagascar	-	73,762	-	-	73,762	45,760	28,002
Malawi	58,579	-	-	-	58,579	23,432	35,147
Mauritania	300,000	-	-	-	300,000	150,000	150,000
Mexico	962,913	-	-	-	962,913	765,000	197,913
Moldova	-	21,212	-	-	21,212	-	21,212

Statement of Guarantees Outstanding *(cont'd)*

As of June 30, 2019
Expressed in thousands of US dollars

Host Country	Gross Exposure (Note E) US Dollars	Euro	Swiss Franc	JPY	Total	Ceded Exposure[1]	Net
Mongolia	$ 895,578	$ -	$ -	$ -	$ 895,578	$ 759,003	$ 136,576
Mozambique	91,288	-	-	-	91,288	39,147	52,141
Myanmar	873,209	-	-	-	873,209	597,307	275,903
Namibia	41,469	-	-	-	41,469	-	41,469
Nicaragua	16,290	-	-	-	16,290	-	16,290
Nigeria	541,008	-	-	-	$ 541,008	375,077	165,931
North Macedonia	-	28,116	-	-	28,116	-	28,116
Oman	1,701,092	-	-	-	1,701,092	1,454,500	246,592
Pakistan	251,756	-	82,051	40,768	374,576	87,076	287,500
Panama[3]	325,405	-	-	-	325,405	192,004	133,401
Peru	252,801	-	-	-	252,801	147,877	104,925
Russian Federation	48,450	162,208	-	-	210,658	80,029	130,628
Rwanda	9,965	-	-	-	9,965	-	9,965
Saudi Arabia	9,900	-	-	-	9,900	-	9,900
Senegal	10,000	298,863	-	-	308,863	177,236	131,628
Serbia	-	843,557	-	-	843,557	517,899	325,658
Sierra Leone	36,000	100,009	-	-	136,009	74,019	61,990
South Africa	927,597	722,880	11,538	-	1,662,015	1,160,073	501,942
Tanzania	22,637	-	-	-	22,637	-	22,637
Thailand	13,550	-	-	-	13,550	6,775	6,775
Tunisia	-	56,625	-	-	56,625	20,809	35,816
Turkey	919,671	1,926,538	-	121,202	2,967,411	2,354,675	612,735
Uganda	386,029	-	-	-	386,029	242,436	143,593
Ukraine	26,238	8,327	-	-	34,564	-	34,564
Uruguay	439,349	-	-	-	439,349	345,000	94,349
Vietnam	641,802	-	-	-	641,802	528,613	113,189
Zambia	67,776	-	-	-	67,776	-	67,776
	16,599,651	6,484,987	93,590	161,970	23,340,197	15,038,628	8,301,569
Adjustment for Dual-Country Contracts [4]							
Lao PDR/Thailand	(13,550)				(13,550)	(6,775)	(6,775)
Total - June 30, 2019 [5]	$ 16,586,101	$ 6,484,987	$ 93,590	$ 161,970	$ 23,326,647	$ 15,031,853	$ 8,294,794
Total - June 30, 2018	$ 14,210,999	$ 6,755,389	$ 91,819	$ 157,672	$ 21,215,880	$ 13,337,682	$ 7,878,198

1. Ceded exposure reflects amounts ceded to facultative and treaty reinsurers, Conflict-Affected and Fragile Economies Facility (CAFEF), the International Development Association (IDA) and amounts relating to exposure exchange agreement with IBRD (Note E).

2. Net exposure to Brazil increased by $59 million on account of exposure exchange agreement with IBRD (Notes E and H).

3. Net exposure to Panama reduced by $59 million on account of exposure exchange agreement with IBRD (Notes E and H).

4. For contracts where there are two host countries, MIGA is at risk for losses in both countries up to the maximum amount of liability under the contract. As such, the aggregate exposure is reported in both host countries and an adjustment is made at the overall portfolio level for double-counting.

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

Notes to Financial Statements

Purpose

The Multilateral Investment Guarantee Agency (MIGA), established on April 12, 1988 and located in Washington D.C., is a member of the World Bank Group which also includes the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the International Development Association (IDA), and the International Center for Settlement of Investment Disputes (ICSID). MIGA's activities are closely coordinated with and complement the overall development objectives of the other World Bank Group institutions. MIGA is designed to help developing countries attract productive foreign investment by both private investors and commercially operated public sector companies by providing guarantees or insurance against noncommercial risks.

MIGA is immune from taxation pursuant to Chapter VII, Article 47, of the Convention establishing the Agency.

Note A: Summary of Significant Accounting and Related Policies

Basis of Preparation

MIGA's financial statements have been prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP).

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Due to the inherent uncertainty involved in making these estimates, actual results could differ from those estimates. Significant judgments have been made in areas which management views as most critical with respect to the establishment of the reserve for claims.

On August 8, 2019, the Board of Directors approved the financial statements for issue, which was also the date through which MIGA's management evaluated subsequent events.

Certain reclassifications of the prior year's information have been made to conform with the current year's presentation.

In particular, effective June 30, 2019, the presentation of derivative instruments on MIGA's Balance Sheets was aligned with the preferable accounting treatment and the prevailing market practice of netting derivative asset and liability positions and the related cash collateral received by counterparty, when a legally enforceable master netting agreement exists, and the other conditions set out in ASC Topic 210-20, *Balance Sheet-Offsetting*, are met.

This is a change from the historical presentation, where interest rate swaps were presented on the Balance Sheet on a net basis by instrument, and currency swaps were presented on a gross basis, which reflected the way in which swaps are routinely settled in on-going business.

The change to net presentation is made in the current period and the presentation of the prior periods has been aligned for comparability and the table below reflects the details of the adjustments made to the June 30, 2018 Balance Sheet. The change in presentation had no impact on Total Shareholders' Equity, cash flows from operating activities in the Statement of Cash Flows or any line item within the Statement of Income, Comprehensive Income and Retained Earnings. See Note C – Derivative Instruments for additional details on the accounting for derivative instruments.

(Continued)

Notes to Financial Statements

In thousands of US dollars

	June 30, 2018 As reported	Adjustments	June 30, 2018 Recast
Derivative assets	$ 148,966	$ (148,966)	$ -
Net derivative assets at counterparty level after cash collateral received	-	2,113	2,113
Derivative assets, net	148,966	(146,853)	2,113
TOTAL ASSETS	**$ 2,359,706**	**$ (146,853)**	**$ 2,212,853**
Cash collateral received	$ 13	$ (13)	$ -
Derivative liabilities	146,916	(146,916)	-
Net derivative liabilities at counterparty level after cash collateral received	-	76	76
Derivative liabilities, net	146,916	(146,840)	76
TOTAL LIABILITIES	1,098,888	(146,853)	952,035
TOTAL SHAREHOLDERS' EQUITY	1,260,818	-	1,260,818
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 2,359,706**	**$ (146,853)**	**$ 2,212,853**

The significant accounting policies employed by MIGA are summarized below.

Investments

Investments securities are classified based on management's intention on the date of purchase, their nature, and MIGA's policies governing the level and use of such investments. These securities are carried and reported at fair value or at face value, which approximates fair value.

Where available, quoted market prices are used to determine the fair value of trading securities. These include most government and agency securities, futures contracts, exchange-traded equity securities, Asset-backed Securities (ABS) and Mortgage-backed Securities (MBS). For instruments for which market quotations are not available, fair values are determined using model-based valuation techniques, whether internally-generated or vendor-supplied, that include the standard discounted cash flow method using marked 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. The first-in first-out method is used to determine the cost of securities sold in computing the realized gains and losses on these instruments.

As of June 30, 2019, MIGA classified and accounted for all the investment securities in its investment portfolio as trading securities. Investments classified as trading securities are reported at fair value using trade-date accounting. Securities purchased or sold may have a settlement date that is different from the trade-date. A liability is recorded for securities purchased but not settled before the reporting dates. Similarly, a receivable is recorded for securities sold but not settled before the reporting dates.

For trading securities, unrealized net gains and losses are recognized in earnings. Income from investments includes net gains and losses and interest income.

Accounting for Derivatives

MIGA has elected not to designate any hedging relationships for accounting purposes. Rather, all derivative instruments are marked to fair value on the Balance Sheet, with changes in fair values accounted for through the Statement of Income.

(Continued)

Notes to Financial Statements

Through March 31, 2019, the presentation of derivative instruments on MIGA's Balance Sheet was consistent with the manner in which these instruments are settled; interest rate swaps are settled on a net basis and were presented on a net basis and currency swaps are settled on a gross basis and were presented on a gross basis. Effective June 30, 2019, the presentation of derivative instruments on MIGA's Balance Sheet has been changed and aligned with the preferable accounting treatment and prevailing market practice of netting derivative asset and liability positions and the related cash collateral received by counterparty when a legally enforceable master netting agreement exists, and the other conditions set out in ASC Topic 210-20, *Balance Sheet—Offsetting,* are met. In addition, the presentation of MIGA's derivatives in the Notes to financial statements, unless stated differently, is based on the net value of instruments.

