MIGA | Multilateral Investment Guarantee Agency
WORLD BANK GROUP

Management's Discussion & Analysis and Financial Statements

June 30, 2020

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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, 2020 (FY20). Key financial indicators for the past five years are provided below in **Box 1**.

Box 1. Key Financial Indicators, Fiscal Years 2016 – 2020

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

	2020	2019	2018	2017	2016
Guarantee Activities (See Section 4. Operational Performance)					
New business	$ 3,961	$ 5,548	$ 5,251	$ 4,842	$ 4,258
Cumulative new business (since inception)[1]	59,712	55,751	50,203	44,952	40,110
Portfolio run-off	4,695	3,437	1,813	1,252	2,609
Gross guarantee exposure	22,593	23,327	21,216	17,778	14,187
Ceded exposure	13,401	15,032	13,338	10,998	7,522
Net guarantee exposure	9,192	8,295	7,878	6,780	6,665
Guarantee portfolio reinsurance rate[2] (%)	58%	64%	63%	62%	53%
Financial Results (See Section 3. Financial Performance)					
Gross premium income	$ 232.3	$ 237.9	$ 210.1	$ 179.7	$ 139.8
Net premium income	117.1	115.1	104.1	93.2	86.4
Operating income[3]	56.0	57.3	52.5	41.9	38.3
Net income (loss)	57.2	82.4	40.9	200.2	56.8
Administrative Expense / Net Premium Income Ratio (%)	52%	50%	50%	55%	56%
Cumulative Loss Ratio[4] (%)	1.2%	1.3%	1.5%	1.7%	1.6%
Investing Activities (See Section 8. Investment Management)					
Net investment portfolio	$ 1,814	$ 1,650	$ 1,548	$ 1,516	$ 1,376
Investment income	40.2	38.4	15.5	4.8	22.9
Return on investments (%)	2.3%	2.4%	1.0%	0.3%	1.7%
Portfolio Risk Measures (See Section 9. Financial Risk Management)					
Top five host country concentrations[5] (%)	24%	26%	24%	26%	25%
Top ten host country concentrations[5] (%)	40%	42%	40%	43%	42%
Capital Measures (See Section 7. Capital Management)					
Total shareholders' equity	$ 1,335	$ 1,320	$ 1,261	$ 1,213	$ 989
Operating capital[6]	1,591	1,542	1,471	1,398	1,329
Total economic capital[7,8]	756	717	685	592	663
Total economic capital/operating capital (%)[8]	48%	47%	47%	42%	50%
Risk capital[9]	1,001	n/a	n/a	n/a	n/a
Risk capital/operating capital[9]	63%	n/a	n/a	n/a	n/a

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.

9. Risk metric introduced in FY20 and defined as the sum of Total EC and buffer capital, with the latter computed using a new stress testing tool.

1. Executive Summary

Coronavirus Disease (COVID-19) Response

In April 2020, as part of its response to help mitigate the impact of the COVID-19 pandemic, MIGA launched a $6.5 billion fast-track facility designed to support private sector investors and lenders in emerging markets and developing economies. The fast track facility, which is complementary to the packages announced by the World Bank and IFC, directs MIGA's capacity toward the purchase of urgent medical equipment, the provision of working capital for small and medium enterprises, corporates and individuals and support for the immediate funding needs of governments. During FY20, the Agency issued $2.1 billion of guarantees under the facility in support of 18 projects, representing 53% of its total FY20 guarantee issuance.

$2.1 B
Guarantees Issued under COVID-19 fast track facility

Operational Results

Guarantee Issuance

MIGA's overall new guarantee business during FY20 totaled $4.0 billion in support of 47 projects compared to $5.5 billion of new guarantees issued in the previous fiscal year in support of 37 projects.

$4.0 B
Guarantees Issued

Of the 47 projects supported during FY20, 70% addressed at least one of the three strategic priority areas, namely, IDA-eligible countries, Fragile and Conflict-Affected Situations (FCS) and Climate Finance.

70%
Of Projects in a Strategic Priority Area

The guarantees issued in FY20 are expected to provide 12.4 million people with better access to power, create over 4,000 jobs, generate $197.1 million in tax revenue to the host governments per year, and avoid 3.0 million metric tons of CO2 emissions (**See Figure 1**).

Figure 1. Expected Development Results (FY20 New Business)

Since its inception in 1988, the Agency has issued more than $59 billion of guarantees and supported over 900 projects.

Over **$59 B** issued since inception supporting over **900 projects**

Guarantee Portfolio

The Agency's gross outstanding guarantee portfolio was $22.6 billion as of June 30, 2020, representing a 3% decrease from the record high of $23.3 billion as of end-FY19.

$22.6 B Gross Portfolio

In contrast, the net outstanding guarantee portfolio increased by 11% to a record high of $9.2 billion as of June 30, 2020 compared to $8.3 billion as of end-FY19. The increase is largely attributable to the new business written with a higher average net retention (57%), offset by deals running off the portfolio carrying a lower net retention (28%).

$9.2 B Net Portfolio

Of the gross outstanding exposure as of end-FY20, 35% related to projects supported in IDA-eligible countries, 11% in FCS and 25% related to Climate Finance, reflecting MIGA's strong commitment to these strategic priority areas.

Reinsurance

The Agency continued to utilize reinsurance capacity, ceding $1.6 billion of new business during FY20 to the reinsurance market in line with the strategy of preserving capital to fund future growth. As of June 30, 2020, 58% of the outstanding gross portfolio was reinsured, down from 64% as of end-FY19 and is well below the 70% Board-approved limit. The decline reflects the impact of lower net retention contracts exiting the portfolio during FY20.

$13.2 B / 58% Portfolio Reinsurance

Financial Results

Net Income

MIGA recorded net income of $57.2 million in FY20 compared to $82.4 million in the prior year. The lower net income is due primarily to $25.9 million higher reserve for claims and $1.3 million lower operating income, partially offset by the higher investment income of $1.8 million.

$57.2 M Net Income

Gross Premium Income (GPI)

FY20 gross premium income decreased by 2% to $232.3 million from $237.9 million in FY19 reflecting the lower effective portfolio premium rate, driven largely by reductions in premiums from the non-honoring product attributable to the run-off in that sub-portfolio.

$232.3 M Gross Premium Income

Net Premium Income (NPI)

Despite the reduction in GPI, FY20 net premium income increased by 2% to $117.1 million from $115.1 million in FY19. Contributing to this increase is the impact of the portfolio run-off of a few large and highly reinsured guarantees, coupled with the addition of new guarantees to the portfolio carrying lower amounts of reinsurance during FY20.

$117.1 M
Net Premium Income

Operating Income

Operating income, defined as net premium income less administrative expenses, decreased by 2% to $56.0 million in FY20, down from $57.3 million in FY19, with the planned growth in administrative expenses outpacing that of the NPI.

$56.0 M
Operating Income

Investment Income

FY20 investment income increased by 5% to $40.2 million from $38.4 million in FY19, due primarily to the higher mark-to-market gains on the portfolio, partially offset by lower interest income.

$40.2 M
Investment Income

Cost Efficiency

The Agency continued to demonstrate cost efficiency and effectiveness with the Administrative Expense-to-Net Premium Income ratio of 52% in FY20, slightly up from 50% in FY19, but remained well below the recently revised 60% (75% for FY19 and prior years) Management-approved cap. The slight uptick in the ratio reflects the impact of planned growth in staff headcount and hence increased staff costs, in support of the business.

52%
Cost Efficiency Ratio

Capital Management

As of June 30, 2020, the guarantee portfolio EC was $656 million while the Total EC was $756 million, and MIGA's capital utilization ratio (defined as Total EC / Operating Capital[1]) stood at 48%. The current level of capital utilization is well within the range where the Agency is comfortable to continue growing MIGA's business.

48%
Capital Utilization

MIGA has strengthened its stress testing approach and developed a new risk metric, the Risk Capital (defined as Total EC plus Buffer Capital) to Operating Capital ratio, to complement the total EC to Operating Capital ratio and provide a better grounding for establishing target levels for capital adequacy. This ratio stood at 63% as of end-FY20, well below the established inner limit of 80% (**See Section 7)**.

63%
Risk Capital to Operating Capital Ratio

[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 182 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 $59 billion of guarantees, in support of over 900 projects in 118 of its 182 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

FY20 marks the end of MIGA's FY18-20 Strategy, under which the Agency sought to mobilize more foreign direct investment while targeting an increase of 40% in annual volume by FY20 from the FY16 level with a focus on transactions in IDA-eligible countries, FCS and Climate Finance. During this strategy cycle, MIGA grew at record levels reaching a record high in terms of gross issuance of $5.5 billion in FY19 and mobilized the reinsurance market strategically to deliver on its targets. The Agency is well positioned to move into the new strategy cycle and build on the successes achieved in the past fiscal years.

On April 9, 2020, MIGA's Board of Directors endorsed the Agency's Strategy and Business Outlook for FY21-23 (MIGA FY21-23 SBO). Under this strategy, MIGA aims to deliver between $5.5b and $6.0b in guarantees on average per annum, while seeking to deepen its impact in IDA-eligible countries and Fragile and Conflict-Affected Situations and step up issuance of guarantees in support of Climate Finance.

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

[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.

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 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 (PRI)

- **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.

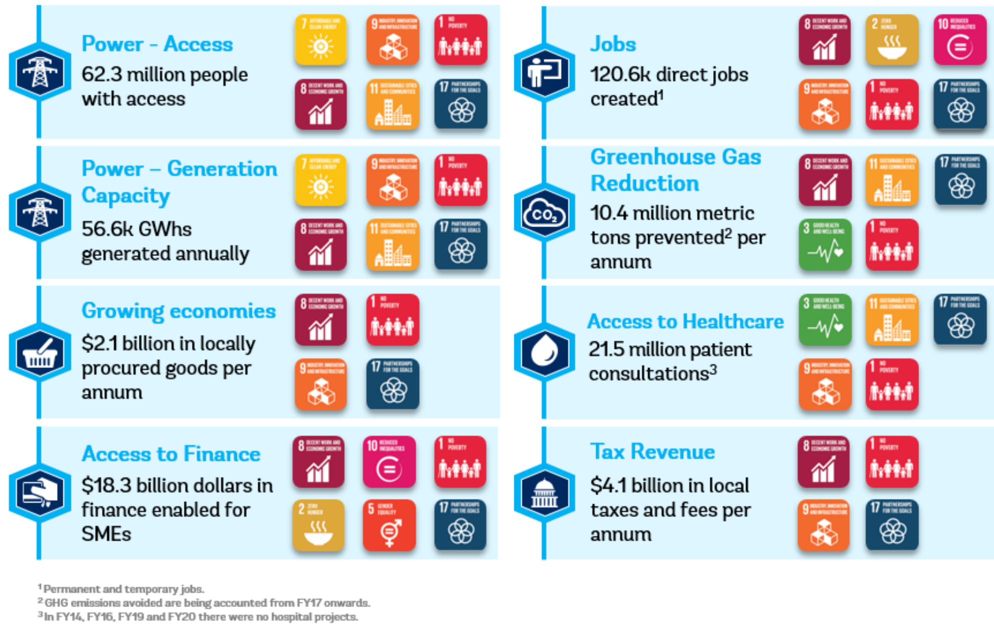
Non-Honoring of Financial Obligations

- **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.

Development Impact

MIGA's aggregate expected development results since FY14 include almost 62.3 million people gaining access to power. With an additional 56.6 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 120.6 thousand direct and many more indirect jobs, while preventing the emission of 10.4 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 $18.3 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 $4.1 billion annually in local taxes/fees generated from MIGA-supported projects (See **Figure 2**).

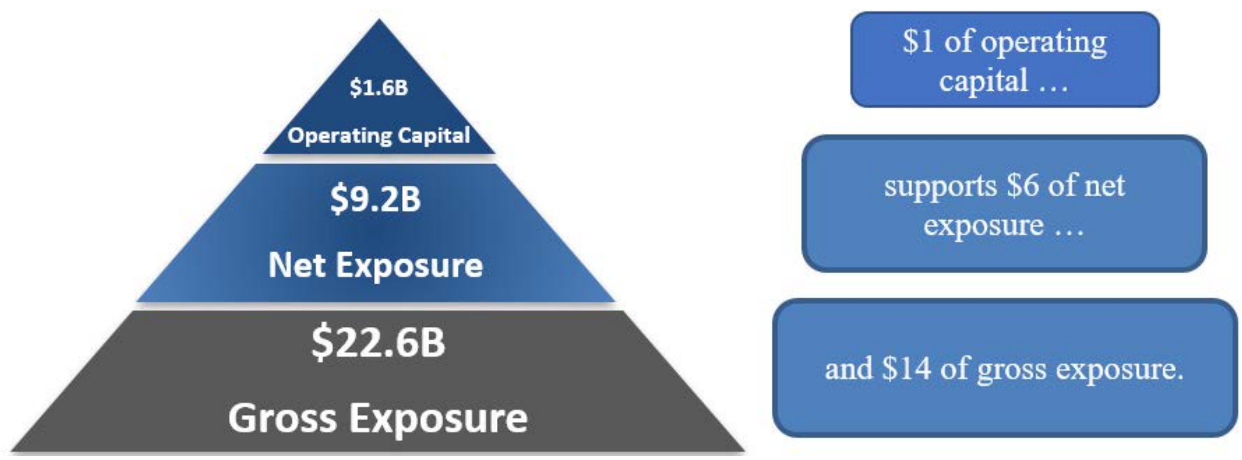
Figure 2. Expected Development Results (FY14-FY20)



Business and Operating Model

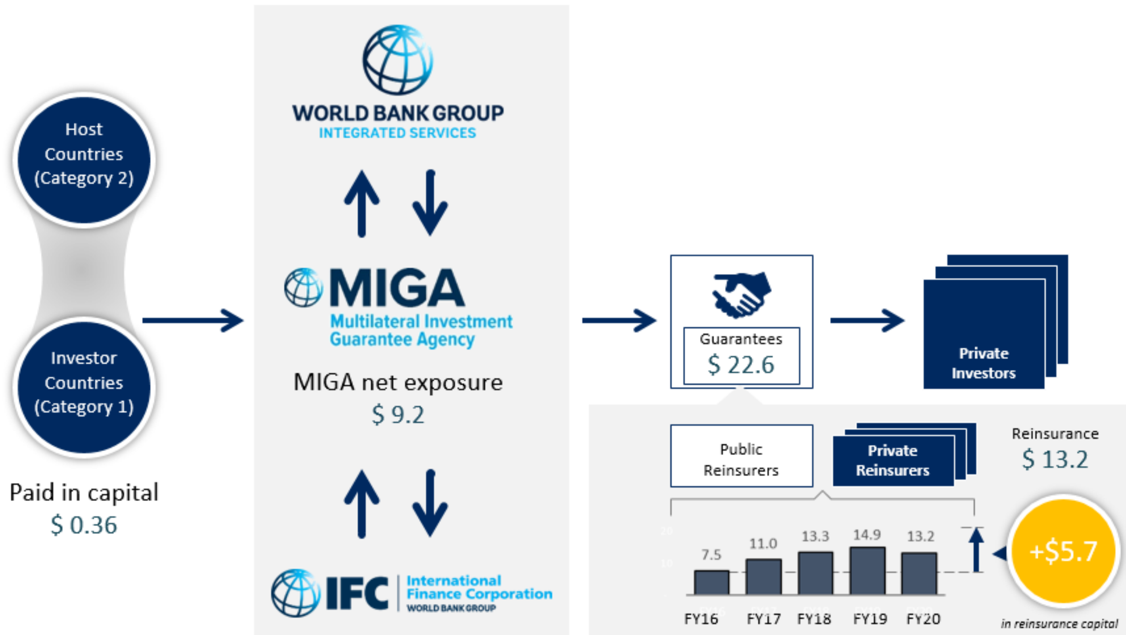
MIGA is financially self-sustaining and its activities are supported by a strong capital base and a comprehensive risk management framework. In the context of its statutory underwriting capacity, the Agency is able to support significant amounts of gross exposure and to contain risk, through the use 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, 2020, each $1 of operating capital supported $14 of gross guarantee exposure.

Figure 3. Maximizing Development Impact (June 30, 2020)



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 increased the use of reinsurance in its guarantee portfolio by $5.7 billion, allowing the Agency to support its growth trajectory through increased guarantee capacity without the need for additional capital from its shareholders.

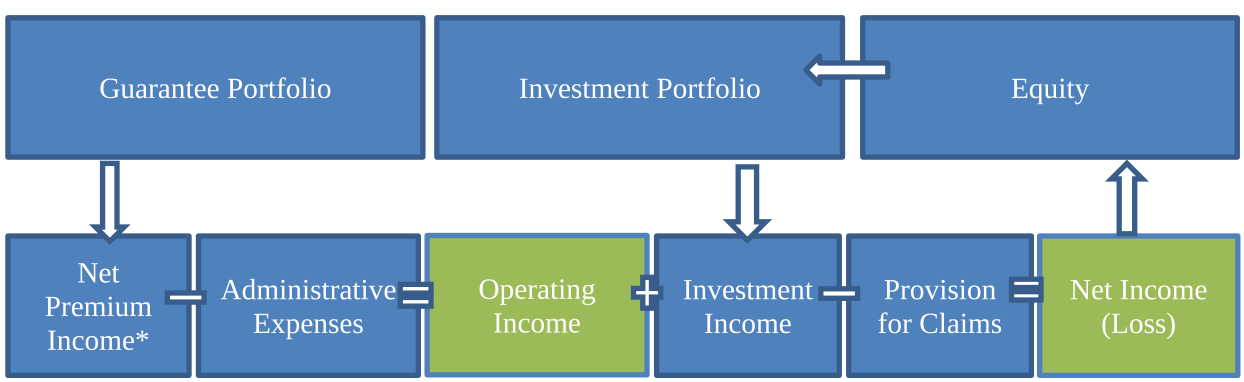
Figure 4. MIGA Operating Model (June 30, 2020) ($B)



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 RESULTS

MIGA recorded a net income of $57.2 million in FY20 compared to $82.4 million in FY19 (see **Table 1**). The decrease of $25.2 million is primarily attributable to (i) the higher reserve for claims by $25.9 million, and (ii) the lower operating income by $1.3 partially offset by (iii) the higher investment income by $1.8 million.

Table 1. Summary of Net Income and Key Financial Ratios (FY16-FY20) ($M)

As of and for the Year Ended June 30	2020	2019	2018	2017	2016	FY20 vs FY19
Gross Premium Income	$ 232.3	$ 237.9	$ 210.1	$ 179.7	$ 139.8	*$ (5.6)*
Premium Ceded	(145.9)	(152.0)	(131.1)	(105.3)	(64.1)	*6.1*
Ceding Commissions and Fees	37.3	38.3	32.2	25.5	15.6	*(1.0)*
Brokerage and Other Charges	(6.6)	(9.1)	(7.1)	(6.7)	(4.9)	*2.5*
Net Premium Income	**$ 117.1**	**$ 115.1**	**$ 104.1**	**$ 93.2**	**$ 86.4**	***$ 2.0***
Administrative Expenses, including Pension Costs	(61.1)	(57.8)	(51.6)	(51.3)	(48.1)	*(3.3)*
Operating Income[1]	**$ 56.0**	**$ 57.3**	**$ 52.5**	**$ 41.9**	**$ 38.3**	***$ (1.3)***
Income from Investments	40.2	38.4	15.5	4.8	22.9	*1.8*
Miscellaneous Income	0.1	0.1	0.1	1.3	-	-
Translation (Losses) Gains	(1.7)	(1.8)	0.4	(2.0)	(0.3)	*0.1*
(Increase) Decrease in Reserves [2] [3]	(37.4)	(11.5)	(27.6)	154.3	(4.1)	*(25.9)*
Net Income (Loss)	**$ 57.2**	**$ 82.4**	**$ 40.9**	**$ 200.2**	**$ 56.8**	***$ (25.2)***
Key Financial Ratios						
Administrative Expenses / Net Premium Income	52%	50%	50%	55%	56%	*2%*

Note: numbers may not add up due to rounding.

(1) Operating Income = Net Premium Income less Administrative Expenses, including Pension Costs.

(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.

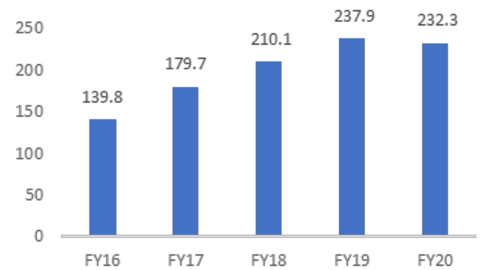
The following is a discussion on the key drivers of MIGA's financial results.

Guarantee Business Results

Gross Premium Income (GPI) in FY20 decreased by 2% to $232.3 million compared to $237.9 million in the prior year. **Figure 6** shows the growth of the Agency's gross premium income over the past five fiscal years. The 2% decrease in FY20 is attributable to the lower effective portfolio premium rate, largely driven by the reductions in premiums in the non-honoring portfolio, reflecting the impact of portfolio run-off and the increase in average standby exposure during the fiscal year.

As of end-FY20, the average gross exposure of the guarantee portfolio declined marginally to $21.9 billion compared to $22.0 billion as of end-FY19.

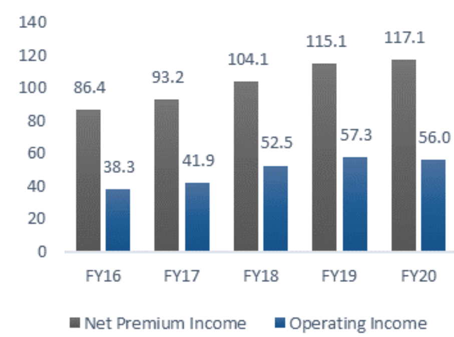
Figure 6. Gross Premium Income (FY16 – FY20) ($M)



Net Premium Income (NPI) in FY20 increased by 2% from $115.1 million in FY19 to $117.1 million in FY20. The increase in NPI in FY20 compared to FY19, despite the decrease in GPI, is largely attributable to the higher decline in ceded premiums (4%) in comparison to the decline in GPI (2%) over the same period.

Operating Income: FY20 operating income of $56 million represents a 2% decrease from FY19, with the increase in Administrative expenses outpacing the growth in NPI. **Figure 7** shows the evolution of the Agency's net premium and operating income over the past five fiscal years.

Figure 7. Net Premium and Operating Income (FY16 – FY20) ($M)



Administrative Expenses (including Pension costs) totaled $61.1 million in FY20, compared to $57.8 million in FY19. The 6% increase primarily reflects the planned increase in staff headcount and the associated staff costs in support of the business.

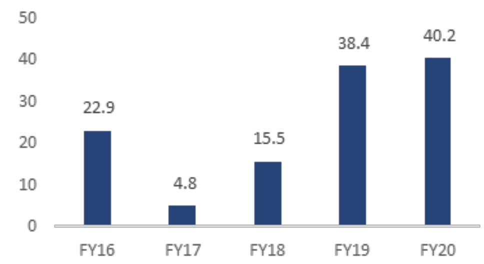
The Administrative Expenses-to-Net Premium Income ratio, a key measure of MIGA's cost efficiency increased to 52% in FY20 from 50% in FY19. This ratio remains below the management-approved cap of 60% (previously 75%), reflecting MIGA's continued cost efficiency. (See **Figure 8**)

Figure 8. Administrative Expenses-to-NPI Ratio (FY16 – FY20) (%)

Investment Activity Results

Investment Income: FY20 investment income totaled $40.2 million compared to $38.4 million in FY19. The increase in investment income of $1.8 million was primarily due to the mark- to-market gains in FY20 being higher by $6.4 million, partially offset by the $4.8 million lower interest income. **Figure 9** shows the investment income trend over the past five fiscal years.

Figure 9. Investment Income (FY16 – FY20) ($M)

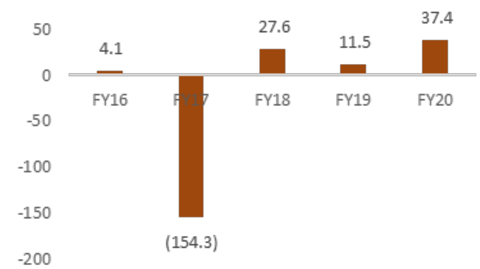


Reserves for Claims

Increase in Reserve for Claims: In FY20, the Agency recorded an increase in the Reserve for claims of $37.4 million which was driven by increases in both the Specific Reserve and the Insurance Portfolio Reserve (IPR). The increase in the Specific Reserve is primarily due to additional reserves being maintained for one guarantee while the increase in the IPR is attributable largely to the impact of changes in the host country risk ratings and the decline in the discount rate.

In comparison, reserves for claims increased by $11.5 million in FY19, which was largely IPR-related and reflected the impact of the increase in the size and changes in the net guarantee portfolio composition, and net host country risk downgrades, offset by a reduction resulting from the periodic update of the reserving model's core parameters (**Figure 10**).

Figure 10. Increase in Reserve for Claims (FY16 – FY20) ($M)



4. OPERATIONAL RESULTS

New Guarantee Issuance

COVID-19 Guarantees

MIGA's $6.5 billion fast track facility launched in April 2020 in response to the COVID-19 crisis, and geared towards supporting private sector investors and lenders in emerging markets and developing economies, is structured around three pillars as follows: *Pillar 1* - Procurement of urgent COVID-19 medical supplies and services, *Pillar 2* - Countering adverse economic impacts during the crisis, and *Pillar 3* - Complementing IFC Trade Finance to extend cover for local State-owned banks in low income and fragile countries.

During FY20, the Agency issued $2.1 billion in guarantees in support of 18 projects in low-income and middle-income countries as part of the fast track facility. **Table 2** provides the details of guarantees issued.

Table 2. FY20 Guarantees issued under the COVID-19 Fast Track Facility ($M)

COVID-19 Fast Track Facility Pillars	Guarantees offered under each Pillar	Country	Gross Exposure	Net Exposure
Pillar 1	Procurement of urgent COVID-19 Medical Supplies / Services	Regional Development Bank*	405.1	82.1
Pillar 2A	Credit Enhancement Program - Supporting Governments at eligible sovereign, sub-sovereign or SOE levels to provide short term funding and working capital support to SMEs, corporates and individuals during the current crisis.	Colombia / Panama	548.0	185.1
Pillar 2B	Capital Optimization - Supporting Financial Institutions in extending lending in host countries by freeing up risk weighted assets locked up in maintaining their mandatory reserves with central banks.	Albania / Argentina / Bosnia and Herzegovina / Botswana / Eswatini / Ghana / Kosovo / Lesotho / Montenegro / Mozambique / Nigeria / North Macedonia / Serbia / Zambia	1,127.9	657.1
Total Issuance			**2,081.0**	**924.3**

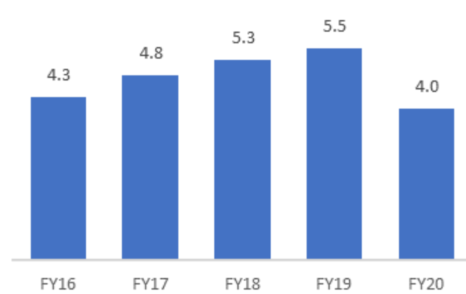
** 22 host countries will benefit from on-lending activities conducted by the regional development bank*

Overall 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 FY20, the Agency issued $4.0 billion in new guarantees in support of 47 projects, compared to $5.5 billion new guarantees issued in FY19 in support of 37 projects.

Figure 11 depicts the trend of MIGA's new business volumes over the last five fiscal years, in terms of gross issued volumes.

Figure 11. New Guarantee Issuance (FY16 – FY20) ($B)



Cumulatively, MIGA has issued $59.7 billion in guarantees in 118 countries since its inception. **Table 3** below contains a summary of cumulative guarantees issued in member countries over the last five fiscal years.

Table 3. Cumulative Guarantees Issued in Member Countries

	FY16	FY17	FY18	FY19	FY20
Cumulative Guarantees Issued ($B)	40.1	45.0	50.2	55.8	59.7
Host Countries	109	111	112	114	118

During FY20, MIGA provided guarantees in four new countries – Cambodia, Montenegro, Seychelles and Solomon Islands, extending the number of countries wherein the Agency has supported investment projects with its PRI and credit enhancement guarantees since its inception.

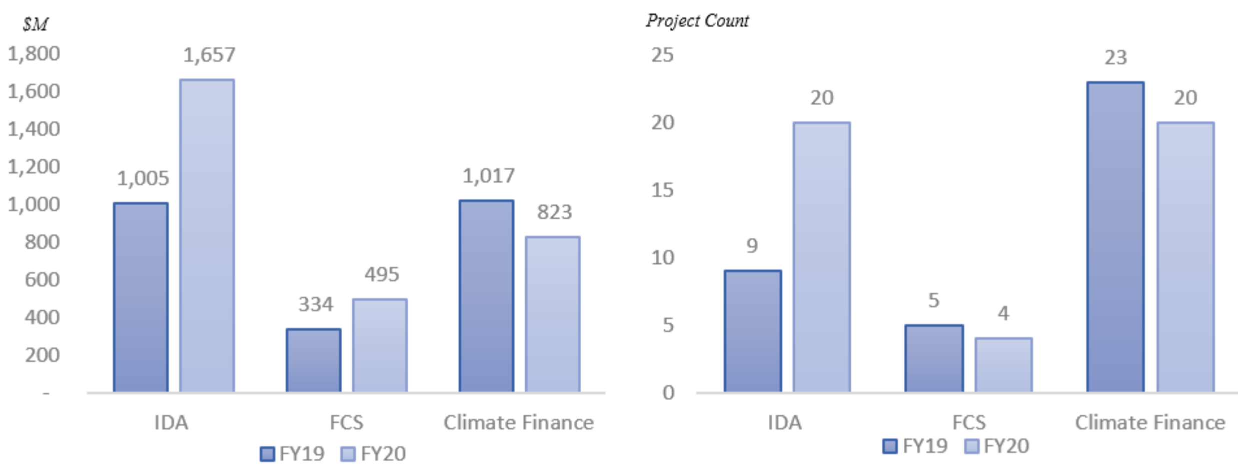
Guarantees Issued by Priority Area

MIGA issued guarantees in support of 47 projects in FY20, of which 70% addressed one or more priority areas under the Agency's FY18-20 strategy. This includes guarantees totaling $1.7 billion issued in support of 20 projects (43% of total projects supported) in 15 IDA-eligible countries. The Agency issued guarantees for $495 million in support of four projects (9% of total projects supported) in three Fragile and Conflict-Affected States (FCS) – Kosovo, Nigeria and Solomon Islands. Included in both the IDA and FCS guarantee issuances, is a non-honoring guarantee in relation to a Regional Development Bank issued for $405 million for the purpose of facilitating trade and which will benefit 22 countries in the Africa region.

The Agency's support of climate finance projects during FY20 continued to be strong with guarantees issued in 11 countries and in support of 20 projects (43% of total projects supported) for a total of $823 million. This included six solar power projects in Egypt, two in Senegal and two in South Africa. MIGA also issued guarantees in support of hydropower projects in Nepal and Solomon Islands, with the latter being the Agency's first project in the country. Other projects supported included two wind power projects in South Africa and one in Djibouti, a fertilizer project in Bangladesh, a waste energy project in Serbia and three finance sector projects in Kenya, Mauritius and Uruguay.