A master netting agreement is an industry standard agreement with a counterparty that permits multiple transactions governed by that agreement to be terminated or accelerated and settled through a single payment in a single currency in the event of a default (e.g., bankruptcy, failure to make a required payment or securities transfer or deliver collateral when due). Obligations under master netting agreements are often secured by collateral posted under an industry standard credit support annex to the master netting agreement. Upon default by the counterparty, the collateral agreement grants an entity the right to set-off any amounts payable by the counterparty against any posted collateral.

MIGA uses derivative contracts such as exchange traded futures, options, currency swaps and covered forward contracts to manage its investment portfolio. The purposes of these transactions are to enhance the return and manage the overall duration of the portfolio. With respect to futures contracts and options, MIGA generally closes out most open positions prior to expiration. Futures contracts are settled on a daily basis.

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

Most outstanding derivative positions are transacted over-the-counter and therefore valued using internally developed valuation models.

Nonnegotiable, Noninterest-bearing Demand Obligations on Account of Subscribed Capital

Payments on these instruments, which are readily convertible to cash, are due to MIGA upon demand and are held in bank accounts which bear MIGA's name. Accordingly, these instruments are carried and reported at face value as assets on the Balance Sheet.

Reserve for Claims

MIGA's reserve for claims consists of two primary components, the *Specific Reserve* and the *Insurance Portfolio Reserve*. These components are comprehensive and mutually exclusive with respect to risk of losses that may develop from each guarantee contract, and from the contingent liability for the portfolio as a whole.

The *Specific Reserve* is calculated based on contract-specific parameters that are reviewed every quarter by MIGA's management for contracts that have known difficulties and where management finds it likely that a claim payment will be made in the near term.

The *Insurance Portfolio Reserve* is calculated based on the long-term historical experiences of the non-commercial political risk insurance industry and the default history of sovereigns and sub-sovereigns. Estimates are derived using a Monte Carlo simulation-based model which is constructed specifically for MIGA's insurance-type contracts and with consideration to the low-frequency but high-severity loss potential inherent in MIGA's business model; as such, it captures portfolio effects including geographical and product concentration. Assumptions and parameters used in

(Continued)

Notes to Financial Statements

the calculations serve as the basis for an objective assessment of potential portfolio claims losses. Historical loss experience is augmented by internal econometric scoring analysis in order to derive risk-differentiated parameters that

include term structure effects and correlations between exposures. The discount rate is representative of the average maturity and currency composition of the guarantee portfolio.

Data used to derive the parameters for the economic capital model covers periods of up to 50 years. The parameters are reviewed at frequencies between one to six years depending on the type of parameter. Short-term risk changes are captured in the reserve estimate via changes in internal risk ratings for host countries, sub-sovereigns and guaranteed projects on a quarterly basis.

For the purpose of the presentation of the financial statements, insurance liabilities (or reserves) are presented on a gross basis, before the effect of reinsurance. Therefore, MIGA's reserves are shown on a gross basis on the liability side of the balance sheet, while establishing reinsurance recoverable assets on the asset side. Reinsurance does not relieve MIGA of its primary liability to the insured.

Impairment of Reinsurance Assets

MIGA assesses at each balance sheet date whether there is objective evidence that the reinsurance asset is impaired, and makes a provision for such impairment, where necessary. Objective evidence may be in the form of observable data that comes to MIGA's attention periodically.

Currency Translation

Assets and liabilities denominated in foreign currencies are translated at market exchange rates in effect at the end of the reporting period. Income and expenses are translated at either the market exchange rates in effect on the dates on which they are recognized or at an average of the market exchange rates in effect during each month. Translation adjustments are reflected in the Statements of Income.

MIGA has in place a system for active management of exposures to foreign currencies, under which the amounts of non-U.S. dollar assets are matched to non-U.S. dollar insurance portfolio reserve components. The objective is to align the currency compositions of MIGA's assets and liabilities to minimize the sensitivity of MIGA's net income to movements in foreign currency exchange rates.

Valuation of Capital Stock

Under the MIGA Convention, all payments from members subscribing to the capital stock of MIGA shall be settled on the basis of the average value of the Special Drawing Rights (SDR) introduced by the International Monetary Fund, as valued in terms of United States dollars for the period January 1, 1981 to June 30, 1985, such value being equal to $1.082 for one SDR.

Revenue Recognition

Guarantee contracts are written per MIGA's Convention for a maximum tenor of twenty years. Premiums written on direct insurance contracts and reinsurance contracts assumed may relate to the entire guarantee period or to a shorter contract period generally up to one year and as defined in the contract of guarantee. Premiums written are primarily earned on a pro-rata basis over the guarantee period or contract period to which they relate. Unearned premiums represent the portion of premiums written that are applicable to the unexpired portion of the contract period in force. A receivable for premium is recorded when a contract has been issued or renewed based on specified coverage amounts.

MIGA cedes to reinsurers in the normal course of business by obtaining treaty and facultative reinsurance to augment its underwriting capacity and to mitigate its risk by protecting portions of its insurance portfolio. Premiums

(Continued)

Notes to Financial Statements

ceded follow the same approach as for direct insurance contracts and are recognized as ceded premium on a pro rata basis over the contract period.

Fee and commission income primarily consists of administrative fees, arrangement fees, facility fees, renewal fees, commitment (offer) fees, and ceding commissions. Fees and commissions received upon contract issuance or renewal are recognized as income on a pro rata basis over the contract period.

Brokerage charges primarily consist of brokers' fee, agents' fee, finders' fee, and marketing fee. Charges paid upon contract issuance or renewal are recognized as expense on a pro rata basis over the contract period.

Retroactive Reinsurance
As part of its reinsurance strategy for prudent capital management, MIGA occasionally cedes exposure on existing guarantee contracts after the effective date of such contracts. MIGA does not recognize a credit in the Statements of Income in relation to exposures subsequently ceded; instead it accounts for these as retroactive reinsurance contracts. Premium paid to the reinsurers on these contracts is accounted for as a reinsurance recoverable on the Balance Sheet. The shortfall between the associated reserves and the premium paid, is recognized as a deferred gain under Other Liabilities on the Balance Sheet and increases the reinsurance recoverable by an equal amount. Both the deferred gain and reinsurance recoverable are subsequently amortized over the life of the guarantee contracts in proportion to the expected cash flows associated with each reinsurance contract, with the excess recoverable charged to the Statements of Income.

Statements of Cash Flows
For the purpose of MIGA's Statements of Cash Flows, cash is defined as the amounts of unrestricted currencies due from Banks.

Valuation of Financial Instruments
MIGA has an established and documented process for determining fair values. Fair value is based upon quoted market prices for the same or similar securities, where available. Financial instruments for which quoted market prices are not available, are valued based on model-based valuation techniques, whether internally-generated or vendor-supplied, that include the discounted cash flow method. These models primarily use market observable inputs such as yield curves, foreign exchange rates, constant prepayment rates and credit spreads, and may incorporate unobservable inputs, some of which may be significant. Selection of these inputs may involve some judgment.

In instances where Management relies on instrument valuations supplied by external pricing vendors, there are procedures in place to validate the appropriateness of the models used as well as inputs applied in determining these values.

As of June 30, 2019 and June 30, 2018, MIGA had no financial assets or liabilities measured at fair value on a non-recurring basis.

Fair Value Hierarchy
Financial instruments are categorized based on the priority of the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to observable market-based inputs or inputs that are corroborated by market data (Level 2) and the lowest priority to unobservable inputs that are not corroborated by market data (Level 3).

Financial assets and liabilities at fair value are categorized based on the inputs to the valuation techniques as follows:

(Continued)

Notes to Financial Statements

Level 1: Financial assets whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets; or pricing models for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability.

Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

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.

Reporting Developments

Evaluated 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 total revenue base. 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 applied its requirements prospectively effective the quarter ended September 30, 2018.

Accounting Standards under Evaluation:

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – *Credit Losses (Topic 326) – Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses. Under the ASU, entities are required to measure credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts. For MIGA this ASU is expected to become effective for annual periods beginning after December 15, 2022. MIGA is currently in the process of evaluating the impact of this ASU on its financial statements.

(Continued)

Notes to Financial Statements

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 June 30, 2019, the majority of the Investments – Trading is comprised of Time deposits and Government and agency obligations (48.2% and 39.0%, respectively), with all instruments being classified as Level 1 and Level 2 within the fair value hierarchy.