Figure 12 highlights the new business volume and projects supported in the three strategic priority areas in FY19 and FY20.

Figure 12. New Business Volumes and Projects Supported in Strategic Priority Areas



Guarantees Issued by Product Type

PRI guarantees issued during FY20 amounted to $2.4 billion (60% of total new guarantee business) across all the four PRI covers, compared to $3.2 billion (58% of total new guarantee business) in FY19. Non honoring guarantees issued during FY20 accounted for $1.6 billion or 40% of gross new business volumes compared to $2.3 billion or 42% in FY19.

Table 4 provides the guarantee issuance breakdown by product type during FY20 and FY19.

Table 4. Guarantees Issued By Product Type ($M)

	FY20 Guarantee Issuance				**FY19 Guarantee Issuance**			
Products	**Gross Exposure**	**Share %**	**Net Exposure**	**Share %**	**Gross Exposure**	**Share %**	**Net Exposure**	**Share %**
Political Risk Insurance (PRI)								
Capital Optimization *	1,725	44%	1,191	53%	1,837	33%	383	23%
Other PRI Guarantees	642	16%	530	24%	1,402	25%	978	58%
Non Honoring (NH)								
NHSFO	357	9%	157	7%	1,703	31%	248	15%
NHSOE / Other NH Guarantees	1,238	31%	367	16%	606	11%	63	4%
Total PRI Issuance	**2,367**	**60%**	**1,721**	**77%**	**3,239**	**58%**	**1,361**	**81%**
Total NH Issuance	**1,594**	**40%**	**524**	**23%**	**2,309**	**42%**	**311**	**19%**
Total Issuance	**3,961**	**100%**	**2,245**	**100%**	**5,548**	**100%**	**1,672**	**100%**

** Covers the guarantee holder from the risk of expropriation of funds on mandatory reserves maintained with Central Banks.*

Geographic Distribution of New Business Volume and Projects

During FY20, MIGA supported six projects in the Latin America and Caribbean (LAC) region and issued guarantees for a total of $1.5 billion. This included two NHSOE transactions in Panama and one NHSOE guarantee in Colombia, two capital optimization guarantees in Argentina and Uruguay and a PRI guarantee in Colombia.

The Agency supported 22 projects in Sub Saharan Africa (SSA) by issuing guarantees for $1.3 billion, nearly all of which supported one or more strategic priority areas. PRI guarantees issued in the region supported 14 capital optimization guarantees for $732 million, the development of two solar power plants and two wind power plants in South Africa, two solar power plants in Senegal and the expansion of a thermal power plant in Cote d'Ivoire. The Agency also issued a guarantee that is a new application of the existing non-honoring (NH) product to facilitate trade finance by a Regional Development Bank to 22 countries in the Africa region.

New guarantees issued in the Europe and Central Asia (ECA) region amounted to $499 million and accounted for 13% of FY20 gross issuances. The majority of guarantees issued in the region were capital optimization guarantees that were issued under Pillar 2B of the Agency's COVID-19 fast track facility.

MIGA supported two projects in FY20 in South Asia issuing guarantees for $444.2 million. The first project was a PRI guarantee for $87.4 million in relation to a hydropower project in Nepal and the second project was a Non Honoring guarantee for $356.8 million in Bangladesh in relation to a fertilizer production facility.

MIGA continued to expand on its climate finance commitments in the Middle East and North Africa (MENA) region, and supported six solar power projects in Egypt and a wind farm project in Djibouti, issuing guarantees for a total of $168 million.

The Agency supported a hydropower plant project in Solomon Islands and an electic transmission line project in Cambodia, issuing $88.1 million in total in the East Asia and Pacific (EAP) region. Additionally, both these projects represented the first guarantees issued by MIGA in these two countries.

Table 5 provides the regional breakdown of new business volumes in FY20 and FY19, respectively.

Table 5. Regional New Business Volumes ($M)

	FY20 Issuance				FY19 Issuance			
Region	**Gross Exposure**	**Share%**	**Net Exposure**	**Share%**	**Gross Exposure**	**Share%**	**Net Exposure**	**Share%**
East Asia And Pacific	88.1	2%	83.0	4%	229.2	4%	123.7	7%
Europe and Central Asia	499.2	13%	477.4	21%	691.4	12%	147.8	9%
Latin America and the Caribbean	1,480.0	37%	483.6	22%	1,770.9	32%	323.9	19%
Middle East and North Africa	168.0	4%	112.5	5%	1,941.2	35%	438.2	26%
South Asia	444.2	11%	192.3	9%	2.4	0%	1.4	0%
Sub-Saharan Africa	1,282.0	32%	896.1	40%	913.0	16%	637.1	38%
Total Exposure	**3,961.4**	**100%**	**2,244.9**	**100%**	**5,548.1**	**100%**	**1,672.2**	**100%**

IDA Private Sector Window (PSW)

The 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, initially deployed for a total of $2.5 billion across four facilities, is designed to target critical challenges identified by IFC and MIGA's private sector counterparts and to leverage IFC and MIGA instruments including loan guarantees and derivatives. MIGA participates in two of the four facilities under the PSW – the MIGA Guarantee Facility (MGF) and the Risk Mitigation Facility (RMF).

A total of US$ 500 million was set aside for the 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 is also an administrator of the RMF, on behalf of IDA, with a mandate 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.

During FY20, MIGA issued four guarantees for a total of $193 million with the support of the IDA-PSW MIGA Guarantee Facility (MGF) and ceded $74 million under a first loss layer to IDA. Projects supported using the MGF included two hydropower projects in Nepal and Solomon Islands and the wind farm project in Djibouti.

Guarantee Portfolio Composition

MIGA's gross outstanding exposure declined by 3% to $22.6 billion as of June 30, 2020 from the record high of $23.3 billion as of June 30, 2019, with the decrease primarily due to the higher portfolio runoff offset by the lower new business volume during FY20.

Net outstanding exposure, in contrast, increased to a record level of $9.2 billion as of June 30, 2020, from $8.3 billion as of June 30, 2019, registering a 11% growth. The increase in net exposure during FY20 is the result of new business being written with a higher net retention offset by the portfolio run-off carrying lower net retentions.

Figure 13. Gross and Net Guarantee Portfolios ($B)

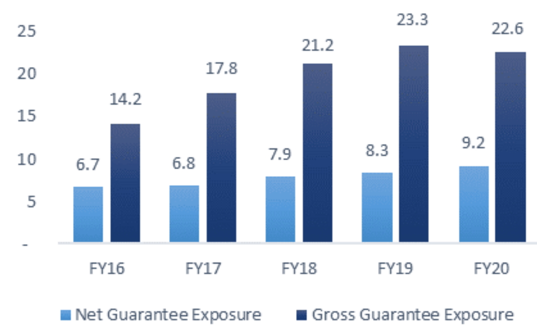


Figure 13 highlights the growth in the guarantee portfolio over the last five fiscal years.

Portfolio Composition by Product Type

The gross outstanding exposure on PRI guarantees as of end-FY20 was $14.0 billion, and declined by 4% from $14.6 billion as of end-FY19. In contrast, the net exposure increased by 12% from $6.5 billion as of end-FY19 to $7.3 billion as of end-FY20, primarily due to the run-off of a few highly reinsured transactions offset by new PRI guarantees with higher net retentions. As of end-FY20, PRI guarantees represented 62% of the overall gross outstanding exposure (62% as of end-FY19).

Table 6. Portfolio Composition by Product ($M)

	FY20 Exposure				FY19 Exposure			
Products	**Gross Exposure**	**Share %**	**Net Exposure**	**Share %**	**Gross Exposure**	**Share %**	**Net Exposure**	**Share %**
Political Risk Insurance (PRI)								
Capital Optimization	3,931.5	17%	2,143.1	23%	4,066.1	17%	1,372.9	17%
Other PRI Guarantees	10,041.4	44%	5,149.6	56%	10,504.0	45%	5,153.3	62%
Non Honoring (NH)								
NHSFO	4,883.9	22%	1,142.1	12%	5,946.5	25%	1,324.9	16%
NH Sub-Sovereign	245.8	1%	59.1	1%	321.4	1%	73.4	1%
NHSOE/ Other NH Exposures	3,490.5	15%	698.4	8%	2,488.8	11%	370.4	4%
Total PRI Exposures	**13,972.9**	**62%**	**7,292.7**	**79%**	**14,570.0**	**62%**	**6,526.2**	**79%**
Total NH Exposures	**8,620.1**	**38%**	**1,899.6**	**21%**	**8,756.6**	**38%**	**1,768.6**	**21%**
Total Exposure	**22,593.1**	**100%**	**9,192.2**	**100%**	**23,326.6**	**100%**	**8,294.8**	**100%**

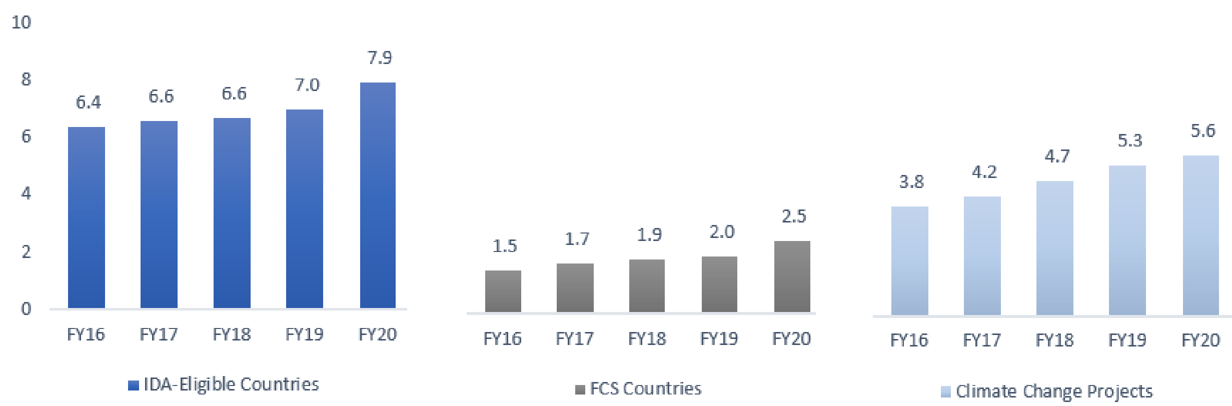
The gross outstanding exposure of Non-Honoring (NH) guarantees as of end-FY20 accounted for $8.6 billion and 38% of the overall portfolio and declined marginally by 2% when compared to end-FY19. Due to their typically higher risk to MIGA, NH covers are also more heavily reinsured than the PRI covers. The net exposure of these guarantees increased by 7% to $1.9 billion as of end-FY20 compared to $1.8 billion as of end FY19 and represented 21% of the overall net portfolio as of the end of each fiscal year. Similar to PRI guarantees, the increase in net exposure was on account of large highly reinsured transactions exiting the portfolio and being replaced by transactions carrying an overall lower reinsurance rate. Consequently the reinsurance rate has declined across both product types and across the overall portfolio.

Table 6 above provides the gross and net exposures as of June 30, 2020 and June 30, 2019 for the various classes of PRI and Non Honoring products.

Portfolio Exposure in Strategic Priority Areas

Over the last five fiscal years, the Agency has grown its portfolio in the strategic priority areas defined in the FY18-20 Strategy. As of June 30, 2020, MIGA's gross outstanding exposure in IDA-eligible countries was $7.9 billion compared to $7.0 billion as of end-FY19, an increase of 13%. MIGA's exposure in FCS countries as of June 30, 2020 was $2.5 billion compared to $2.0 billion as of end-FY19, representing a 25% growth. Similarly, the projects in the Agency's portfolio supporting Climate Finance grew from $3.8 billion at end-FY16 to $5.6 billion at end-FY20. (**Figure 14**).

Figure 14. Gross Portfolio in Strategic Priority Areas ($B)



Portfolio Exposure across Regions

The Agency has increased its gross and net exposures in the SSA region as of end-FY20 to $6.4 billion and $3.1 billion, respectively. The increase in exposure was driven by several capital optimization projects across the region as well as a NH guarantee in relation to a Regional Development Bank, benefitting 22 different host countries.

Gross exposure in the ECA region declined to $5.3 billion primarily on account of the cancellation of a large highly reinsured Non-Honoring transaction in Azerbaijan, while the net exposure remained flat at $2.2 billion.

Gross exposures in the LAC Region declined on account of reductions in a large capital optimization project in Argentina offset by the issuance of three NHSOE transactions in Panama and Colombia. Due to the low net retention of the Argentina capital optimization project and the relatively lower reinsurance on transactions written in the region during FY20, net exposure increased to $1.5 billion as of end-FY20.

The gross exposures in MENA and SAR regions increased as of end FY20 to $3.0 billion and $1.3 billion, respectively while the greoss exposure in EAP region declined to $2.4 billion.

Table 7 provides the regional gross and net exposures as of June 30, 2020 and June 30, 2019.

Table 7. Portfolio Composition by Region ($M)

Region	FY20 Exposure				FY19 Exposure			
	Gross Exposure	Share%	Net Exposure	Share%	Gross Exposure	Share%	Net Exposure	Share%
East Asia And Pacific	2,491.6	11%	760.3	8%	2,624.1	11%	732.4	9%
Europe and Central Asia	5,295.1	23%	2,157.9	23%	6,579.6	28%	2,181.0	26%
Latin America and the Caribbean	4,062.4	18%	1,496.5	16%	4,323.1	19%	1,349.4	16%
Middle East and North Africa	3,004.8	13%	1,039.6	11%	2,979.2	13%	1,047.8	13%
South Asia	1,320.2	6%	612.7	7%	1,000.1	4%	498.5	6%
Sub-Saharan Africa	6,419.0	28%	3,125.2	34%	5,820.5	25%	2,485.7	30%
Total Exposure	**22,593.1**	**100%**	**9,192.2**	**100%**	**23,326.6**	**100%**	**8,294.8**	**100%**

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 FY20, MIGA did not make any claim payments. As of June 30, 2020, 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.

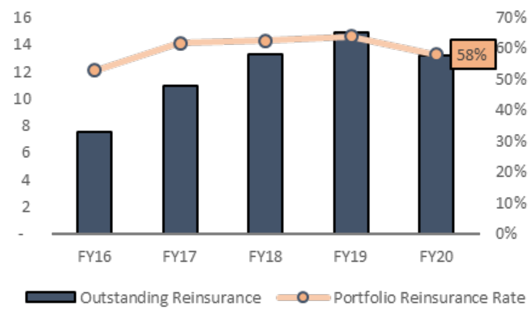
5. Reinsurance Management

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, 2020, $13.2 billion (58%) of the Agency's gross outstanding exposure was reinsured under facultative and quota share treaty arrangements in comparison to $14.9 billion (64%) as of end-FY19. **Figure 15** shows the evolution of the reinsurance portfolio over the past five fiscal years and the trend of the portfolio reinsurance rate.

Figure 15. Portfolio Reinsurance ($B) and Rate (%)



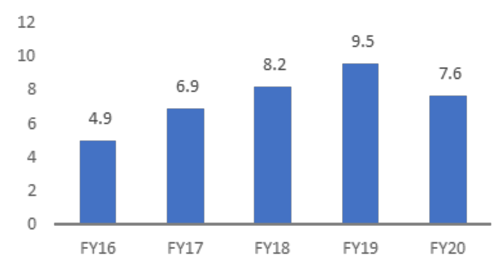
Treaty and Facultative Reinsurance

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, 2020, exposure ceded to facultative reinsurers was $7.6 billion, a decrease of 20% from the end-FY19 level of $9.5 billion, though still an increase of 55% from the end-FY16 level of $4.9 billion.

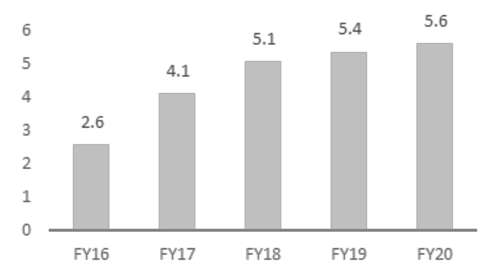
In addition to facultative reinsurance, MIGA also cedes exposure to a panel of four treaty reinsurers. The Agency's treaty reinsurance attaches to a contract of guarantee when the associated gross exposure exceeds the attachment point defined in the treaty agreements. Attachment points and amounts ceded under treaty reinsurance vary according to country risk. As of June 30, 2020, exposure ceded to the panel of treaty reinsurers amounted to $5.6 billion or 43% of total outstanding reinsurance, in comparison to $5.4 billion as of end-FY19. (**Figure 16**)

Figure 16. Portfolio Reinsurance – Facultative and Treaty ($B)

Facultative Reinsurance



Treaty Reinsurance

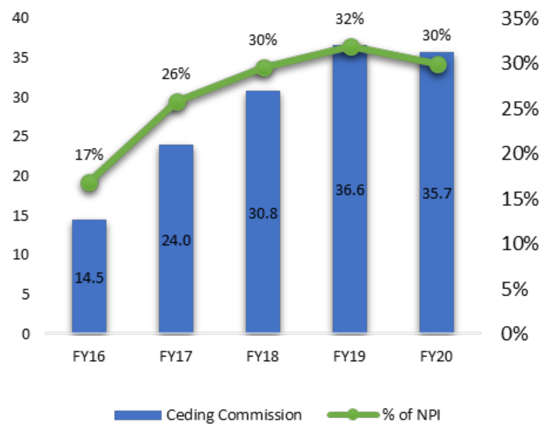


Ceding Commissions Earned on Reinsurance Transactions

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 FY20, MIGA earned ceding commissions of $35.7 million or 24% of premiums ceded, and a 2% decrease over commissions of $36.6 million earned in FY19. This also constitutes 30% of the FY20 NPI and 32% of the FY19 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 17**)

Figure 17. 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, 2020, MIGA had 182 member countries and a total subscribed capital of $1.9 billion. **Table 8** provides a summary of the capital stock as of June 30, 2020.

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, 2020, $109.7 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 8. Capital Stock ($M) - June 30, 2020

	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, 2020 was $1,335 million compared to $1,320 million as of June 30, 2019, an increase of $15 million. The slight increase primarily reflects FY20's net income contribution of $57.2 million, partially offset by the increase in Accumulated Other Comprehensive Loss (AOCL) of $42.2 million, with the latter resulting from actuarial losses on the pension and post-retirement benefit plans. **Table 9** below provides the five-year trend of shareholders' equity.

Table 9. Shareholders' Equity ($M)

As of June 30,	**2020**	**2019**	**2018**	**2017**	**2016**
Paid-in Capital	366	366	366	366	366
Retained Earnings	1,065	1,008	925	884	684
Accumulated Other Comprehensive Loss	(96)	(54)	(30)	(37)	(62)
	1,335	**1,320**	**1,261**	**1,213**	**989**

Actuarial Losses on Pension 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 and has declined significantly in FY20, resulting in an increase in the underfunded status of the pension plans, with the MIGA portion increasing by $48 million from $46.1 million as of end-FY19 to $94.1 million as of June 30, 2020. **Table 10** below shows the MIGA attributable portion of the funded status across all three plans as of June 30, 2020 and 2019.

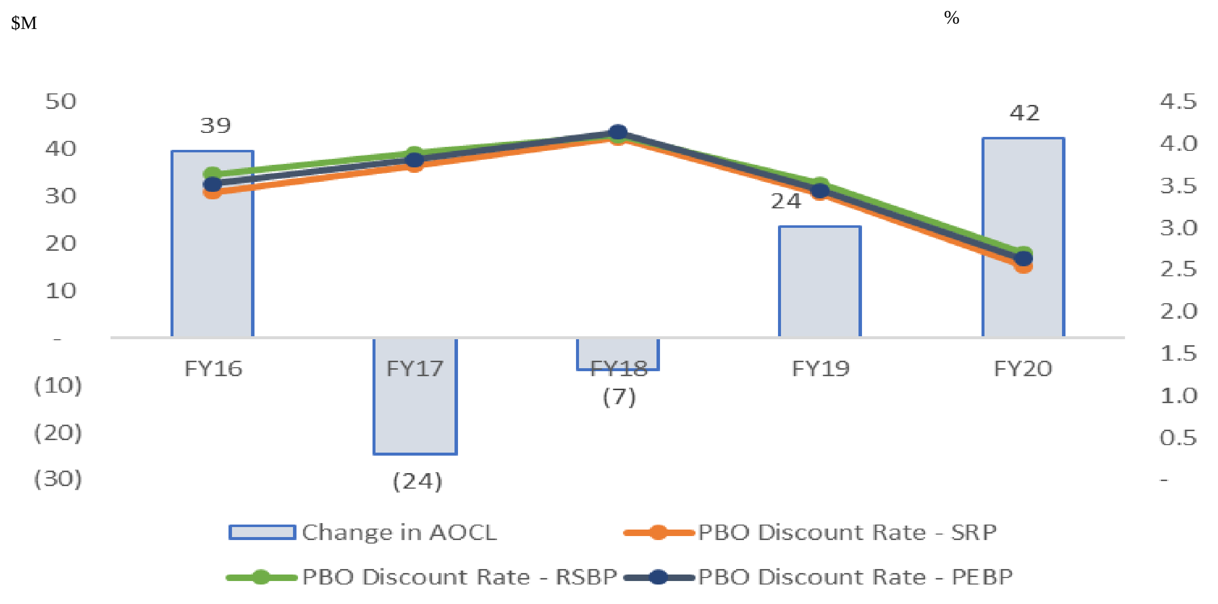
Table 10. Pension Plans Funded Status ($M)

	As of June 30, 2020			
	SRP	**RSBP**	**PEBP**	**Total**
Projected Benefit Obligations (PBO)	274.6	42.7	31.3	348.6
Plan Assets	221.7	32.6	-	254.3
Funded Status	**(52.9)**	**(10.1)**	**(31.3)**	**(94.3)**

	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)**

Figure 18 below highlights the impact of the decline in the discount rate on the unrecognized actuarial losses with AOCL increasing by $42 million in FY20 primarily on account of the discount rate across all three plans reducing by 80bps.

Figure 18. 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, 2020, MIGA's underwriting capacity was $28,929 million, as detailed in **Table 11** below. MIGA's gross outstanding exposure on that date was $22,593 million and represented 78% of the Agency's statutory underwriting capacity.

Table 11. Statutory Underwriting Capacity ($M)

	June 30, 2020	June 30, 2019
Subscribed Capital	1,919	1,919
Retained Earnings	1,065	1,008
Accumulated Other Comprehensive Loss	(96)	(54)
Insurance Portfolio Reserve (net)	256	222
Total	3,144	3,095
500%[4] of Subscribed Capital, Retained Earnings, Accumulated Other Comprehensive Loss and Insurance Portfolio Reserve, net	15,721	15,471
100% of Exposure Ceded[5]	13,208	14,902
Statutory Underwriting Capacity	**28,929**	**30,373**

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. Therefore, as of June 30, 2020, the maximum guarantee capacity can be extended to $52.4 billion based on a maximum net guarantee exposure scenario of $15.7 billion as of that date and 70% maximum portfolio reinsurance rate. **Figure 19** highlights the potential room for growth based upon current levels of exposure.

Figure 19. 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 FY20 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, 2020 stood at $38 thousand, $35.8 million and $156.9 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 risk inherent in 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 against the risk of loss in the investment portfolio. Together, these three measures constitute the total economic capital.

As of June 30, 2020, the economic capital consumed by the guarantee portfolio amounted to $656 million and the total economic capital for the Agency amounted to $756 million, compared to $626 million and $717 million, respectively, as of June 30, 2019.

During FY20, MIGA introduced a new comprehensive capital adequacy metric, Risk Capital (RC), defined as total EC plus buffer capital and expressed as a percent of available operating capital (OC). Buffer capital is computed in a new bespoke stress testing tool, with stress scenarios representing project-level and country level risk as well as systemic macroeconomic scenarios and systemic event-driven scenarios. The new metric complements the total EC/OC ratio in MIGA's risk reporting and provides a better grounding for establishing target levels for capital adequacy. Inner and outer limits for the RC/OC ratio have been established at 80% and 85%, as part of an interim risk appetite statement (RAS). A full RAS, with a comprehensive risk taxonomy for both financial and non-financial risk types, is under implementation.

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 12 shows the ratios of guarantee portfolio EC and Total EC to operating capital over the past five fiscal years, and the new risk capital (RC) to operating capital ratio for FY20. The guarantee portfolio EC and total EC ratios stood at 41.2%, and 47.5%, respectively, as of June 30, 2020 compared with 40.6% and 46.5% as of June 30, 2019. Based on updated stress tests, the buffer capital was computed at 15.4% of operating capital, for an RC/OC ratio of 62.9% as of June 30, 2020, well below the inner and outer limits of 80% and 85%. Together, the ratios indicate an overall stable and robust capital adequacy position for the Agency, including an ability to withstand severe stress to its portfolio.

[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 $82 million as of June 30, 2020.

Table 12. Capital Utilization (FY16-20, $M)

	FY20	FY19	FY18	FY17	FY16
Guarantee Portfolio Economic Capital	656	626	605	518	597
Total Economic Capital	756	717	685	592	663
Risk Capital	1,001	n/a	n/a	n/a	n/a
Insurance Portfolio Reserve (net)	256	222	210	185	341
Retained Earnings and Accumulated Other Comprehensive Loss	969	954	895	847	622
Paid-in Capital	366	366	366	366	366
Operating Capital	1,591	1,542	1,471	1,398	1,329
Net Exposure	9,192	8,295	7,878	6,780	6,665
Guarantee Portfolio Economic Capital / Operating Capital	41.2%	40.6%	41.1%	37.1%	44.9%
Total Economic Capital / Operating Capital	47.5%	46.5%	46.6%	42.3%	49.9%
Risk Capital / Operating Capital	62.9%	n/a	n/a	n/a	n/a
Guarantee Portfolio Economic Capital / Net Exposure	7.1%	7.5%	7.7%	7.6%	9.0%

Note: (1) Numbers may not add up due to rounding.
(2) EC and total EC/OC Ratios for FY16 are based on the old EC model and are not comparable with figures shown for later fiscal years.

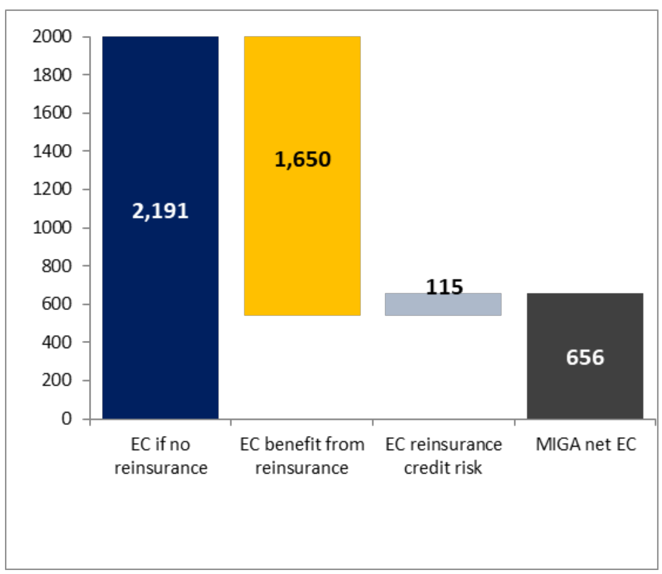
As a gauge of year-on-year changes to the relative risk-level of the guarantee portfolio, **Table 12** also shows the ratio of guarantee portfolio economic capital to portfolio net exposure. As of June 30, 2020, this ratio stood at 7.1% compared to 7.5% at end-FY19. This indicates a stable trend in the risk level of the Agency's guarantee portfolio.

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, 2020, reinsurance on the guarantee portfolio provided relief to the overall guarantee portfolio EC consumption by 70% similar to FY19. **Figure 20** shows the benefit provided by reinsurance on the guarantee portfolio economic capital in FY20, net of EC for reinsurer counterparty credit risk (RCC).

MIGA is also exposed to the risk of default by its reinsurers when claims materialize. **Figure 20** also indicates the impact of the RCC on the guarantee portfolio economic capital. As of June 30, 2020, the amount of RCC EC is estimated at $115 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.

Figure 20. Impact of Reinsurance on Economic Capital ($M)

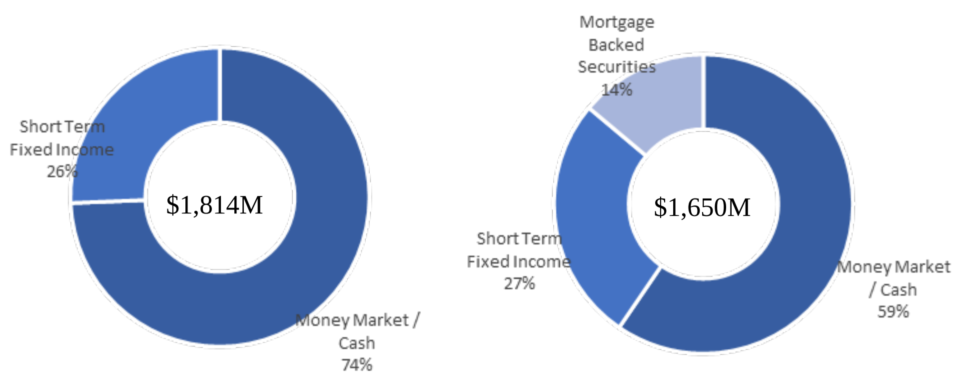


8. INVESTMENT MANAGEMENT

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, with the liquid assets held in cash and highly rated fixed income instruments. As of June 30, 2020, MIGA's net investment portfolio holdings totaled $1.8 billion, comprising primarily of cash and money market instruments, U.S. Treasuries, sovereign and government guaranteed securities, as well as derivatives. **Figure 21** shows the broad asset class allocation as of end-FY20 and FY19. MIGA divested its holdings in Mortgage-Backed Securities during the second half of FY20. The reason for the sale was to capture improved valuations following lower interest rates in response to the economic slowdown caused by the pandemic.

Most of the Agency's assets are denominated in USD, with a small portion in non-USD holdings. As of end-FY20, MIGA held cash and government securities denominated in currencies other than USD totaling $122.2 million or 6.7% of its total holdings.

Figure 21. Composition of MIGA's Investment Portfolio by Asset Class ($M)



June 30, 2020 **June 30, 2019**

MIGA's investment portfolio had an annual return of 2.3% in FY20 compared to 2.4% in FY19. The decrease in return can be attributed to the lower interest rate environment and MIGA's decision to hold investments in shorter-duration instruments. **Table 13** provides details on the investment income by asset class over the past five fiscal years. Total investment income earned in FY20 was $40.2 million compared to $38.4 million in FY19.

Table 13. Investment Income Analysis by Asset Class (FY16-FY20) ($M)

Asset Class	FY20	FY19	FY18	FY17	FY16
Money Market / Cash	17.7	20.0	12.4	6.2	3.1
US Short Term (0-3 Year)	11.9	5.3	2.9	1.8	2.3
Mortgage Backed Securities (MBS)	10.6	13.1	0.2	(3.0)	17.5
Total Investment Income	**40.2**	**38.4**	**15.5**	**4.8**	**22.9**
Total Portfolio Return	**2.3%**	**2.4%**	**1.0%**	**0.3%**	**1.7%**

9. RISK MANAGEMENT

Risk Governance

MIGA's risk management processes and practices continually evolve to reflect the changes in activities in response to market, credit, operational and other developments. The Board of Directors, through the Audit Committee, is responsible for providing oversight and approving MIGA's risk management policies. While MIGA's Executive Vice President is responsible for overall risk management, the responsibility for the design and implementation of the risk management framework rests with the Vice President & Chief Legal, Risk and Administrative Officer (VP & CLRAO).