A summary of MIGA's investment portfolio as of June 30, 2019 and June 30, 2018 is as follows:

In thousands of US dollars

	Fair Value	
	June 30, 2019	*June 30, 2018*
Time deposits	$ 756,783	$ 756,413
Government and agency obligations	612,562	595,344
Asset-backed securities	200,159	155,666
Total investments - Trading	$ 1,569,504	$ 1,507,423

(Continued)

Notes to Financial Statements

MIGA manages its investments on a net portfolio basis. The following table summarizes MIGA's net portfolio position as of June 30, 2019 and June 30, 2018:

In thousands of US dollars

	Fair Value	
	June 30, 2019	*June 30, 2018*
Investment - Trading	$ 1,569,504	$ 1,507,423
Cash held in investment portfolio[a]	80,818	35,848
Receivable for investment securities sold	11,065	30,631
	1,661,387	1,573,902
Derivative assets		
Currency forward contracts	322	1,758
Currency swaps	430	144
Others[b]	184	316
	936	2,218
Derivative liabilities		
Currency forward contracts	(2,407)	(152)
Currency swaps	(643)	-
Others[b]	(4,297)	(16)
	(7,347)	(168)
Payable for investment securities purchased	(5,165)	(27,941)
Securities sold under repurchase agreement and payable for cash collateral received[c]	(123)	(13)
Net investment portfolio	$ 1,649,688	$ 1,547,998

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

b. These relate to To-Be-Announced (TBA) securities and futures contracts.

c. Includes Cash Collateral received of $123 thousand, of which excess cash collateral totaled $61 thousand (June 30, 2018 - $NIL).

The following table summarizes the currency composition of MIGA's net investment portfolio:

In thousands of US dollars

	June 30, 2019		June 30, 2018	
	Carrying Value	%	Carrying Value	%
US Dollars	1,499,261	90.9	1,406,217	90.8
EURO	147,449	8.9	138,845	9.0
Other	2,978	0.2	2,936	0.2
	1,649,688	100.0	1,547,998	100.0

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 Statements of Income.

(Continued)

Notes to Financial Statements

The following table summarizes MIGA's Income from investments during the fiscal years ended June 30, 2019 and June 30, 2018:

In thousands of US dollars

	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018
Interest income	$ 33,648	$ 21,996
Realized (losses)	(913)	(6,910)
Unrealized gains	5,620	369
	$ 38,355	$ 15,455

The following table summarizes MIGA's income from derivative instruments, reported as part of Income from investments, which mainly relates to interest rate futures, options, covered forwards and currency swaps for the fiscal years ended June 30, 2019 and June 30, 2018:

In thousands of US dollars

	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018
Interest income	$ 824	$ 48
Realized (losses) gains	(1,758)	(3,256)
Unrealized (losses) gains	(5,354)	6,831
	$ (6,288)	$ 3,623

Fair Value Disclosures

The following tables present MIGA's fair value hierarchy for investment assets measured at fair value on a recurring basis:

In thousands of US dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2019			
	Level 1	*Level 2*	*Level 3*	*Total*
Time deposits	$ 22,005	$ 734,778	$ -	$ 756,783
Government and agency obligations	217,308	395,254	-	612,562
Asset-backed securities	-	200,159	-	200,159
Total investments - Trading	$ 239,313	$ 1,330,191	-	$ 1,569,504

(Continued)

Notes to 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*
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

During the fiscal years ended June 30, 2019 and June 30, 2018, there were no transfers within the levels of fair value hierarchy.

Securities Lending, Borrowing and Repurchases:
MIGA may engage in securities lending and repurchases against adequate collateral, as well as secured borrowing and reverse repurchases (resale) of government and agency obligations and ABS. These transactions are conducted under legally enforceable master netting arrangements, which allow MIGA to reduce its gross credit exposure related to these transactions. For Balance Sheet presentation purposes, MIGA presents its securities lending and repurchases, as well as re-sales, on a gross basis. As of June 30, 2019 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 June 30, 2019 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 June 30, 2019 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.

ABS holdings are investment grade, and therefore, do not pose a significant concentration risk or credit risk to MIGA as of June 30, 2019. However, market deterioration could cause this to change in future periods.

(Continued)

Notes to Financial Statements

Note C: Derivative Instruments

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

Notional Amounts and Credit Exposures of the Derivative Instruments

The following table provides information on the credit exposure and notional amounts of the derivative instruments as of June 30, 2019 and June 30, 2018:

In thousands of US dollars

Type of contracts	June 30, 2019	June 30, 2018
Currency forward contracts and currency swaps		
Credit exposure	$ 752	$ 1,903
Exchange traded options and futures[a]		
Notional long position	65,300	167,000
Notional short position	389,900	460,000
Others[b]		
Notional long position	55,000	69,000
Notional short position	2,000	5,000
Credit exposure	184	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 International Swaps and Derivatives Association, Inc. (ISDA) master netting agreements with substantially all of its derivative counterparties. These legally enforceable master netting agreements give MIGA the right to liquidate securities held as collateral and to offset receivables and payables with the same counterparty, in the event of default by the counterparty.

(Continued)

Notes to Financial Statements

The following tables summarize information on derivative assets and liabilities (before and after netting adjustments) that are reflected on MIGA's Balance Sheet as of June 30, 2019 and June 30, 2018. The effects of legally enforceable master netting agreements are applied on an aggregate basis to the total derivative asset and liability position. The net derivative asset positions have been further reduced by the cash and securities collateral received.

In thousands of US dollars

	June 30, 2019					
	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	$ 60,712	$ (60,390)	$ 322	$ 200,121	$ (197,714)	$ 2,407
Currency swaps	31,386	(30,956)	430	13,170	(12,527)	643
Others[a]	184	-	184	4,297	-	4,297
	$ 92,282	$ (91,346)	$ 936	$ 217,588	$ (210,241)	$ 7,347
Amounts subject to legally enforcable master netting agreement			(446)			(446)
Net derivative positions at counterparty level			$ 490			$ 6,901
Less:						
Cash collateral received[b]			(62)			
Net derivative exposure after collateral			$ 428			

a. These relate to TBA securities with regard to Derivative assets, TBA securities and futures contracts with regard to Derivative liabilities.

b. Does not include excess collateral received of $61 thousand.

In thousands of US dollars

	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	$ 68,114	$ (66,356)	$ 1,758	$ 35,236	$ (35,084)	$ 152
Currency swaps	45,488	(45,344)	144	-	-	-
Others[a]	408	(92)	316	16	-	16
	$ 114,010	$ (111,792)	$ 2,218	$ 35,252	$ (35,084)	$ 168
Amounts subject to legally enforcable master netting agreement			(92)			(92)
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 Financial Statements

Fair Value Disclosures

The following table presents MIGA's fair value hierarchy for derivative assets and liabilities measured at fair value on a recurring basis:

In thousands of US dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2019			
	Level 1	*Level 2*	*Level 3*	*Total*
Derivative Assets:				
Currency forward contracts	$ -	$ 322	$ -	$ 322
Currency swaps	-	430	-	430
Others[a]	-	184	-	184
	$ -	$ 936	$ -	$ 936
Less:				
Amounts subject to legally enforceable master netting agreements				446
Cash collateral received				62
Derivative Assets, net				$ 428
Derivative Liabilities:				
Currency forward contracts	$ -	$ 2,407	$ -	$ 2,407
Currency swaps	-	643	-	643
Others[b]	4,296	1	-	4,297
	$ 4,296	$ 3,051	$ -	$ 7,347
Less:				
Amounts subject to legally enforceable master netting agreements				446
Derivative Liabilities, net				6,901

a. These relate to TBA securities.

b. These relate to TBA securities and futures contracts.

(Continued)

Notes to 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*
Derivative Assets:				
Currency forward contracts	$ -	$ 1,758	$ -	$ 1,758
Currency swaps	-	144	-	144
Others[a]	38	278	-	316
	$ 38	$ 2,180	$ -	$ 2,218
Less:				
Amounts subject to legally enforceable master netting agreements				92
Cash collateral received				13
Derivative Assets, net				$ 2,113
Derivative Liabilities:				
Currency forward contracts	$ -	$ 152	$ -	$ 152
Others[a]	-	16	-	16
	$ -	$ 168	$ -	$ 168
Less:				
Amounts subject to legally enforceable master netting agreements				92
Derivative Liabilities, net				76

a. These relate to TBA securities and futures contracts.

Note D: Capital Stock

The MIGA Convention established MIGA's authorized capital stock at 100,000 shares with a provision that the authorized capital stock shall automatically increase on the admission of a new member to the extent that the then authorized shares are insufficient to provide the shares to be subscribed by such member. The Convention further states that 10 percent of the members' initial subscription be paid in cash, in freely convertible currencies, except that developing member countries may pay up to a quarter of the 10 percent in their own currencies. An additional 10 percent of the initial subscription shall be paid in the form of non-negotiable, non-interest bearing promissory notes. The notes are denominated in freely convertible currencies and are due on demand to meet MIGA's obligations. The remaining 80 percent is subject to call when required by MIGA to meet its obligations.