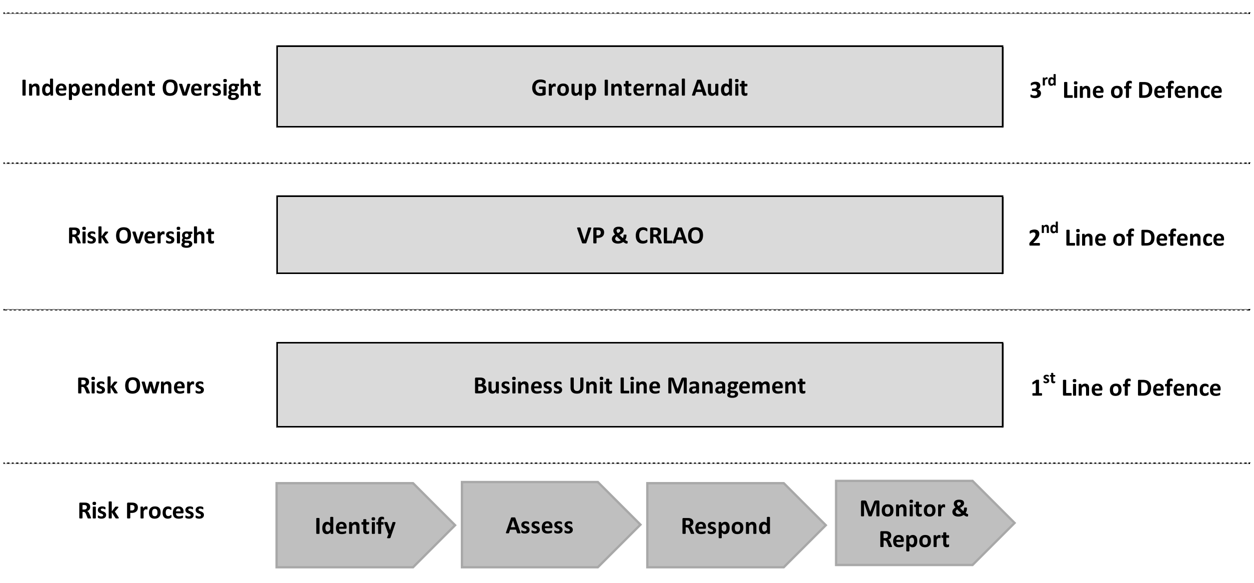
As effective risk management is critical for MIGA's overall operations, the risk management governance structure is designed to manage the principal risks MIGA assumes in its activities and supports Management in its oversight function. MIGA's risk governance structure is built on the "three lines of defense" principle (see **Figure 22**) where:

(i) Business units are responsible for directly managing risks in their respective functional areas;

(ii) The VP & CRLAO provides direction and oversight over risk activities; and

(iii) Group Internal Audit (GIA) provides independent oversight.

Figure 22. Risk Management Structure



MIGA’s risk management process comprises risk identification, assessment, response and risk monitoring and reporting. MIGA has policies and procedures under which risk owners are responsible for identifying, assessing, responding to, monitoring and reporting risks.

Summary and Management of MIGA’s Specific Risks

MIGA is exposed to a variety of risks and employs risk management tools such as an Economic Capital Framework and reinsurance arrangements to measure and manage its risk. Below is a description of the risks to which MIGA is exposed and the various programs in place to manage these 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 default events and is inherent in the guarantee portfolio.

MIGA’s earnings depend on how its claims experience compares with assumptions used in setting prices for products and in 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.

Management of Insurance Risk

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 the Agency, and serves as an initial filter for determining 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.

Portfolio Concentration Risk

Portfolio concentration risk arises when a small group of host countries account for a large share of the overall outstanding guarantees and is a key concern for MIGA.

Management of Portfolio Concentration Risk

MIGA uses Economic Capital (EC) consumption to assess portfolio concentration risk, ensures compliance with the Board-approved host country net exposure limit, and constantly monitors the top five and ten host countries by EC consumption and net exposures.

The Agency’s Portfolio Management Committee (PMC) oversees portfolio concentration matters and is comprised of members of MIGA’s senior management, supported by MIGA’s Risk Analytics and Reinsurance teams. The PMC meets on a quarterly basis to discuss the risk profile of the Agency’s guarantee portfolio and proposes measures to manage concentration in the guarantee portfolio.

Under its Economic Capital (EC) [7] Model, based on best practices applied in risk modeling, 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.

Table 14 below captures the top five and top ten largest EC consuming countries in the portfolio as of June 30, 2020 and June 30, 2019. The top five and top ten largest countries consumed 53.2% and 67.9%, respectively, of the total EC as of June 30, 2020.

Table 14. Top EC Consuming Countries – June 30, 2020 and June 30, 2019 ($M)

	FY20			FY19	
Country	**EC**	**% of Total EC**	**Country**	**EC**	**% of Total EC**
Turkey	157.9	24.1%	Turkey	176.7	28.2%
South Africa	74.2	11.3%	Egypt, Arab Republic of	35.7	5.7%
Oman	47.3	7.2%	Oman	31.5	5.0%
Honduras	35.5	5.4%	South Africa	29.2	4.7%
Bangladesh	34.1	5.2%	Honduras	29.1	4.7%
Egypt, Arab Republic of	30.9	4.7%	Myanmar	25.5	4.1%
Myanmar	18.2	2.8%	Pakistan	22.0	3.5%
Mauritania	17.4	2.7%	Azerbaijan	21.1	3.4%
Cameroon	15.3	2.3%	Mauritania	20.9	3.3%
Ghana	15.0	2.3%	Cameroon	19.2	3.1%
Top 5 Countries	**349.0**	**53.2%**	**Top 5 Countries**	**302.2**	**48.3%**
Top 10 Countries	**445.7**	**67.9%**	**Top 10 Countries**	**411.0**	**65.7%**
Total EC	**656.1**	**100.0%**	**Total EC**	**626.0**	**100.0%**

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 are $1 billion and $300 million, respectively.

The top five and ten largest exposure countries by net exposure as of June 30, 2020 and June 30, 2019 are shown below in **Table 15,** accounting for 23.9% and 39.5% of the total net guarantee portfolio, respectively as of June 30, 2020.

[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.

Table 15. Top Countries By Net Exposures – June 30 2020 and June 20, 2019 ($M)

	FY20 Exposure				FY19 Exposure		
Country	**Gross Exposure**	**Net Exposure**	**% of Total Net Exposure**	**Country**	**Gross Exposure**	**Net Exposure**	**% of Total Net Exposure**
Turkey	2,677.3	569.5	6.2%	Turkey	2,967.4	612.7	7.4%
South Africa	1,629.2	522.9	5.7%	South Africa	1,662.0	501.9	6.1%
Egypt, Arab Republic of	516.1	424.1	4.6%	Egypt, Arab Republic of	472.1	377.7	4.6%
Serbia	798.3	360.2	3.9%	Serbia	843.6	325.7	3.9%
Ghana	478.5	323.0	3.5%	Cameroon	459.5	310.7	3.7%
Panama	710.7	309.3	3.4%	Pakistan	374.6	287.5	3.5%
Cameroon	455.2	307.8	3.3%	Myanmar	873.2	275.9	3.3%
Bosnia and Herzegovina	543.9	294.1	3.2%	Argentina	1,620.9	263.9	3.2%
Bangladesh	797.0	273.4	3.0%	Jordan	604.9	249.7	3.0%
Oman	1,701.1	246.6	2.7%	Oman	1,701.1	246.6	3.0%
Top 5 Exposures	**6,099.4**	**2,199.7**	**23.9%**	**Top 5 Exposures**	**6,404.6**	**2,128.7**	**25.7%**
Top 10 Exposures	**10,307.4**	**3,630.9**	**39.5%**	**Top 10 Exposures**	**11,579.3**	**3,452.3**	**41.6%**
Total Exposure	**22,593.1**	**9,192.2**	**100.0%**	**Total Exposure**	**23,326.6**	**8,294.8**	**100.0%**

Liquidity Risk

Liquidity risk includes the risks of MIGA's inability to meet its claims payment obligations when they fall due.

Management of 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

Commercial counterparty credit risk arises when counterparties fail to meet their payment obligations under the terms of the contract or other financial instruments.

Management of 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 Board-approved General Investment Authorization also provides eligibility criteria for the Agency's investments, include the minimum credit ratings of the instruments in which the Agency should invest.

MIGA's overall commercial counterparty credit risk was about $1.8 billion as of June 30, 2020. As indicated in **Table 16** below, the majority of the Agency's investments are concentrated in the upper end of the credit ratings range with 79% of the portfolio rated AA or above and the remaining portfolio primarily rated A.

Table 16. Commercial Counterparty Credit Risk Exposure ($M)

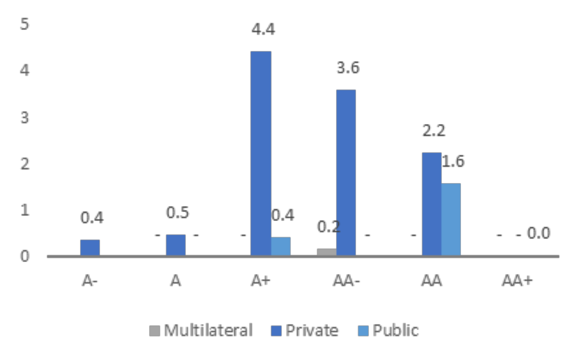
As of June 30, 2020				
	Investments			
Counterparty Rating	*Sovereigns*	*Non-Sovereigns*	Total	% of Total
AAA	198.0	449.3	647.3	35.4%
AA	1.4	802.2	803.6	43.9%
A	84.5	294.3	378.8	20.7%
BBB	-	0.1	0.1	0.0%
Total	**283.9**	**1,545.9**	**1,829.8**	**100.0%**

Numbers may not add up due to rounding

Reinsurance Counterparty Credit Risk (RCC)

Reinsurance 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 23** provides a graphical representation of the ceded exposure with reinsurance counterparties by credit risk ratings.

Figure 23. Reinsurer Counterparty Exposure Distribution by Rating ($B)



RCC related capital allocation as of June 30, 2020 was $115 million **(See Figure 20)**.

Management of Reinsurance Counterparty Credit Risk

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, the Reinsurance Counterparty Credit Risk (RCCR) Committee's mandate is 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.

Operational Risk

Operational risk is defined as the risk of financial loss or damage to the institution's reputation resulting from inadequate or failed internal processes, people and systems, or from external events. Operational risk is intrinsic to financial institutions and is an important component of the agency-wide risk management framework.

Management of Operational Risk
As part of its business activities, MIGA is exposed to a range of operational risks including physical security and staff health and safety, business continuity, external vendor risks and cyber security, and surveils key events or monitors any indicators requiring action.

Cybersecurity risk has increased over the years due in large part to evolving sophistication of the threat landscape. These risks are unavoidable and managing them cost-effectively within targeted levels consistent with the defined risk appetite is part of the World Bank Group's cybersecurity risk management strategy.

For financial reporting, MIGA mitigates operational risks by maintaining a sound internal control system and a key component of this framework is the effectiveness of key controls over external financial reporting, which 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.

Management of Legal Risk
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.

Integrity Risk

Integrity risk is the risk of engaging with external institutions or persons whose background or activities may have adverse reputational and/or financial impact on MIGA. The Agency works with a wide range of external clients and partners from multi-nationals to small companies, reinsurance companies and brokers, and from government institutions to non-governmental organizations when providing political risk insurance and credit enhancement guarantees. Each transaction therefore presents unique integrity risks, affected by different factors, including the type of engagement, financial instrument covered, structure, and duration of the engagement and managing these risks is an essential component of MIGA's management of its non-financial risk profile.

Management of Integrity Risk
MIGA takes a holistic approach to managing integrity risks in its portfolio and preventing reputational harm to the Agency. Its integrity risk framework helps identify, mitigate, manage, document and monitor potential risks associated with unethical and illegal activities including World Bank Group sanctionable practices (fraud, corruption, collusion, coercion), bribery, financial crimes (including money laundering and terrorism financing), and other actions that could adversely affect development outcomes in the projects it supports or bring the Agency's name into disrepute.
MIGA's screening process is also designed to prevent the Agency from entering into business relationships with entities or individuals sanctioned by the United Nations (UN), and its contract of guarantee requires that its business partners not violate UN sanctions or, in relation to MIGA guarantees, engage with UN

sanctioned entities or individuals. As an international organization, although MIGA is not required to comply with the sanctions' regimes of individual member countries or regional groupings, the Agency nonetheless takes these lists into account when conducting its project risk assessments.

Environment and Social (E&S) Risks

Environment and Social (E&S) impacts refer to any change, potential or actual, to (i) the physical, natural, or cultural environment, and (ii) surrounding community and workers, resulting from the business activity/project supported by MIGA. E&S risk is a combination of the probability of certain hazardous occurrences and the severity of impacts resulting from such occurrences.

Management of E&S Risks
The management of E&S risks and impacts is governed by MIGA's Policy on Environmental and Social Sustainability which forms part of the Agency's Sustainability Framework that includes Access to Information Policy, E&S procedures, World Bank Group Environmental, Health and Safety Guidelines and guidance notes/tip sheets to address various elements in the Performance Standards. The Sustainability Framework articulates the Agency's commitment to sustainable development through the use of the Performance Standards that guide clients on sustainable business practices, including continually identifying and managing risks through analytical work, such as environmental and social assessments, stakeholder engagement, and client disclosure obligations.

While managing E&S risks and impacts in a manner consistent with the Performance Standards is the responsibility of the client, the Agency seeks to ensure, through its due diligence and monitoring efforts, that the business activities it supports through its guarantees, are implemented in accordance with the requirements of the Performance Standards. The Performance Standards enable the Agency and its clients manage and improve their E&S performance through a risk and outcomes-based approach. The desired outcomes are described in the objectives of each Performance Standard, followed by specific requirements to help clients achieve these outcomes through means that are appropriate to the nature and scale of the activity and commensurate with the level of E&S risks and/or impacts. Central to these requirements is the application of a mitigation hierarchy to anticipate and avoid adverse impacts on workers, communities, and the environment. Where avoidance is not possible, the goal is to minimize adverse impacts, and where residual impacts remain, to compensate/offset for the risks and impacts, as appropriate.

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 G, *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

MIGA's decision-making structure consists of the Council of Governors, the Board of Directors, the President, Management and staff. The Council of Governors is the highest decision-making authority.

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 committees are made up of eight` members and function under their respective stipulated terms of reference. Below is a brief summary of the key functions of each committee:

• *Audit Committee (AC)* - assists the Board in overseeing MIGA's finances, accounting, risk management and internal controls (*see further explanation below*).

• *Budget Committee (BC)* - assists the Board in approving MIGA's budget and in overseeing the preparation and execution of MIGA's business plans. The committee provides guidance to management on strategic directions of MIGA.

• *Committee on Development Effectiveness (CODE)* - supports the Board in assessing MIGA's development effectiveness, providing guidance on strategic directions of MIGA, and monitoring the quality and results of operations.

• *Committee on Governance and Administrative Matters (COGAM)* - assists the Board on issues related to the governance of MIGA's, the Board's own effectiveness, and the administrative policy applicable to the Directors' offices.

• *Human Resources Committee (HRC)* - strengthens the efficiency and effectiveness of the Board in discharging its oversight responsibility on the MIGA human resources strategy, policies and practices, and their alignment with the business needs of the organization.