On March 29, 1999, the Council of Governors approved a General Capital Increase (GCI) resolution increasing the authorized capital stock of MIGA by 78,559 shares to be subscribed by members during the subscription period ending March 28, 2002. Of the additional capital, 17.65 percent is to be paid in cash, in freely usable currency. The remaining 82.35 percent is subject to call when required by MIGA to meet its obligations. On May 6, 2002, the Council of Governors adopted a resolution to extend the GCI subscription period to March 28, 2003. On March 17, 2003, the Council of Governors approved an amendment to the GCI resolution allowing eligible countries to subscribe to the GCI shares allocated to them by submitting an Instrument of Contribution before the GCI deadline of March 28, 2003, and requesting such countries to pay for their GCI shares as soon as possible. The reserved shares will be issued and corresponding voting power will accrue when the subscription process has been completed.

(Continued)

Notes to Financial Statements

At June 30, 2019, 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 June 30, 2019, $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 June 30, 2019, MIGA had $109,917,000 ($110,084,000 – June 30, 2018) in the form of non-negotiable, non-interest bearing demand obligations (promissory notes), relating to the initial capital subscriptions.

A summary of the changes in MIGA's authorized, subscribed and paid-in capital during the fiscal years ended June 30, 2019 and June 30, 2018 is as follows:

	Initial Capital		Capital Increase		Total	
	Shares	(US$000)	Shares	(US$000)	Shares	(US$000)
At June 30, 2019						
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
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 Financial Statements

Note E: Guarantees

Guarantee Program

MIGA offers guarantees or insurance against loss caused by non-commercial risks to eligible investors and lenders on qualified investments in developing member countries. MIGA insures investments for up to 20 years against six different categories of risk: currency inconvertibility and transfer restriction, expropriation, war and civil disturbance, breach of contract, non-honoring of a sovereign financial obligation, and non-honoring of a financial obligation by a state-owned enterprise.

MIGA considers the guarantee contracts it issues to be short-duration contracts. Short-duration contracts are contracts for which the issuer recognizes premiums received as revenue over the period of the contract in proportion to the amount of insurance coverage provided.

Premium rates applicable are set forth in the contracts. Payments against all claims under a guarantee may not exceed the maximum amount of coverage issued under the guarantee. Under breach of contract coverage, payments against claims may not exceed the lesser of the amount of guarantee and the arbitration award.

Contingent Liability

A contract of guarantee issued by MIGA may permit the guarantee holder, at the start of each contract period, to elect coverage and place amounts on current, standby and future interest. At any given point in time, MIGA is at risk for amounts placed on current. The maximum amount of contingent liability (gross exposure), representing MIGA's exposure to insurance claims (current), as well as standby and future interest coverage for which MIGA is committed but not currently at risk, totaled $23,326,647,000 as of June 30, 2019 ($21,215,880,000 – June 30, 2018).

The composition of MIGA's gross exposure as of June 30, 2019 and June 30, 2018 was as follows:

In thousands of US dollars

	June 30, 2019	June 30, 2018
Gross exposure (Maximum amount of contingent liability)*	$ 23,326,647	$ 21,215,880
Of which:		
Current amounts*	17,115,626	16,452,527
Standby and Future interest amounts*	6,211,021	4,763,353

** Amounts represent maximum contingent liability under each category and are not necessarily additive.*

Trust Fund Activities

MIGA also acts as administrator of some investment guarantee trust funds. MIGA, on behalf of the trust funds, issues guarantees against losses caused by non-commercial risks to eligible investors on qualified investments in the countries specified in the trust fund agreements. Under the trust fund agreements, MIGA, as administrator of the trust funds, is not liable on its own account for payment of any claims under contracts of guarantees issued by MIGA on behalf of such trust funds. Guarantees issued by MIGA on behalf of trust funds had a total outstanding gross exposure of $24,823,900 as of June 30, 2019 ($28,388,900 – June 30, 2018).

(Continued)

Notes to 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 June 30, 2019, 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 utilizing a reinsurance structure under which MIGA issues guarantees and cedes to the CAFEF an initial loss layer, for eligible projects. As of June 30, 2019, out of $494,675,000 ($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 $41,289,200 ($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 (PSW) to promote investment in IDA-only and FCS countries. Under this facility, MIGA issues guarantees and cedes exposures to IDA through a risk sharing arrangement on a first loss basis or risk participation akin to reinsurance, for eligible projects. As of June 30, 2019, MIGA's gross exposure under this facility of $428,762,000 ($217,689,000 – June 30, 2018), amount ceded to IDA under the first loss layer totaled $88,787,000 ($36,067,000 – June 30, 2018).

The table below provides a reconciliation between MIGA's gross guarantee exposure and net exposure as of June 30, 2019 and June 30, 2018:

In thousands of US dollars

	June 30, 2019	June 30, 2018
Gross guarantee exposure	$ 23,326,647	$ 21,215,880
Less: Ceded exposures		
Facultative and Treaty reinsurers	(14,901,586)	(13,259,806)
CAFEF	(41,289)	(41,318)
IDA PSW - MGF (Note I)	(88,787)	(36,067)
Net guarantee exposure before exposure exchange	8,294,985	7,878,689
Less:		
Exposure Exchange Agreement (Note I)	(191)	(491)
Net guarantee exposure	$ 8,294,794	$ 7,878,198

(Continued)

Notes to Financial Statements

MIGA can also provide both public (official) and private insurers with facultative reinsurance. As of June 30, 2019, total insurance exposure assumed by MIGA, primarily with official investment insurers, amounted to $218,533,000 ($218,533,000 – June 30, 2018).

Premiums, fees and commission relating to direct, assumed, and ceded contracts for the fiscal years ended June 30, 2019 and June 30, 2018 were as follows:

In thousands of US dollars

	Fiscal Year Ended	
	June 30, 2019	June 30, 2018
Premiums written		
Direct	$ 259,133	$ 172,635
Assumed	2,215	2,135
Ceded	(177,415)	(101,878)
	83,933	72,892
Gross premium income		
Direct	235,702	207,973
Assumed	2,218	2,116
	$ 237,920	$ 210,089
Premium ceded	(152,023)	(131,073)
Ceding commission and other fees	38,315	32,214
Brokerage and other charges	(9,109)	(7,092)
Net Premium Income	$ 115,103	$ 104,138

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 June 30, 2019,

(Continued)

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.

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 June 30, 2019, the maximum level of guarantees outstanding (including reinsurance) may not exceed $30,373,011,000 ($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 June 30, 2019 and June 30, 2018 are as follows:

In thousands of US dollars

	June 30, 2019		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	$ 9,048,099	$ 13,265,159	$ 7,557,155	$ 11,499,654
% of Total Gross Exposure	38.8	56.9	35.6	54.2
Net Exposure	$ 2,128,745	$ 3,452,388	$ 1,872,671	$ 3,186,143
% of Total Net Exposure	25.7	41.6	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 June 30, 2019 and June 30, 2018 are shown in the following table:

In thousands of US dollars

	June 30, 2019			June 30, 2018		
	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
East Asia & Pacific	$ 2,624,140	$ 732,443	8.8	$ 2,506,351	$ 632,099	8.0
Europe & Central Asia	6,579,630	2,180,957	26.3	6,824,126	2,370,913	30.1
Latin America & Caribbean	4,323,124	1,349,429	16.3	4,250,751	1,450,119	18.4
Middle East & North Africa	2,979,152	1,047,762	12.6	1,152,481	691,918	8.8
South Asia	1,000,067	498,491	6.0	1,041,481	507,048	6.4
Sub-Saharan Africa	5,820,534	2,485,712	30.0	5,440,690	2,226,101	28.3
	$ 23,326,647	$ 8,294,794	100.0	$ 21,215,880	$ 7,878,198	100.0

(Continued)

Notes to Financial Statements

The sectoral distribution of MIGA's portfolio at June 30, 2019 and June 30, 2018 are shown in the following table:

In thousands of US dollars

	June 30, 2019			June 30, 2018		
Sector	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
Agribusiness	$ 77,330	$ 76,633	0.9	$ 83,991	$ 82,851	1.1
Financial	7,358,436	2,131,246	25.7	7,204,915	2,260,494	28.7
Infrastructure	12,267,940	4,650,769	56.0	10,297,407	4,103,992	52.1
Manufacturing	520,018	413,008	5.0	501,844	412,766	5.2
Mining	1,322,916	346,436	4.2	1,231,474	292,050	3.7
Oil and Gas	784,187	278,917	3.4	878,325	316,994	4.0
Services and Tourism	995,820	397,785	4.8	1,017,924	409,051	5.2
	$ 23,326,647	$ 8,294,794	100.0	$ 21,215,880	$ 7,878,198	100.0

Note F: Reserve for Claims and other Exposures

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

The following table provides an analysis of reserve for claims as of June 30, 2019 and June 30, 2018.

In thousands of US dollars

	June 30, 2019			June 30, 2018		
	IPR	Specific Reserve for Claims	Total	IPR	Specific Reserve for Claims	Total
Gross Reserve for Claims	$ 566,635	$ 3,124	$ 569,759	$ 450,100	$ 3,121	$ 453,221
Less: Reinsurance recoverable[a]	(344,631)	-	(344,631)	(239,616)	-	(239,616)
Net Reserve for Claims	$ 222,004	$ 3,124	$ 225,128	$ 210,484	$ 3,121	$ 213,605

a. As of June 30, 2019, excludes $10,169 thousand (June 30, 2018 - $12,255 thousand) reinsurance recoverable associated with retroactive reinsurance contracts, which is included in the Reinsurance recoverable on the Balance Sheet.

Notes to Financial Statements

The following table provides the composition of reinsurance recoverables at June 30, 2019 and June 30, 2018:

In thousands of US dollars

			June 30, 2019	June 30, 2018
Prospective reinsurance	-	IPR	$ 344,631	$ 239,616
	-	Specific Reserve for Claims	-	-
			344,631	239,616
Retroactive reinsurance	-	IPR	10,169	12,255
			$ 354,800	$ 251,871

As of June 30, 2019, the excess of reinsurance recoverable associated with the retroactive reinsurance contracts over the related premium ceded amounted to $3,762,800 ($6,308,500 – June 30, 2018) and is reported as a deferred gains under Other Liabilities on the Balance Sheet.

The net increase in reserves for claims reflected in the Statement of Income for the fiscal years ended June 30, 2019 and June 30, 2018 comprised changes in the Insurance Portfolio Reserve and Specific reserve for claims as follows:

In thousands of US dollars

	Fiscal Year Ended	
	June 30, 2019	June 30, 2018
Increase in Net Reserves:		
Insurance Portfolio Reserve	$ 12,796	$ 24,393
Specific reserve for claims	3	1,633
Increase in reserves, before translation adjustments	12,799	26,026
Foreign currency translation adjustments	(1,277)	1,547
Increase in reserves, net	$ 11,522	$ 27,573

During the fiscal year ended June 30, 2019, while MIGA's claims reserving methodology remained unchanged, the six-yearly review of the related assumptions (represented by core model parameters) resulted in a $8,962,000 decrease in net IPR (see Table below). MIGA's claims reserving methodology and the related key assumptions remained unchanged during the fiscal year ended June 30, 2018.

(Continued)

The increase in Insurance Portfolio Reserve before translation adjustments for the fiscal years ended June 30, 2019 and June 30, 2018 were attributable to the following factors:

In thousands of US dollars

	Fiscal Year Ended	
	June 30, 2019	June 30, 2018
Changes in portfolio size and risk profile, net	$ 4,866	$ 21,832
Changes in host country risk ratings, net	18,006	6,263
Changes in discount rate	(1,031)	(3,795)
Impact of periodic review of core model parameters	(8,962)	-
Other	(83)	93
Net increase	$ 12,796	$ 24,393

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 Statements of Income.

Insurance Portfolio Reserve (IPR)

The IPR reflects provisions set aside for losses and is calculated based on the long-term historical experiences of the non-commercial political risk insurance industry and the default history of the sovereigns and sub-sovereigns, adjusted for MIGA’s claims history.

The following table provides an analysis of the changes in the gross IPR for the fiscal years ended June 30, 2019 and June 30, 2018:

In thousands of US dollars

	Fiscal Year Ended	
	June 30, 2019	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 reserves before translation adjustments	12,796	24,393
Foreign currency translation losses (gains)	(1,277)	1,547
Increase in reserves, net of reinsurance	11,519	25,940
Net IPR, ending balance[a] [d]	222,004	210,484
Add: Reinsurance recoverables[b]	344,631	239,616
Gross IPR, ending balance[c]	$ 566,635	$ 450,100

a. As of June 30, 2019 represents 2.7% of Total Net Exposure (June 30, 2018 - 2.7%).

b. As of June 30, 2019, excludes $10,169 thousand (June 30, 2018 - $12,255K) reinsurance recoverables associated with retroactive reinsurance contracts which is included in the Reinsurance recoverables on the Balance Sheet.

c. As of June 30, 2019 represents 2.4 % of Total Gross Exposure (June 30, 2018 - 2.1%).

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

(Continued)

Notes to Financial Statements

Specific Reserve for Claims

The Specific Reserve for Claims is composed of: (i) reserves for pending claims and (ii) reserves for contracts where a claimable event, or events that may give rise to a claimable event, may have occurred, and a claim payment is probable, but in relation to which no claim has been filed. The parameters used in calculating the specific reserves (i.e., claims probability, severity and expected recovery) are assessed on a quarterly basis for each contract for which a reserve is created or maintained. MIGA's Legal Affairs and Claims Group reviews any pre-claim situations and claims filed and, together with MIGA's Finance and Risk Management Group, recommends provisioning parameters for MIGA Management to approve on a quarterly basis. MIGA's Guidelines and Procedures for Assigning Provisioning Parameters to MIGA's Specific Reserve specify the basis on which such parameters are determined.

Claims probability: For a contract where a claim payout is deemed probable (i.e., more likely than not), the claims probability is normally set at 75%.

Severity: This parameter reflects the expected quantum of MIGA's claims payment. For a contract in the claims reserve, this is typically the amount of the claim filed, whereas for an equity contract in the probable loss reserve this parameter will normally be set at 100 percent, unless there is more specific information. For contracts covering debt and loans, the parameter will be set at the percentage of the maximum aggregate liability equaling the scheduled payments in default and future payments for which a claim payment is probable.

Expected recovery: This parameter is expressed as a percentage of the contract's maximum aggregate liability and is based on an internal assessment of the host country's creditworthiness. For this purpose, each host country is assigned to one of four risk groups, where each group has a defined standard expected recovery level. Depending on the host country category, standard expected recovery periods are applied.

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

(Continued)

Notes to Financial Statements

The following table provides an analysis of the changes in the gross specific reserve for claims for the fiscal years ended June 30, 2019 and June 30, 2018:

In thousands of US dollars

	Fiscal Year Ended	
	June 30, 2019	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
Increase in Specific reserve for claims, before translation adjustments		
- Current year	-	-
- Prior years	3	1,633
	3	1,633
Foreign currency translation losses (gains)	-	-
Increase in specific reserve for claims, net of reinsurance	3	1,633
Net Specific reserve for claims, ending balance	3,124	3,121
Add: Reinsurance recoverables	-	-
Gross Specific reserve for claims, ending balance	$ 3,124	$ 3,121

The gross Specific Reserve for Claims as of June 30, 2019 and June 30, 2018 comprises:

In thousands of US dollars

	June 30, 2019	June 30, 2018
Reserve for pending claims	$ 1,948	$ 1,946
Probable loss reserve	1,176	1,175
Gross specific reserve	$ 3,124	$ 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 Financial Statements

The following tables present information about incurred and paid claims development as of June 30, 2019, 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 2018, 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 Year Ended June 30,											
	Unaudited											
	Reported Claims											
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	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	2,270	595	3
2018									-	-	1,175	2
2019										-	1,176	-
Total										11,667		

Political Risk Insurance: Cumulative Claim Payments, Net of Reinsurance

In thousands of US dollars	For the Year Ended June 30,									
	Unaudited									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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										-
Total										9,719
			Outstanding liabilities before 2010, net of reinsurance							-
			Liabilities for claims, net of reinsurance							1,948

(Continued)

Notes to Financial Statements

The following table presents a reconciliation of the net incurred and paid claims development tables to the liability for claims on the Balance Sheet:

In thousands of US dollars

	June 30, 2019	June 30, 2018
Specific Reserve for claims, Net of Reinsurance	$ 3,124	$ 3,121
Reinsurance recoverable	-	-
Gross Specific Reserve for Claims	$ 3,124	$ 3,121

The following table presents supplementary information about average historical claims duration as of June 30, 2019:

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 G: Pension and Other Post Retirement Benefits

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

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

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

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

The amounts presented below reflect MIGA's respective share of the costs, assets, and liabilities of the plans.

(Continued)

Notes to Financial Statements

The following table summarizes MIGA's respective share of the costs associated with the SRP, RSBP, and PEBP for the fiscal years ended June 30, 2019 and June 30, 2018:

In thousands of US dollars

	Fiscal Year Ended June 30, 2019			
Benefit Cost	SRP	RSBP	PEBP	Total
Interest cost	$ 8,166	$ 1,209	$ 910	$ 10,285
Expected return on plan assets	(11,805)	(1,605)	-	(13,410)
Amortization of unrecognized prior service cost[a]	58	174	22	254
Amortization of unrecognized net actuarial losses[a]	236	-	845	1,081
Net periodic pension (credit) cost, excluding service cost	$ (3,345)	$ (222)	$ 1,777	$ (1,790)
Service cost[b]	6,373	1,414	1,141	8,928
Net periodic pension cost	$ 3,028	$ 1,192	$ 2,918	$ 7,138

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

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

In thousands of US dollars

	Fiscal Year Ended June 30, 2018			
Benefit Cost	SRP	RSBP	PEBP	Total
Service cost	$ 6,278	$ 1,423	$ 1,179	$ 8,880
Interest cost	7,242	1,139	893	9,274
Expected return on plan assets	(10,914)	(1,469)	-	(12,383)
Amortization of unrecognized prior service cost[a]	61	174	23	258
Amortization of unrecognized net actuarial losses[a]	844	-	931	1,775
Net periodic pension cost	$ 3,511	$ 1,267	$ 3,026	$ 7,804

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

(Continued)

Notes to Financial Statements

The following table summarizes the projected benefit obligation, fair value of plan assets, and funded status associated with the SRP, RSBP and PEBP for MIGA for the fiscal years ended June 30, 2019 and June 30, 2018. The SRP and RSBP assets are held in irrevocable trusts, while the PEBP assets are included in IBRD's investment portfolio, with MIGA's portion reflected in receivable from IBRD under Note H (Transactions with Affiliated Organizations). The assets of the PEBP are mostly invested in fixed income, equity instruments and alternative investments.