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 establish 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

Mr. Ethiopis Tafara was appointed Vice President, Corporate Services and Chief Risk, Legal and Administrative Officer effective September 23, 2019.

Mr. Hiroshi Matano was appointed as Executive Vice President of MIGA effective December 16, 2019, following the retirement of Ms. Keiko Honda effective October 31, 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

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 World Bank Group (WBG) Code of Conduct, (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 WBG 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 WBG funding or guarantees. It also trains and educates staff and clients in detecting and reporting fraud and corruption and maintains a Fraud and Corruption hotline.

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
- Renewal of the external audit contract every five years, with a limit of two consecutive terms and mandatory rotation thereafter.
- Limit on the external auditor’s provision of non-audit related services, with the total non-audit service fees over the term of the relevant external audit contract capped at seventy percent of the audit fees 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.

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

AC: Audit Committee
AOCL : Accumulated Other Comprehensive Loss
BC: Budget Committee
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
COVID-19: Coronavirus Disease
EAP: East Asia and Pacific
E&S: Environmental and Social
EBC: Office of Ethics and Business Conduct
EC: Economic Capital
ECA: Europe and Central Asia
ESM: Early Screening Meeting
FAM: Final Approval Meeting
FCS: Fragile and Conflict-Affected Situations
GIA: Group Internal Audit
GPI: Gross Premium Income
HRC: Human Resources Committee
IBRD: International Bank for Reconstruction and Development
IDA: International Development Association
IFC: International Finance Corporation
INT: Integrity Vice Presidency
IPR: Insurance Portfolio Reserve
LAC: Latin America and the Caribbean
MBS: Mortgage Backed Securities
MENA: Middle East and North Africa
MIGA: Multilateral Investment Guarantee Agency
MGF: MIGA Guarantee Facility
NH: Non Honoring
NHFO-RDB: Non-Honoring of Financial Obligation by a Regional Development Bank
NHFO-SOE: Non-Honoring of Financial Obligation by a State Owned Enterprise
NHSFO: Non-Honoring of a Sovereign Financial Obligation
NPI: Net Premium Income
PBO: Projected Benefit Obligation
PMC: Portfolio Management Committee
PRC: Project Review Committee
PRI: Political Risk Insurance
PSW: Private Sector Window
RAS: Risk Appetite Statement
RC: Risk Capital
RCC: Reinsurance Counterparty Credit Risk
RMF: Risk Mitigation Facility
SAR: South Asia Region
SBO: Strategy and Business Outlook
SSA: Sub-Saharan Africa
UN: United Nations
VPCRLAO: Vice President and Chief Risk, Legal and Adminsitrative Officer
WBG: World Bank Group

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WORLD BANK GROUP

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

August 7, 2020

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, 2020. 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, 2020. 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.

August 7, 2020

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

Hiroshi Matano
Executive Vice President

Ethiopis Tafara
Vice President and Chief Legal, Risk & Administrative Officer

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, 2020, 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, 2020, 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 financial statements as of and for the year ended June 30, 2020 of MIGA, and our report dated August 7, 2020 expressed an unmodified opinion on those financial statements.

Deloitte & Touche LLP

August 7, 2020

Deloitte.

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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 sheets as of June 30, 2020 and 2019, and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows, for the years 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 audits. We conducted our audits 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, 2020, and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 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, 2020 (“supplementary information”) listed in the table of contents are presented for the purpose 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 information has been subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Internal Control over Financial Reporting

We have also 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, 2020, 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 7, 2020 expressed an unmodified opinion on MIGA's internal control over financial reporting.

Deloitte & Touche LLP

August 7, 2020

Balance Sheets

June 30, 2020 and June 30, 2019
Expressed in thousands of US dollars (*unless otherwise stated*)

	June 30, 2020	June 30, 2019
Assets		
Cash	$ 11,484	$ 85,819
Investments - Trading (including securities transferred under repurchase agreements) - Notes B and K	1,828,801	1,569,504
Derivative assets, net - Notes C and K	11	428
Non-negotiable, non interest - bearing demand obligations - Note D	109,729	109,917
Receivable for investment securities sold - Note B	9,263	11,065
Reinsurance recoverable - Note F	514,084	354,800
Prepaid premium ceded to reinsurers - Note E	426,492	266,181
Other assets - Note I	90,301	21,915
TOTAL ASSETS	$ 2,990,165	$ 2,419,629
Liabilities and Shareholders' Equity		
LIABILITIES		
Reserve for claims, gross - Note F		
Specific reserves for claims	$ 22,730	$ 3,124
Insurance portfolio reserve	743,898	566,635
Reserve for claims - gross	766,628	569,759
Unearned premiums and commitment fees - Note E	680,959	422,545
Derivative liabilities, net - Notes C and K	11,463	6,901
Payable for investment securities purchased - Note B	17,843	5,165
Securities sold under repurchase agreements and payable for cash collateral received - Notes B and K	-	61
Liabilities for pension and other post-retirement benefits - Note G	95,337	47,009
Other liabilities - Notes H and I	83,084	48,507
TOTAL LIABILITIES	1,655,314	1,099,947
CONTINGENT LIABILITIES - Note E		
SHAREHOLDERS' EQUITY		
Capital stock - Note D		
Authorized capital (186,665 shares - June 30, 2020; 186,587 Shares - June 30, 2019)		
Subscribed capital (177,409 shares - June 30, 2020; 177,331 Shares - June 30, 2019)	1,919,565	1,918,721
Less uncalled portion of subscriptions	1,553,274	1,552,599
	366,291	366,122
Retained earnings	1,064,842	1,007,608
Accumulated other comprehensive loss - Note J	(96,282)	(54,048)
TOTAL SHAREHOLDERS' EQUITY	1,334,851	1,319,682
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,990,165	$ 2,419,629

See accompanying notes to the financial statements

Statements of Income

For the fiscal years ended June 30, 2020 and June 30, 2019
Expressed in thousands of US dollars

	2020	2019
INCOME		
Income from guarantees		
Gross premium income - Note E	$ 232,285	$ 237,920
Premium ceded - Note E	(145,909)	(152,023)
Net premium earned - Note E	86,376	85,897
Ceding commission and other fees - Note E	37,306	38,315
Brokerage and other charges - Note E	(6,596)	(9,109)
Net Premium Income	117,086	115,103
Income from investments - Note B	40,184	38,355
Miscellaneous income	143	143
Total income	157,413	153,601
EXPENSES		
Increase in reserves, net - Note F		
Increase in reserves, excluding translation gains	38,553	12,799
Translation gains	(1,165)	(1,277)
Increase in reserves, net	37,388	11,522
Administrative expenses (including Pension service cost) - Notes G and I	62,065	59,600
Pension credit (excluding Pension service cost) - Note G	(972)	(1,790)
Translation losses - Investments and other assets	1,698	1,837
Increase in reserves and total expenses	100,179	71,169
NET INCOME	$ 57,234	$ 82,432

See accompanying notes to the financial statements

Statements of Comprehensive Income

For the fiscal years ended June 30, 2020 and June 30, 2019
Expressed in thousands of US dollars

	2020	2019
NET INCOME	$ 57,234	$ 82,432
OTHER COMPREHENSIVE LOSS - Note J		
Net actuarial losses on benefit plans	(42,486)	(23,822)
Prior service credits on benefit plans	252	254
Total other comprehensive loss	(42,234)	(23,568)
COMPREHENSIVE INCOME	$ 15,000	$ 58,864

Statements of Changes in Shareholders' Equity

For the fiscal years ended June 30, 2020 and June 30, 2019
Expressed in thousands of US dollars

	2020	2019
CAPITAL STOCK		
Balance at beginning of the fiscal year	$ 366,122	$ 366,122
Paid-in subscriptions	169	-
Ending Balance	366,291	366,122
RETAINED EARNINGS		
Balance at beginning of the fiscal year	1,007,608	925,176
Net income	57,234	82,432
Ending Balance	1,064,842	1,007,608
ACCUMULATED OTHER COMPREHENSIVE LOSS		
Balance at beginning of the fiscal year	(54,048)	(30,480)
Other comprehensive loss	(42,234)	(23,568)
Ending Balance	(96,282)	(54,048)
TOTAL SHAREHOLDERS' EQUITY	$ 1,334,851	$ 1,319,682

See accompanying notes to the financial statements

Statements of Cash Flows

For the fiscal years ended June 30, 2020 and June 30, 2019
Expressed in thousands of US dollars

	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	$ 57,234	$ 82,432
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Increase in reserves, net - Note F	37,388	11,522
Translation losses - Investments and other assets	1,698	1,837
Net change in:		
Investments - Trading, net	(242,402)	(61,628)
Prepaid premiums ceded to reinsurers	(162,791)	(28,640)
Other assets	(68,173)	9,188
Other liabilities	40,719	(7,430)
Unearned premiums and commitment fees	262,092	36,735
Net cash (used in) provided by operating activities	(74,235)	44,016
CASH FLOW FROM FINANCING ACTIVITIES		
Capital subscription payments	85	-
Net cash provided by financing activities	85	-
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(185)	384
Net (decrease) increase in cash	(74,335)	44,400
Cash at beginning of the fiscal year	85,819	41,419
CASH AT END OF THE FISCAL YEAR	$ 11,484	$ 85,819

Supplemental disclosure

	2020	2019
NON-CASH FINANCING ACTIVITIES		
Capital subscription- related demand note	84	-

See accompanying notes to the financial statements

Statement of Subscriptions to Capital Stock and Voting Power

As of June 30, 2020

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	342	0.16
Albania	102	1,104	210	894	326	0.15
Algeria	1,144	12,378	2,350	10,028	1,368	0.63
Angola	187	2,023	405	1,618	411	0.19
Antigua and Barbuda	50	541	108	433	274	0.13
Argentina	2,210	23,912	4,539	19,373	2,434	1.12
Armenia	80	866	173	693	304	0.14
Australia	3,019	32,666	6,201	26,465	3,243	1.49
Austria	1,366	14,780	2,806	11,974	1,590	0.73
Azerbaijan	115	1,244	249	995	339	0.16
Bahamas, The	176	1,904	362	1,542	400	0.18
Bahrain	136	1,472	279	1,193	360	0.17
Bangladesh	599	6,481	1,230	5,251	823	0.38
Barbados	120	1,298	246	1,052	344	0.16
Belarus	233	2,521	504	2,017	457	0.21
Belgium	3,577	38,703	7,347	31,356	3,801	1.74
Belize	88	952	181	771	312	0.14
Benin	108	1,169	222	947	332	0.15
Bolivia	220	2,380	452	1,928	444	0.20
Bosnia and Herzegovina	80	866	173	693	304	0.14
Botswana	88	952	181	771	312	0.14
Brazil	2,606	28,197	5,353	22,844	2,830	1.30
Bulgaria	643	6,957	1,321	5,636	867	0.40
Burkina Faso	61	660	132	528	285	0.13
Burundi	74	801	160	641	298	0.14
Bhutan	50	541	108	433	274	0.13
Cambodia	164	1,774	337	1,437	388	0.18
Cameroon	107	1,158	232	926	331	0.15
Canada	5,225	56,535	10,732	45,803	5,449	2.50
Cape Verde	50	541	108	433	274	0.13
Central African Rep	60	649	130	519	284	0.13
Chad	60	649	130	519	284	0.13
Chile	855	9,251	1,756	7,495	1,079	0.49
China	5,530	59,835	11,359	48,476	5,754	2.64
Colombia	770	8,331	1,582	6,749	994	0.46
Comoros	50	541	108	433	274	0.13
Congo, Democratic Republic of	596	6,449	1,224	5,225	820	0.38
Congo, Republic of	115	1,244	236	1,008	339	0.16
Costa Rica	206	2,229	423	1,806	430	0.20
Cote d'Ivoire	310	3,354	637	2,717	534	0.24
Croatia	330	3,571	678	2,893	554	0.25
Cyprus	183	1,980	376	1,604	407	0.19
Czech Republic	784	8,483	1,610	6,873	1,008	0.46
Denmark	1,265	13,687	2,598	11,089	1,489	0.68
Djibouti	50	541	108	433	274	0.13
Dominica	50	541	108	433	274	0.13
Dominican Republic	147	1,591	318	1,273	371	0.17
Ecuador	321	3,473	659	2,814	545	0.25
Egypt, Arab Republic of	809	8,753	1,662	7,091	1,033	0.47

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

As of June 30, 2020

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	346	0.16
Equatorial Guinea	50	541	108	433	274	0.13
Eritrea	50	541	108	433	274	0.13
Estonia	115	1,244	236	1,008	339	0.16
Eswatini	58	628	126	502	282	0.13
Ethiopia	123	1,331	253	1,078	347	0.16
Fiji	71	768	154	614	295	0.14
Finland	1,057	11,437	2,171	9,266	1,281	0.59
France	8,565	92,673	17,593	75,080	8,789	4.03
Gabon	169	1,829	347	1,482	393	0.18
Gambia, The	50	541	108	433	274	0.13
Georgia	111	1,201	240	961	335	0.15
Germany	8,936	96,688	18,355	78,333	9,160	4.20
Ghana	432	4,674	887	3,787	656	0.30
Greece	493	5,334	1,013	4,321	717	0.33
Grenada	50	541	108	433	274	0.13
Guatemala	140	1,515	303	1,212	364	0.17
Guinea	91	985	197	788	315	0.14
Guinea-Bissau	50	541	108	433	274	0.13
Guyana	84	909	182	727	308	0.14
Haiti	75	812	162	650	299	0.14
Honduras	178	1,926	366	1,560	402	0.18
Hungary	994	10,755	2,042	8,713	1,218	0.56
Iceland	90	974	195	779	314	0.14
India	5,371	58,114	11,032	47,082	5,595	2.56
Indonesia	1,849	20,006	3,798	16,208	2,073	0.95
Iran, Islamic Rep	1,659	17,950	3,590	14,360	1,883	0.86
Iraq	350	3,787	757	3,030	574	0.26
Ireland	650	7,033	1,335	5,698	874	0.40
Israel	835	9,035	1,715	7,320	1,059	0.49
Italy	4,970	53,775	10,208	43,567	5,194	2.38
Jamaica	319	3,452	655	2,797	543	0.25
Japan	8,979	97,153	18,443	78,710	9,203	4.22
Jordan	171	1,850	351	1,499	395	0.18
Kazakhstan	368	3,982	756	3,226	592	0.27
Kenya	303	3,278	622	2,656	527	0.24
Korea, Republic of	791	8,559	1,625	6,934	1,015	0.47
Kosovo	96	1,039	208	831	320	0.15
Kuwait	1,639	17,734	3,367	14,367	1,863	0.85
Kyrgyz Republic	77	833	167	666	301	0.14
Lao People's Dem	60	649	130	519	284	0.13
Latvia	171	1,850	351	1,499	395	0.18
Lebanon	250	2,705	514	2,191	474	0.22
Lesotho	88	952	181	771	312	0.14
Liberia	84	909	182	727	308	0.14
Libya	549	5,940	1,188	4,752	773	0.35
Lithuania	187	2,023	384	1,639	411	0.19
Luxembourg	204	2,207	419	1,788	428	0.20
Madagascar	176	1,904	362	1,542	400	0.18