In thousands of US dollars

	Fiscal Year Ended June 30, 2019				Fiscal Year Ended June 30, 2018			
	SRP	RSBP	PEBP	Total	SRP	RSBP	PEBP	Total
Projected Benefit Obligation								
Beginning of year	$ 204,496	$ 29,426	$ 22,604	$ 256,526	$ 197,151	$ 29,505	$ 23,801	$ 250,457
Service cost	6,373	1,414	1,141	8,928	6,278	1,423	1,179	8,880
Interest cost	8,166	1,209	910	10,285	7,242	1,139	893	9,274
Net entity transfers	(5,210)	(101)	n.a.	(5,311)	(7,873)	(1,319)	n.a.	(9,192)
Participant contributions	2,117	175	166	2,458	2,065	166	207	2,438
Federal subsidy received	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Benefits paid	(7,692)	(633)	(761)	(9,086)	(7,332)	(581)	(559)	(8,472)
Actuarial loss (gains)	22,076	3,057	6,294	31,427	6,965	(907)	(2,917)	3,141
End of Year	**$ 230,326**	**$ 34,547**	**$ 30,354**	**$ 295,227**	**$ 204,496**	**$ 29,426**	**$ 22,604**	**$ 256,526**
Fair value of plan assets								
Beginning of year	$ 208,741	$ 28,042		$ 236,783	$ 201,194	$ 26,490		$ 227,684
Net entity transfers	(5,210)	(101)		(5,311)	(7,873)	(1,319)		(9,192)
Participant contributions	2,117	175		2,292	2,065	166		2,231
Actual return on assets	17,239	2,695		19,934	17,802	2,370		20,172
Employer contributions	2,939	773		3,712	2,885	916		3,801
Benefits paid	(7,692)	(633)		(8,325)	(7,332)	(581)		(7,913)
End of Year	**$ 218,134**	**$ 30,951**		**$ 249,085**	**$ 208,741**	**$ 28,042**		**$ 236,783**
Funded Status[a]	**$ (12,192)**	**$ (3,596)**	**$ (30,354)**	**$ (46,142)**	**$ 4,245**	**$ (1,384)**	**$ (22,604)**	**$ (19,743)**
Accumulated Benefit Obligations	**$ 209,335**	**$ 34,547**	**$ 27,408**	**$ 271,290**	**$ 184,755**	**$ 29,426**	**$ 19,676**	**$ 233,857**

a. Positive funded status is reported as Net assets under retirement benefits plans; negative funded status is included under Other liabilities on the Balance Sheet.

During the fiscal year ended June 30, 2019 and June 30, 2018, there were no plan amendments made to the retirement benefit plans.

(Continued)

Notes to Financial Statements

The following tables present the amounts included in Accumulated Other Comprehensive Loss relating to Pension and Other Post Retirement Benefits:

Amounts included in Accumulated Other Comprehensive Loss at June 30, 2019

In thousands of US dollars

	SRP	RSBP	PEBP	Total
Net actuarial loss	$ 42,501	$ 975	$ 12,774	$ 56,250
Prior service cost	290	805	138	1,233
Net amount recognized in Accumulated Other Comprehensive Loss	$ 42,791	$ 1,780	$ 12,912	$ 57,483

Amounts included in Accumulated Other Comprehensive Loss at June 30, 2018

In thousands of US dollars

	SRP	RSBP	PEBP	Total
Net actuarial loss (gain)	$ 26,095	$ (992)	$ 7,325	$ 32,428
Prior service cost	348	979	160	1,487
Net amount recognized in Accumulated Other Comprehensive Loss (Gain)	$ 26,443	$ (13)	$ 7,485	$ 33,915

The estimated amounts that will be amortized from Accumulated Other Comprehensive Loss into net periodic benefit cost in the fiscal year ending June 30, 2020 are as follows:

In thousands of US dollars

	SRP	RSBP	PEBP	Total
Net actuarial loss	$ 999	$ -	$ 1,259	$ 2,258
Prior service cost	56	174	22	252
Net amount recognized in Accumulated Other Comprehensive Loss	$ 1,055	$ 174	$ 1,281	$ 2,510

Assumptions

The actuarial assumptions used are based on financial market interest rates, inflation expectations, past experience, and management's best estimate of future benefit changes and economic conditions. Changes in these assumptions will impact future benefit costs and obligations.

The expected long-term rate of return for the SRP assets is a weighted average of the expected long-term (10 years or more) returns for the various asset classes, weighted by the portfolio allocation. Asset class returns are developed using a forward-looking building block approach and are not strictly based on historical returns. Equity returns are generally developed as the sum of expected inflation, expected real earnings growth and expected long-term dividend yield. Bond returns are generally developed as the sum of expected inflation, real bond yield, change in yields and risk premium/spread (as appropriate).

(Continued)

Notes to Financial Statements

Other asset class returns are derived from their relationship to equity and bond markets. The expected long-term rate of return for the RSBP is computed using procedures similar to those used for the SRP. The discount rate used in determining the benefit obligation is selected by reference to the year-end yield of AA corporate bonds

Actuarial gains and losses occur when actual results are different from expected results. Amortization of these unrecognized gains and losses will be included in income if, at the beginning of the fiscal year, they exceed 10 percent of the greater of the projected benefit obligation or the market-related value of plan assets. If required, the unrecognized gains and losses are amortized over the expected average remaining service lives of the employee group.

The following tables present the weighted-average assumptions used in determining the projected benefit obligations and the net periodic pension costs for the fiscal years ended June 30, 2019 and June 30, 2018:

In percent

	SRP		RSBP		PEBP	
	2019	2018	2019	2018	2019	2018
Weighted average assumptions used to determine projected benefit obligations						
Discount rate	3.40	4.10	3.50	4.10	3.50	4.10
Rate of compensation increase	4.90	5.50			4.90	5.50
Health care growth rates-at end of fiscal year			6.20	6.00		
Ultimate health care growth rate			3.90	4.20		
Year in which ultimate rate is reached			2030	2030		
Weighted average assumptions used to determine net periodic pension cost						
Discount rate	4.10	3.70	4.10	3.90	4.10	3.80
Expected return on plan assets	5.70	5.50	5.70	5.50		
Rate of compensation increase	5.50	5.20			5.50	5.20
Health care growth rates-at end of fiscal year			6.00	5.50		
Ultimate health care growth rate			4.20	4.00		
Year in which ultimate rate is reached			2030	2030		

(Continued)

Notes to Financial Statements

The medical cost trend rate can significantly affect the reported post-retirement benefit income or costs and benefit obligations for the RSBP. The following table shows the effects of a one-percentage-point change in the assumed healthcare cost trend rate:

In thousands of US dollars

	One percentage point increase	One percentage point decrease
Effect on total service and interest cost	800	(600)
Effect on post-retirment benefit obligation	8,200	(6,200)

Investment Strategy

The investment policies establish the framework for investment of the plan assets based on long-term investment objectives and the trade-offs inherent in seeking adequate investment returns within acceptable risk parameters. A key component of the investment policy is to establish a Strategic Asset Allocation (SAA) representing the policy portfolio (i.e., policy mix of assets) around which the plans are invested. The SAA for the plans is reviewed in detail and reset about every three to five years, with more frequent reviews and changes if and as needed based on market conditions.

The key long-term objective is to generate asset performance that is reasonable in relation to the growth rate of the underlying liabilities and the assumed sponsor contribution rates, without taking undue risks. Given the relatively long investment horizons of the SRP and RSBP, and the relatively modest liquidity needs over the short-term to pay benefits and meet other cash requirements, the focus of the investment strategy is on generating sustainable long-term investment returns through a globally diversified set of strategies including fixed income, public and private equity and real assets.

The SAA is derived using a mix of quantitative analysis that incorporates expected returns and volatilities by asset class as well as correlations across the asset classes, and qualitative considerations such as the liquidity needs of the plans.

In April 2018, the revised SAAs for SRP and RSBP were approved with effective date of July 1, 2018. The new SAAs introduce a five percent allocation to ‘credit strategies’ by proportionally reducing the allocation to fixed income and global equities.

(Continued)

Notes to Financial Statements

The following table presents the policy asset allocation at June 30, 2019 and the actual asset allocation at June 30, 2019 and June 30, 2018 by asset category for the SRP and RSBP:

In Percent

	SRP			RSBP		
	Policy Allocation 2019	% of Plan Assets		Policy Allocation 2019	% of Plan Assets	
Asset Class	(%)	2019	2018	(%)	2019	2018
Fixed income & Cash	23	20	19	23	22	20
Credit Strategy	5	6	-	5	6	-
Public Equity	31	30	31	31	28	30
Private Equity	20	21	19	20	23	21
Market Neutral Hedge Funds	8	10	11	8	8	10
Real Assets[a]	13	12	14	13	12	13
Other[b]	-	1	6	-	1	6
Total	100	100	100	100	100	100

a. Includes public and private real estates, infrastructure and timber.
b.Includes authorized investments that are outside the policy allocations primarily in long-term private credit funds.

Environment, Social and Governance (ESG)

The ESG policy is designed to add value to the investment process by ensuring informed consideration of relevant risk and return characteristics across asset classes and encouraging external managers of the Plan to adopt responsible policies and practices where material. The Plan’s ESG integration efforts focus on assessing managers’ capacity to consistently and appropriately identify, manage, and report on ESG factors that are relevant to their investment strategies. In addition to the ESG due diligence process, the Plan’s ESG integration effort considers regular tracking and monitoring of relevant and available ESG metrics.

Significant Concentrations of Risk in Plan Assets

The assets of the SRP and RSBP are diversified across a variety of asset classes. Investments in these asset classes are further diversified across funds, managers, strategies, geographies and sectors, to limit the impact of any individual investment. In spite of such level of diversification, equity market risk remains the primary source of the overall return volatility of the Plans. As of June 30, 2019, the largest exposure to a single counterparty was 7% and 6% of the plan assets in SRP and RSBP, respectively.

Risk management practices

Managing investment risk is an integral part of managing the assets of the Plans. Asset diversification and consideration of the characteristics of the liabilities are central to the overall investment strategy and risk management approach for the SRP. Absolute risk indicators such as the overall return volatility and drawdown of the Plans are the primary measures used to define the risk tolerance level and establish the overall level of investment risk. In addition, the level of active risk (defined as the annualized standard deviation of portfolio returns relative to those of the policy portfolio) is closely monitored and managed on ongoing basis.

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Market risk is regularly monitored at the absolute level, as well as at the relative levels with respect to the investment policy, manager benchmarks, and liabilities of the Plans. Stress tests are performed periodically using relevant market scenarios to assess the impact of extreme market events.

Monitoring of performance (at both manager and asset class levels) against benchmarks, and compliance with investment guidelines, is carried out on a regular basis as part of the risk monitoring process. Risk management for different asset classes is tailored to their specific characteristics and is an integral part of the external managers' due diligence and monitoring processes.

Credit risk is monitored on a regular basis and assessed for possible credit event impacts. The liquidity position of the Plans is analyzed at regular intervals and periodically tested using various stress scenarios to ensure that the Plans have sufficient liquidity to meet all cash flow requirements. In addition, the long-term cash flow needs of the Plans are considered during the SAA exercise and are one of the main drivers in determining maximum allocation to the illiquid investment vehicles. The plans mitigate operational risk by maintaining a system of internal controls along with other checks and balances at various levels.

Fair Value Measurements

All plan assets are measured at fair value on recurring basis. The following table presents the fair value hierarchy of major categories of plans assets as of June 30, 2019 and June 30, 2018:

In thousands of US dollars	Fair Value Measurements on a Recurring Basis as of June 30, 2019							
	SRP				RSBP			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt Securities								
Time deposits	$ 286	$ 587	$ -	$ 873	$ 30	$ 89	$ -	$ 119
Securities purchased under resale agreements	1,409	-	-	1,409	169	-	-	169
Government and agency securities	24,610	5,356	-	29,966	3,826	807	-	4,633
Corporate and convertible bonds	-	5,311	-	5,311	-	738	-	738
Asset backed securities	-	1,813	-	1,813	-	249	-	249
Mortgage backed securities	-	3,727	-	3,727	-	515	-	515
Total Debt Securities	26,305	16,794	-	43,099	4,025	2,398	-	6,423
Equities								
US common stocks	5,167	-	-	5,167	831	-	-	831
Non-US common stocks	25,600	-	-	25,600	3,013	-	-	3,013
Mutual Funds	150	-	-	150	263	-	-	263
Real estate investments trusts (REITs)	1,649	-	-	1,649	227	-	-	227
Total Equity Securities	32,566	-	-	32,566	4,334	-	-	4,334
Other funds at NAV[a]								
Commingled funds	-	-	-	35,803	-	-	-	4,696
Private equity	-	-	-	58,128	-	-	-	8,987
Real estate (including infrastructure and timber)[a]	-	-	-	24,525	-	-	-	2,773
Hedge funds	-	-	-	22,830	-	-	-	3,486
Derivative assets/liabilities	57	(12)	-	45	10	(2)	-	8
Other assets/liabilities, net[b]	-	-	-	1,138	-	-	-	244
Total Assets	$ 58,928	$ 16,782	$ -	$ 218,134	$ 8,369	$ 2,396	$ -	$ 30,951

a. Investments measured at fair value using NAV have not been included under the fair value hierarchy.
b. Includes receivables and payables carried at amounts that approximate fair value.

(Continued)

Notes to Financial Statements

In thousands of US dollars	Fair Value Measurements on a Recurring Basis as of June 30, 2018							
	SRP				RSBP			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt Securities								
Time deposits	$ 292	$ 95	$ -	$ 387	$ 42	$ 8	$ -	$ 50
Securities purchased under resale agreements	2,077	-	-	2,077	324	-	-	324
Government and agency securities	22,007	4,871	-	26,878	3,263	773	-	4,036
Corporate and convertible bonds	-	4,917	-	4,917	-	668	-	668
Asset backed securities	-	2,060	-	2,060	-	266	-	266
Mortgage backed securities	-	3,042	-	3,042	-	420	-	420
Total Debt Securities	24,376	14,985	-	39,361	3,629	2,135	-	5,764
Equities								
US common stocks	6,128	-	-	6,128	835	-	-	835
Non-US common stocks	28,546	-	-	28,546	3,192	-	-	3,192
Mutual Funds	1,837	-	-	1,837	552	-	-	552
Real estate investments trusts (REITs)	3,535	-	-	3,535	422	-	-	422
Total Equity Securities	40,046	-	-	40,046	5,001	-	-	5,001
Other funds at NAV[a]								
Commingled funds	-	-	-	29,840	-	-	-	3,844
Private equity	-	-	-	49,262	-	-	-	7,209
Real estate (including infrastructure and timber)[a]	-	-	-	24,455	-	-	-	3,143
Hedge funds	-	-	-	25,568	-	-	-	3,045
Derivative assets/liabilities	58	70	-	128	9	12	-	21
Other assets/liabilities, net[b]	-	-	-	81	-	-	-	15
Total Assets	$ 64,480	$ 15,055	$ -	$ 208,741	$ 8,639	$ 2,147	$ -	$ 28,042

a. Investments measured at fair value using NAV have not been included under the fair value hierarchy.

b. Includes receivables and payables carried at amounts that approximate fair value.

Valuation methods and assumptions

The following are general descriptions of asset categories, as well as the valuation methodologies and inputs used to determine the fair value of each major category of Plan assets. It is important to note that the investment amounts in the asset categories shown in the table above may be different from the asset category allocation shown in the Investment Strategy section of the note. Asset classes in the table above are grouped by the characteristics of the investments held. The asset class break-down in the Investment Strategy section is based on management's view of the economic exposures after considering the impact of derivatives and certain trading strategies.

Debt securities

Debt securities include discount notes and time deposits, U.S. treasuries and agencies, debt obligations of foreign governments, sub-sovereigns and debt obligations in corporations of domestic and foreign issuers. Fixed income also includes investments in ABS such as collateralized mortgage obligations and mortgage backed securities. These securities are valued by independent pricing vendors at quoted market prices for the same or similar securities, where available. If quoted market prices are not available, fair values are based on discounted cash flow models using market-based parameters such as yield curves, interest rates, volatilities, foreign exchange rates and credit curves. Some debt securities are valued using techniques which require significant unobservable inputs. The selection of these inputs may involve some judgment. Management believes its estimates of fair value are reasonable given its

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processes for obtaining securities prices from multiple independent third-party vendors, ensuring that valuation models are reviewed and validated, and applying its approach consistently from period to period. Unless quoted prices are available, money market instruments and securities purchased under resale agreements are reported at face value which approximates fair value.