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

As of June 30, 2020

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	301	0.14
Malaysia	1,020	11,036	2,095	8,941	1,244	0.57
Maldives	50	541	108	433	274	0.13
Mali	143	1,547	294	1,253	367	0.17
Malta	132	1,428	271	1,157	356	0.16
Mauritania	111	1,201	228	973	335	0.15
Mauritius	153	1,655	314	1,341	377	0.17
Myanmar	178	1,926	385	1,541	402	0.18
Mexico	1,192	12,897	2,579	10,318	1,416	0.65
Micronesia, Fed. States of	50	541	108	433	274	0.13
Moldova	96	1,039	208	831	320	0.15
Mongolia	58	628	126	502	282	0.13
Montenegro	61	660	132	528	285	0.13
Morocco	613	6,633	1,259	5,374	837	0.38
Mozambique	171	1,850	351	1,499	395	0.18
Namibia	107	1,158	232	926	331	0.15
Nepal	122	1,320	251	1,069	346	0.16
Netherlands	3,822	41,354	7,850	33,504	4,046	1.85
New Zealand	513	5,551	1,110	4,441	737	0.34
Nicaragua	180	1,948	370	1,578	404	0.19
Niger	62	671	134	537	286	0.13
Nigeria	1,487	16,089	3,054	13,035	1,711	0.78
North Macedonia	88	952	181	771	312	0.14
Norway	1,232	13,330	2,531	10,799	1,456	0.67
Oman	166	1,796	341	1,455	390	0.18
Pakistan	1,163	12,584	2,389	10,195	1,387	0.64
Palau	50	541	108	433	274	0.13
Panama	231	2,499	474	2,025	455	0.21
Papua New Guinea	96	1,039	208	831	320	0.15
Paraguay	141	1,526	290	1,236	365	0.17
Peru	657	7,109	1,350	5,759	881	0.40
Philippines	853	9,229	1,752	7,477	1,077	0.49
Poland	764	8,266	1,653	6,613	988	0.45
Portugal	673	7,282	1,382	5,900	897	0.41
Qatar	241	2,608	495	2,113	465	0.21
Romania	978	10,582	2,009	8,573	1,202	0.55
Russian Federation	5,528	59,813	11,355	48,458	5,752	2.64
Rwanda	132	1,428	271	1,157	356	0.16
St. Kitts & Nevis	50	541	108	433	274	0.13
St. Lucia	88	952	181	771	312	0.14
St. Vincent and the Grenadines	88	952	181	771	312	0.14
Samoa	50	541	108	433	274	0.13
Sao Tome & Principe	50	541	108	433	274	0.13
Saudi Arabia	5,528	59,813	11,355	48,458	5,752	2.64
Senegal	256	2,770	526	2,244	480	0.22
Serbia	407	4,404	836	3,568	631	0.29
Seychelles	50	541	108	433	274	0.13
Sierra Leone	132	1,428	271	1,157	356	0.16
Singapore	272	2,943	559	2,384	496	0.23
Slovak Republic	391	4,231	803	3,428	615	0.28

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

As of June 30, 2020

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	404	0.19
Solomon Islands	50	541	108	433	274	0.13
Somalia	78	844	169	675	302	0.14
South Africa	1,662	17,983	3,414	14,569	1,886	0.86
South Sudan	155	1,677	335	1,342	379	0.17
Spain	2,265	24,507	4,652	19,855	2,489	1.14
Sri Lanka	478	5,172	982	4,190	702	0.32
Sudan	206	2,229	445	1,784	430	0.20
Suriname	82	887	177	710	306	0.14
Sweden	1,849	20,006	3,798	16,208	2,073	0.95
Switzerland	2,643	28,597	5,429	23,168	2,867	1.31
Syrian Arab Republic	296	3,203	608	2,595	520	0.24
Tajikistan	130	1,407	267	1,140	354	0.16
Tanzania	248	2,683	509	2,174	472	0.22
Thailand	742	8,028	1,524	6,504	966	0.44
Timor-Leste	50	541	108	433	274	0.13
Togo	77	833	167	666	301	0.14
Trinidad and Tobago	358	3,874	735	3,139	582	0.27
Tunisia	275	2,976	565	2,411	499	0.23
Turkey	814	8,807	1,672	7,135	1,038	0.48
Turkmenistan	66	714	143	571	290	0.13
Uganda	233	2,521	478	2,043	457	0.21
Ukraine	1,346	14,564	2,765	11,799	1,570	0.72
United Arab Emirates	656	7,098	1,347	5,751	880	0.40
United Kingdom	8,565	92,673	17,593	75,080	8,789	4.03
United States	32,564	352,342	67,406	284,936	32,788	15.03
Uruguay	202	2,186	437	1,749	426	0.20
Uzbekistan	175	1,894	379	1,515	399	0.18
Vanuatu	50	541	108	433	274	0.13
Venezuela, R.B. de	1,427	15,440	3,087	12,353	1,651	0.76
Vietnam	388	4,198	797	3,401	612	0.28
Yemen, Republic of	155	1,677	335	1,342	379	0.17
Zambia	318	3,441	688	2,753	542	0.25
Zimbabwe	236	2,554	511	2,043	460	0.21
Total - June 30, 2020[2]	177,409	$ 1,919,565	$ 366,291	$ 1,553,274	218,177	100.00
Total - June 30, 2019	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, 2020

Expressed in thousands of US dollars

Host Country	Gross Exposure (Note E)				Total	Ceded Exposure[1]	Net
	US Dollars	Euro	Swiss Franc	JPY			
Afghanistan	$ 121,527	$ 392	$ -	$ -	$ 121,919	$ 43,821	$ 78,099
Albania	-	275,087	-	-	275,087	101,432	173,655
Angola	-	231,420	-	-	231,420	195,670	35,751
Argentina	523,938	-	-	-	523,938	459,000	64,938
Armenia	39,177	-	-	-	39,177	-	39,177
Bangladesh	797,047	-	-	-	797,047	523,687	273,360
Belarus	-	117,129	-	-	117,129	-	117,129
Bosnia and Herzegovina	-	543,933	-	-	543,933	249,819	294,114
Botswana	81,148	-	-	-	81,148	-	81,148
Brazil[2]	230,316	-	-	-	230,316	111,763	118,553
Bulgaria	-	22,677	-	-	22,677	11,339	11,339
Burundi	5,615	6,960	-	-	12,575	1,140	11,435
Cambodia	74,000	-	-	-	74,000	-	74,000
Cameroon	180,000	275,223	-	-	455,223	147,405	307,818
Colombia	495,885	-	-	-	495,885	300,000	195,885
Congo, Democratic Republic of	67,500	-	-	-	67,500	60,542	6,958
Cote d'Ivoire	159,682	136,389	-	-	296,071	102,466	193,605
Djibouti	115,893	-	-	-	115,893	55,558	60,335
Dominican Republic	55,007	-	-	-	55,007	8,251	46,756
Egypt, Arab Republic of	512,751	3,350	-	-	516,100	92,000	424,100
El Salvador	7,125	-	-	-	7,125	-	7,125
Eswatini	20,457	-	-	-	20,457	-	20,457
Ethiopia	5,409	-	-	-	5,409	-	5,409
Gabon	-	5,296	-	-	5,296	-	5,296
Georgia	113,321	-	-	-	113,321	-	113,321
Ghana	478,530	-	-	-	478,530	155,505	323,025
Guinea	114,967	-	-	-	114,967	60,922	54,045
Honduras	264,732	-	-	-	264,732	27,086	237,646
Hungary	-	322,914	-	-	322,914	206,882	116,032
Indonesia	191,135	-	-	-	191,135	-	191,135
Iraq	8,316	-	-	-	8,316	-	8,316
Jamaica	9,531	-	-	-	9,531	1,906	7,625
Jordan	580,132	-	-	-	580,132	347,055	233,077
Kenya	211,322	35,939	-	-	247,261	29,725	217,536
Kosovo	-	141,863	-	-	141,863	-	141,863
Lao People's Democratic Republic	9,148	-	-	-	9,148	4,574	4,574
Lebanon	35,460	-	-	-	35,460	-	35,460
Lesotho	5,153	-	-	-	5,153	-	5,153
Madagascar	-	70,319	-	-	70,319	43,712	26,607
Malawi	58,579	-	-	-	58,579	23,432	35,147
Mauritania	300,000	-	-	-	300,000	150,000	150,000
Mauritius	94,050	-	-	-	94,050	-	94,050
Mexico	962,913	-	-	-	962,913	765,000	197,913
Moldova	-	20,887	-	-	20,887	-	20,887

Statement of Guarantees Outstanding

As of June 30, 2020

Expressed in thousands of US dollars

Host Country	Gross Exposure (Note E)				Total	Ceded Exposure[1]	Net
	US Dollars	Euro	Swiss Franc	JPY			
Mongolia	$ 857,839	$ -	$ -	$ -	$ 857,839	$ 727,019	$ 130,820
Montenegro	-	24,449	-	-	24,449	-	24,449
Mozambique	204,329	-	-	-	204,329	63,180	141,149
Myanmar	754,705	-	-	-	754,705	508,522	246,183
Namibia	41,089	-	-	-	41,089	-	41,089
Nepal	87,404	-	-	-	87,404	51,876	35,527
Nicaragua	16,290	-	-	-	16,290	-	16,290
Nigeria	514,526	-	-	-	514,526	344,621	169,905
North Macedonia	-	129,441	-	-	129,441	21,756	107,685
Oman	1,701,092	-	-	-	1,701,092	1,454,500	246,592
Pakistan	188,929	-	84,157	40,746	313,832	88,074	225,758
Panama[3]	710,679	-	-	-	710,679	401,347	309,332
Peru	246,645	-	-	-	246,645	146,645	100,000
Russian Federation	34,200	-	-	-	34,200	-	34,200
Rwanda	9,965	-	-	-	9,965	-	9,965
Saudi Arabia	4,000	-	-	-	4,000	-	4,000
Senegal	10,000	301,970	-	-	311,970	174,519	137,451
Serbia	-	798,285	-	-	798,285	438,099	360,186
Seychelles	40,175	-	-	-	40,175	-	40,175
Sierra Leone	36,000	98,183	-	-	134,183	73,218	60,965
Solomon Islands	14,094	-	-	-	14,094	5,073	9,021
South Africa	928,875	688,446	11,835	-	1,629,156	1,106,262	522,894
Tanzania	22,637	-	-	-	22,637	-	22,637
Thailand	9,148	-	-	-	9,148	4,574	4,574
Tunisia	-	43,756	-	-	43,756	16,080	27,676
Turkey	797,702	1,758,486	-	121,134	2,677,322	2,107,855	569,467
Uganda	425,716	-	-	-	425,716	240,715	185,002
Ukraine	26,238	8,199	-	-	34,437	-	34,437
Uruguay	539,349	-	-	-	539,349	345,000	194,349
Vietnam	590,645	-	-	-	590,645	486,048	104,597
Zambia	139,011	-	-	-	139,011	-	139,011
Regional Development Bank[4]	-	402,306	-	-	402,306	320,782	81,524
	15,881,046	6,463,300	95,992	161,880	22,602,218	13,405,457	9,196,761
Adjustment for Dual-Country Contracts[5]							
Lao PDR/Thailand	(9,148)	-	-	-	(9,148)	(4,574)	(4,574)
Total - June 30, 2020 [6]	$ 15,871,899	$ 6,463,300	$ 95,992	$ 161,880	$ 22,593,070	$ 13,400,883	$ 9,192,187
Total - June 30, 2019	$ 16,586,101	$ 6,484,987	$ 93,590	$ 161,970	$ 23,326,647	$ 15,031,853	$ 8,294,794

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 I).

2. Net exposure to Brazil increased by $46 million on account of exposure exchange agreement with IBRD (Notes E and I).

3. Net exposure to Panama reduced by $46 million on account of exposure exchange agreement with IBRD (Notes E and I).

4. A contract of guarantee for loan in support of on-lending activities for the benefit of 22 countries in the Africa region, representing an application of MIGA's non-honoring by a state owned enterprise product in a multi-host country context.

5. 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.

6. 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, and valuation of pension and post-retirement benefits-related liabilities and the related net periodic cost of such benefit plans.

On August 7, 2020, 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, reclassifications made in the current year relate to: (i) the disaggregation on the Balance Sheets to separately present Liabilities for pension and post-retirement benefits (previously part of Other liabilities) and, (ii) the disaggregation on the Statements of Cash Flows to separately present Prepaid premiums ceded to reinsurers (previously part of Other assets).

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.

(Continued)

Notes to Financial Statements

As of June 30, 2020, 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.

The presentation of derivative instruments on MIGA's Balance Sheet is consistent with 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. The presentation of MIGA's derivatives in the Notes to financial statements, unless stated differently, is also 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, To-Be-Announced (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.

(Continued)

Notes to Financial Statements

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 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.

(Continued)

Notes to Financial Statements

Revenue Recognition

Guarantee contracts are written per the Convention for a maximum tenor of twenty years. MIGA considers the guarantee contracts it issues to be short-duration contracts, since the guarantees are structured as short contract periods (quarterly, semi-annual and annual) and the guarantee holders generally have the ability to elect and modify or cancel contract terms and coverages at the end of each period, irrespective of whether the premiums for the entire guarantee period are received upfront (upfront premium contracts) or for each contract period (regular contracts).

Premiums written on direct insurance contracts and reinsurance contracts assumed may relate to the entire guarantee period or to a contract period as defined in the contract of guarantee. For upfront premium contracts, premiums written are recorded at the inception of the contract, and are recognized as revenue in proportion to the insurance protection provided over each contract period forming part of the guarantee. For regular contracts, premiums written are recognized as revenue on pro-rata basis over the contract period to which they relate. Unearned premiums represent the portion of premiums written applicable to the unexpired portion of the contract period in force or the remaining unrecognized portions of the upfront premium contracts. 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 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.

(Continued)

Notes to Financial Statements

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, 2020 and June 30, 2019, 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:

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 February 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842)*. The ASU and its subsequent amendments require that a lessee recognizes on the balance sheet the assets and liabilities that arise from all leases with a lease term of more than twelve months. The recognition, measurement, and presentation of expenses and cash flows by the lessee will primarily depend on the classification of the lease as finance or operating. The accounting applied by a lessor remained largely unchanged, with some targeted improvements. MIGA does not have direct leasing arrangements with any lessors, hence the Agency’s adoption of the ASUs effective from the quarter ended September 30, 2019 did not have an impact on its financial statements.

(Continued)

Notes to Financial Statements

On July 1, 2020, the Agency adopted *ASU 2016-13, Financial Instruments – Credit Losses (Topic 326)* that requires the measurement of allowance for credit losses to be based on management's best estimate of lifetime expected credit losses inherent in its applicable financial assets, Premiums receivable and Reinsurance recoverables. The Agency's lifetime expected credit losses are determined using forecast assumptions and management judgments applicable to and through the expected life of the recoverables. The ASU also expands credit quality disclosures beginning in the first quarter of 2020. Upon adoption of the ASU on July 1,2020, the Agency recorded a $0.6 million allowance for credit losses against Reinsurance recoverables and a corresponding decrease was recorded in Retained earnings through a cumulative-effect adjustment.

Accounting Standards under Evaluation:

In July 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) - Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this ASU modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. For MIGA this ASU will become effective from the quarter ending September 30, 2020. 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, 2020, the majority of the Investments – Trading is comprised of Time deposits and Government and agency obligations (51.9% and 48.0%, 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, 2020 and June 30, 2019 is as follows:

In thousands of US dollars

	Fair Value	
	June 30, 2020	*June 30, 2019*
Time deposits	$ 949,530	$ 756,783
Government and agency obligations	876,858	612,562
Asset-backed securities (ABS)	2,413	200,159
Total investments - Trading	$ 1,828,801	$ 1,569,504

(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, 2020 and June 30, 2019:

In thousands of US dollars

	Fair Value June 30, 2020	Fair Value June 30, 2019
Investment - Trading	$ 1,828,801	$ 1,569,504
Cash held in investment portfolio[a]	5,298	80,818
Receivable for investment securities sold	9,263	11,065
	1,843,362	1,661,387
Derivative assets		
Currency forward contracts	483	322
Currency swaps	378	430
Others[b]	11	184
	872	936
Derivative liabilities		
Currency forward contracts	(7,619)	(2,407)
Currency swaps	(4,705)	(643)
Others[b]	-	(4,297)
	(12,324)	(7,347)
Payable for investment securities purchased	(17,843)	(5,165)
Securities sold under repurchase agreement and payable for cash collateral received[c]	-	(123)
Net investment portfolio	$ 1,814,067	$ 1,649,688

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

b. These relate to To-Be-Announced (TBA) securities, swaptions, exchange traded options and futures contracts.

c. Includes cash collateral received of $NIL (June 30, 2019 - $123 thousand) of which excess cash collateral totaled $NIL (June 30, 2019 - $61 thousand).