Equity securities

Equity securities (including REITs) represent investments in companies in various industries and countries. Investments in public equity listed on securities exchanges are valued at the last reported sale price on the last business day of the fiscal year.

Commingled funds

Commingled funds are typically collective investment vehicles, such as trusts that are reported at NAV as provided by the investment manager or sponsor of the fund based on valuation of underlying investments.

Private equity

Private equity includes investments primarily in leveraged buyouts, distressed investments and venture capital funds across North America, Europe and Asia in a variety of sectors. A large number of these funds are in the investment phase of their life cycle. Private equity investments do not have a readily determinable fair market value and are reported at NAV "as a practical expedient to Fair Value" provided by the fund managers, and reviewed by management, taking into consideration the latest audited financial statements of the funds. The underlying investments are valued using inputs such as cost, operating results, discounted future cash flows and trading multiples of comparable public securities.

Private equity also includee private credit investments which comprise of direct lending and opportunistic credit funds. Direct lending funds provide private financing to performing medium-size companies primarily owned by private equity sponsors. Opportunistic credit strategies (including distressed debt and multi-strategy funds) have flexible mandates to invest across both public and private markets globally. Private credit investments do not have a readily determinable fair market value and are reported at NAV provided by the fund managers, taking into consideration the latest audited financial statements of the funds. The underlying investments are valued using financial conditions, discounted future cash flows.

Real estate (including infrastructure and timber)

Real estate includes several funds which invest in core real estate as well as non-core types of real estate investments such as debt, value add, and opportunistic equity investments. Real estate investments do not have a readily determinable fair market value and are reported at NAV "as a practical expedient to Fair Value" provided by the fund managers, and reviewed by management, taking into consideration the latest audited financial statements of the funds. The valuations of underlying investments are based on income and/or cost approaches or comparable sales approach, and taking into account discount and capitalization rates, financial conditions, local market conditions among others.

Hedge funds

Hedge fund investments include those seeking to maximize absolute returns using a broad range of strategies to enhance returns and provide additional diversification. Hedge Funds include investments in equity, event driven, fixed income, multi strategy and macro relative value strategies. These investments do not have a readily determinable fair market value and are reported at NAVs "as a practical expedient to Fair Value" provided by external managers or fund administrators (based on the valuations of underlying investments) on a monthly basis, and reviewed by management, taking into consideration the latest audited financial statements of the funds.

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Notes to Financial Statements

Investments in hedge funds and commingled funds can typically be redeemed at NAV "as a practical expedent to Fair Value" within the near term while investments in private equity and most real estate are inherently long term and illiquid in nature with a quarter lag in reporting by the fund managers. For the reporting of those asset classes with a reporting lag, management estimates are based on the latest available information taking into account underlying market fundamentals and significant events through the balance sheet date.

Investment in derivatives
Investment in derivatives such as equity or bond futures, to-be-announced (TBA) securities, swaps, options and currency forwards are used to achieve a variety of objectives that include hedging interest rates and currency risks, gaining desired market exposure of a security, an index or currency exposure and rebalancing the portfolio. Over-the-counter derivatives are reported using valuations based on discounted cash flow methods incorporating market observable input.

Estimated Future Benefits Payments

The following table shows the benefit payments expected to be paid in each of the next five years and subsequent five years. The expected benefit payments are based on the same assumptions used to measure the benefit obligation at June 30, 2019:

In thousands of US dollars

	SRP	RSBP		PEBP
		Before Federal Subsidy	Federal Subsidy	
July 1, 2019 - June 30, 2020	$ 8,041	$ 531	$ -	$ 957
July 1, 2020 - June 30, 2021	8,803	611	-	1,037
July 1, 2021 - June 30, 2022	9,031	691	-	1,067
July 1, 2022 - June 30, 2023	9,020	763	-	1,133
July 1, 2023 - June 30, 2024	9,737	838	-	1,214
July 1, 2024 - June 30, 2029	56,842	5,455	-	7,080

Expected Contributions
MIGA's contribution to the SRP and RSBP varies from year to year, as determined by the Pension Finance Committee, which bases its judgment on the results of annual actuarial valuations of the assets and liabilities of the SRP and RSBP. The best estimate of the amount of contributions expected to be paid to the SRP and RSBP for MIGA during the fiscal year beginning July 1, 2019 is $2,925,000 and $761,000, respectively.

(Continued)

Notes to Financial Statements

Note H: Other liabilities

The following table provides the composition of other liabilities as of June 30, 2019 and June 30, 2018:

In thousands of US dollars

	Fiscal Year Ended	
	June 30, 2019	June 30, 2018
Payable for pension and other postretirement benefits	$ 47,009	$ 24,666
Payable to affiliated organizations - administrative and other services	17,203	19,491
Payable to reinsurers and brokers	10,981	13,777
Deferred gains	3,763	6,309
Miscellaneous	16,560	15,305
Other liabilities	$ 95,516	$ 79,548

Note I: Transactions with Affiliated Organizations

Shared Services and Joint Business Development Agreement

MIGA contributes its share of the World Bank Group's corporate costs. Payments for these services are made by MIGA to IBRD, International Development Association (IDA) and IFC based on negotiated fees, charge backs and allocated charges where charge back is not feasible.

Total fees paid by MIGA reflected in the Statements of Income for the fiscal year ended June 30, 2019 and June 30, 2018 are as follows:

In thousands of US dollars

	Fiscal Year Ended	
	June 30, 2019	June 30, 2018
Fees charged by IBRD/IDA	$ 10,380	$ 9,059
Fees charged by IFC	6,301	3,795

MIGA transacts with affiliated organizations by entering into shared service agreements relating to administrative and shared services such as, office occupancy costs, computing services, and communication charges, among others. Transactions with IBRD and IFC also include brokerage fees paid for referral and due diligence services on jointly-developed guarantee projects.

(Continued)

Notes to Financial Statements

At June 30, 2019 and June 30, 2018, MIGA had the following (payables to) receivables from its affiliated organizations with regard to administrative and other services and pension and other postretirement benefits:

In thousands of US dollars

	June 30, 2019			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/IDA	$ (8,693)	$ 14,993	$ 6,300	$ (12,327)	$ 12,977	$ 650
IFC	(8,510)	-	(8,510)	(7,164)	-	(7,164)
	$ (17,203)	$ 14,993	$ (2,210)	$ (19,491)	$ 12,977	$ (6,514)

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

Exposure Exchange with IBRD

During the fiscal year ended June 30, 2014, MIGA entered into an exposure exchange agreement with IBRD under which MIGA and IBRD agreed to exchange $120 million each of notional amount of exposures on their respective 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 June 30, 2019 and June 30, 2018, the outstanding off-balance sheet amounts relating to this exposure exchange agreement were as follows:

In thousands of US dollars

	June 30, 2019	June 30, 2018
IBRD's exposure in Brazil assumed by MIGA	$ 58,794	$ 71,746
MIGA's exposure in Panama assumed by IBRD	58,985	72,237
Net amount	$ (191)	$ (491)

As of June 30, 2019, 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 Balance Sheet.

IDA18 IFC-MIGA Private Sector Window (PSW)

As of June 30, 2019, the amounts ceded to IDA under the first loss layer totaled $88,787,000 ($36,067,000 – June 30, 2018). Correspondingly, the premium ceded to IDA during the fiscal year ended June 30, 2019, amounted to $562,373 (fiscal year ended June 30, 2018 - $48,566) and ceding commission in relation to the premium ceded amounted to $84,356 (fiscal year ended June 30, 2018 - $7,355).

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Notes to Financial Statements

Note J: Accumulated Other Comprehensive Loss

The following tables present the changes in Accumulated Other Comprehensive Loss (AOCL) for the fiscal years ended June 30, 2019 and June 30, 2018:

In thousands of US dollars

	Fiscal Year Ended June 30, 2019			
	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 year:				
Changes in fair value AOCL	-	(24,903)	-	(24,903)
Amounts reclassified into net income[b]	-	1,081	254	1,335
Net change during the year	-	(23,822)	254	(23,568)
Balance, end of year	$ 3,435	$ (56,250)	$ (1,233)	$ (54,048)

a. Until June 30, 2006, all the currencies of transactions were deemed functional and the related currency transaction adjustments were reflected in Equity through Other Comprehensive Income.
b. See Note G, Pension and Other Post Retirement Benefits.

In thousands of US dollars

	Fiscal Year Ended June 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	$ (38,851)	$ (1,745)	$ (37,161)
Changes during the year:				
Changes in fair value AOCL	-	4,648	-	4,648
Amounts reclassified into net income[b]	-	1,775	258	2,033
Net change during the year	-	6,423	258	6,681
Balance, end of year	$ 3,435	$ (32,428)	$ (1,487)	$ (30,480)

a. Until June 30, 2006, all the currencies of transactions were deemed functional and the related currency transaction adjustments were reflected in Equity through Other Comprehensive Income.
b. See Note G, Pension and Other Post Retirement Benefits.