The following table summarizes the currency composition of MIGA's net investment portfolio as of June 30, 2020 and June 30, 2019:

In thousands of US dollars

	June 30, 2020		June 30, 2019	
	Carrying Value	%	Carrying Value	%
US Dollars	1,687,998	93.1	1,499,261	90.9
EURO	122,218	6.7	147,449	8.9
Other	3,851	0.2	2,978	0.2
	1,814,067	100.0	1,649,688	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)

The following table summarizes MIGA's Income from investments during the fiscal years ended June 30, 2020 and June 30, 2019:

In thousands of US dollars

	Fiscal Year Ended	
	June 30, 2020	June 30, 2019
Interest income	$ 29,145	$ 33,648
Realized gains (losses)	6,670	(913)
Unrealized gains	4,369	5,620
	$ 40,184	$ 38,355

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, 2020 and June 30, 2019:

In thousands of US dollars

	Fiscal Year Ended	
	June 30, 2020	June 30, 2019
Interest income	$ 2,500	$ 824
Realized losses	(1,279)	(1,758)
Unrealized gains (losses)	3,889	(5,354)
	$ 5,110	$ (6,288)

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, 2020 and June 30, 2019, 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, 2020 and June 30, 2019, there were no repurchase agreements that were accounted for as secured borrowings.

(Continued)

Notes to Financial Statements

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, 2020 and June 30, 2019, 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, 2020. However, market deterioration could cause this to change in future periods.

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, 2020 and June 30, 2019:

In thousands of US dollars

Type of contracts	June 30, 2020	June 30, 2019
Currency forward contracts and currency swaps		
Credit exposure	$ 862	$ 752
Exchange traded options and futures[a]		
Notional long position	32,800	65,300
Notional short position	16,000	389,900
Others[b]		
Notional long position	-	55,000
Notional short position	-	2,000
Credit exposure	-	184

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, 2020 and June 30, 2019. 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, 2020					
	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	$ 56,395	$ (55,912)	$ 483	$ 188,075	$ (180,456)	$ 7,619
Currency swaps	18,958	(18,580)	378	147,347	(142,642)	4,705
Others[a]	11	-	11	-	-	-
	$ 75,364	$ (74,492)	$ 872	$ 335,422	$ (323,098)	$ 12,324
Amounts subject to legally enforcable master netting agreement			(861)			(861)
Net derivative positions at at counterparty level			$ 11			$ 11,463

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

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.

(Continued)

Notes to Financial Statements

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.

On March 24, 2020, Somalia became the 182nd member of MIGA, with a subscription of 78 shares.

At June 30, 2020, MIGA's authorized capital stock comprised 186,665 (186,587 – June 30, 2019) shares, of which 177,409 (177,331 – June 30, 2019) shares had been subscribed. Each share has a par value of USD10,820. Of the subscribed capital as of June 30, 2020, $366,291,000 ($366,122,000 – June 30, 2019) has been paid in; and the remaining $1,553,274,000 ($1,552,599,000 - June 30, 2019) is subject to call.

At June 30, 2020, MIGA had $109.729,000 ($109,917,000 – June 30, 2019) in the form of non-negotiable, non-interest bearing demand obligations (promissory notes), relating to the initial capital subscriptions.

(Continued)

Notes to Financial Statements

A summary of the changes in MIGA's authorized, subscribed and paid-in capital during the fiscal years ended June 30, 2020 and June 30, 2019 is as follows:

	Initial Capital		Capital Increase		Total	
	Shares	(US$000)	Shares	(US$000)	Shares	(US$000)
At June 30, 2020						
Authorized:						
At beginning of fiscal year	108,028	$ 1,168,863	78,559	$ 850,008	186,587	$ 2,018,871
New membership	78	844	-	-	78	844
At end of fiscal year	108,106	$ 1,169,707	78,559	$ 850,008	186,665	$ 2,019,715
Subscribed:						
At beginning of fiscal year	108,028	$ 1,168,863	69,303	$ 749,858	177,331	$ 1,918,721
New membership	78	844	-	-	78	844
At end of fiscal year	108,106	$ 1,169,707	69,303	$ 749,858	177,409	$ 1,919,565
Uncalled portion of the Subscription		(935,766)		(617,508)		(1,553,274)
Paid-in Capital		$ 233,941		$ 132,350		$ 366,291
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

Note E: Guarantees

Guarantee Program

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

MIGA considers the guarantee contracts it issues to be short-duration contracts, with the guarantees structured as short contract periods (quarterly, semi-annual and annual), and the guarantee holders generally having the ability to elect and modify or cancel contract terms and coverages at the end of each period. Short-duration contracts are contracts for which the issuer recognizes premiums received as revenue over the period of the contract in proportion to the amount of insurance coverage provided.

(Continued)

Notes to Financial Statements

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 $22,593,070,000 as of June 30, 2020 ($23,326,647,000 – June 30, 2019).

The composition of MIGA’s gross exposure as of June 30, 2020 and June 30, 2019 was as follows:

In thousands of US dollars

	June 30, 2020	June 30, 2019
Gross exposure (Maximum amount of contingent liability)*	$ 22,593,070	$ 23,326,647
Of which:		
Current amounts*	17,876,580	17,115,626
Standby amounts*	3,129,410	4,171,265
Future interest amounts*	1,625,062	2,039,756

** 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, 2020 ($24,823,900 – June 30, 2019).

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, 2020, 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 a first loss layer, for eligible projects. As of June 30, 2020, out of $423,159,000 ($494,675,000 – June 30, 2019) in gross exposure under this arrangement on MIGA’s own account, amounts ceded to CAFEF under the first loss layer totaled $35,791,600 ($41,289,200 – June 30, 2019).

(Continued)

Notes to Financial Statements

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, 2020, MIGA's gross exposure on projects utilizing this facility was $587,940,000 ($428,762,000 – June 30, 2019), and the amount ceded to IDA under the first loss layer totaled $156,872,000 ($88,787,000 – June 30, 2019).

The table below provides a reconciliation between MIGA's gross guarantee exposure and net exposure as of June 30, 2020 and June 30, 2019:

In thousands of US dollars

	June 30, 2020	June 30, 2019
Gross guarantee exposure	$ 22,593,070	$ 23,326,647
Less: Ceded exposures		
Facultative and Treaty reinsurers	(13,208,181)	(14,901,586)
CAFEF	(35,792)	(41,289)
IDA PSW - MGF (Note I)	(156,872)	(88,787)
Net guarantee exposure before exposure exchange	9,192,225	8,294,985
Less:		
Exposure Exchange Agreement (Note I)	(38)	(191)
Net guarantee exposure	$ 9,192,187	$ 8,294,794

MIGA can also provide both public (official) and private insurers with facultative reinsurance. As of June 30, 2020, total insurance exposure assumed by MIGA, primarily with official investment insurers, amounted to $218,533,000 ($218,533,000 – June 30, 2019).

(Continued)

Notes to Financial Statements

Premiums, Fees and Commission

Premiums, fees and commission relating to direct, assumed, and ceded contracts for the fiscal years ended June 30, 2020 and June 30, 2019 were as follows:

In thousands of US dollars

	Fiscal Year Ended	
	June 30, 2020	June 30, 2019
Premiums written		
Direct	$ 447,017	$ 259,133
Upfront premium contracts[a]	291,529	94,319
Regular guarantee contracts[b]	155,488	164,814
Assumed	2,203	2,215
Ceded	(307,084)	(177,415)
Upfront premium contracts[a]	(221,695)	(83,840)
Regular guarantee contracts[b]	(85,389)	(93,575)
	142,136	83,933
Gross premium income		
Direct	230,081	235,702
Assumed	2,204	2,218
	232,285	237,920
Premium ceded	(145,909)	(152,023)
Net Premium earned	86,376	85,897
Ceding commission and other fees	37,306	38,315
Brokerage and other charges	(6,596)	(9,109)
Net Premium Income	$ 117,086	$ 115,103

a. Relating to single pay contracts for which premiums are received in full for the tenor of the contracts.

b. Premium receipts are attributable to each contract period which are typically quarterly, semi-annual or annual.

Prepaid Premium Ceded to Reinsurers

The following table summarizes the composition of Prepaid premium ceded to reinsurers as of June 30, 2020 and June 30, 2019:

In thousands of US dollars

	June 30, 2020	June 30, 2019
Upfront premium contracts[a]	$ 412,312	$ 248,475
Regular guarantee contracts[b]	14,180	17,706
	$ 426,492	$ 266,181

a. Relating to single pay contracts for which premiums are received in full for the tenor of the contracts.

b. Premium receipts are attributable to each contract period which are typically quarterly, semi-annual or annual.

(Continued)

Notes to Financial Statements

Unearned Premiums and Commitment Fees

The following table summarizes the composition of Unearned Premiums and Commitment fees as of June 30, 2020 and June 30, 2019:

In thousands of US dollars

	June 30, 2020	June 30, 2019
Upfront premium contracts[a]	$ 627,251	$ 364,178
Regular guarantee contracts[b]	53,708	58,367
	$ 680,959	$ 422,545

a. Relating to single pay contracts for which premiums are received in full for the tenor of the contracts.

b. Premium receipts are attributable to each contract period which are typically quarterly, semi-annual or annual.

Portfolio Risk Management

Controlled acceptance of non-commercial risk in developing countries is MIGA’s core business. The underwriting of such risk requires a comprehensive risk management framework to analyze, measure, mitigate and control risk exposures.

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

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

Project-specific risk assessment is performed by a cross-functional team. Based on the analysis of project-specific risk factors within the country context, the final project risk ratings can be higher or lower than the country ratings of a specific coverage. The decision to issue an insurance contract is subject to approval by MIGA’s senior management and concurrence or approval by the Board of Directors. For insurance contracts that are issued under the Small Investment Program (SIP), the Board has delegated approval to MIGA’s senior management. In order to avoid excessive risk concentration, MIGA sets exposure limits per country and per project. As of June 30, 2020, the maximum net exposure which may be assumed by MIGA is $1,000 million ($820 million – June 30, 2019) in each host country and $300 million ($250 million – June 30, 2019) 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, 2020) 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, 2020, the maximum level of guarantees outstanding (including reinsurance) may not exceed $28,928,761,000 ($30,373,011,000 – June 30, 2019).

Notes to Financial Statements

Portfolio Diversification

MIGA aims to diversify its guarantee portfolio so as to limit the concentration of exposure to loss in a host country, region, or sector. The portfolio shares of the top five and top ten largest exposure countries provide an indicator of concentration risk. The gross and net exposures of the top five and top ten countries at June 30, 2020 and June 30, 2019 are as follows:

In thousands of US dollars

	June 30, 2020		June 30, 2019	
	Exposure in Top Five Countries	Exposure in Top Ten Countries	Exposure in Top Five Countries	Exposure in Top Ten Countries
Gross Exposure	$ 7,828,323	$ 11,479,684	$ 9,048,099	$ 13,265,159
% of Total Gross Exposure	34.7	50.8	38.8	56.9
Net Exposure	$ 2,199,672	$ 3,630,888	$ 2,128,745	$ 3,452,388
% of Total Net Exposure	23.9	39.5	25.7	41.6

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, 2020 and June 30, 2019 are shown in the following table:

In thousands of US dollars

	June 30, 2020			June 30, 2019		
	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
East Asia & Pacific	$ 2,491,566	$ 760,330	8.3	$ 2,624,140	$ 732,443	8.8
Europe & Central Asia	5,295,121	2,157,939	23.5	6,579,630	2,180,957	26.3
Latin America & Caribbean	4,062,411	1,496,412	16.2	4,323,124	1,349,429	16.3
Middle East & North Africa	3,004,750	1,039,557	11.3	2,979,152	1,047,762	12.6
South Asia	1,320,202	612,744	6.7	1,000,067	498,491	6.0
Sub-Saharan Africa	6,419,020	3,125,205	34.0	5,820,534	2,485,712	30.0
	$ 22,593,070	$ 9,192,187	100.0	$ 23,326,647	$ 8,294,794	100.0

(Continued)

Notes to Financial Statements

The sectoral distribution of MIGA's portfolio at June 30, 2020 and June 30, 2019 are shown in the following table:

In thousands of US dollars

	June 30, 2020			June 30, 2019		
Sector	Gross Exposure	Net Exposure	% of Total Net Exposure	Gross Exposure	Net Exposure	% of Total Net Exposure
Agribusiness	$ 74,148	$ 73,008	0.8	$ 77,330	$ 76,633	0.9
Financial	8,087,888	3,177,981	34.6	7,358,436	2,131,246	25.7
Infrastructure	10,991,416	4,514,952	49.1	12,267,940	4,650,769	56.0
Manufacturing	844,714	540,123	5.9	520,018	413,008	5.0
Mining	1,272,806	334,866	3.6	1,322,916	346,436	4.2
Oil and Gas	356,698	167,949	1.8	784,187	278,917	3.4
Services	965,400	383,308	4.2	995,820	397,785	4.8
	$ 22,593,070	$ 9,192,187	100.0	$ 23,326,647	$ 8,294,794	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, 2020 and June 30, 2019.

In thousands of US dollars

	June 30, 2020			June 30, 2019		
	IPR	Specific Reserve for Claims	Total	IPR	Specific Reserve for Claims	Total
Gross Reserve for Claims	$ 743,898	$ 22,730	$ 766,628	$ 566,635	$ 3,124	$ 569,759
Less: Reinsurance recoverable[a]	(487,907)	(16,205)	(504,112)	(344,631)	-	(344,631)
Net Reserve for Claims	$ 255,991	$ 6,525	$ 262,516	$ 222,004	$ 3,124	$ 225,128

a. As of June 30, 2020, excludes $9,971 thousand (June 30, 2019 - $10,169 thousand) reinsurance recoverable associated with retroactive reinsurance contracts, which is included in the Reinsurance recoverable on the Balance Sheet.

(Continued)

Notes to Financial Statements

The following table provides the composition of reinsurance recoverables at June 30, 2020 and June 30, 2019:

In thousands of US dollars

			June 30, 2020		June 30, 2019
Prospective reinsurance	- IPR	$	487,907	$	344,631
	- Specific Reserve for Claims		16,205		-
			504,112		344,631
Retroactive reinsurance	- IPR		9,971		10,169
Reinsurance recoverable[a]		$	514,084	$	354,800

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

As of June 30, 2020, the excess of reinsurance recoverable associated with the retroactive reinsurance contracts over the related premium ceded amounted to $2,701,300 ($3,762,800 – June 30, 2019) and is reported as 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, 2020 and June 30, 2019 comprised changes in the Insurance Portfolio Reserve and Specific reserve for claims as follows:

In thousands of US dollars

	Fiscal Year Ended			
		June 30, 2020		June 30, 2019
Increase in Net Reserves:				
Insurance Portfolio Reserve	$	35,151	$	12,796
Specific reserve for claims		3,402		3
Increase in reserves, before translation adjustments		38,553		12,799
Foreign currency translation adjustments		(1,165)		(1,277)
Increase in reserves, net	$	37,388	$	11,522

During the fiscal year ended June 30, 2020, MIGA’s claims reserving methodology and the related key assumptions remained unchanged.

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

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.

(Continued)

Notes to Financial Statements

The change in Insurance Portfolio Reserve before translation adjustments for the fiscal years ended June 30, 2020 and June 30, 2019, were attributable to the following factors:

In thousands of US dollars

	Fiscal Year Ended	
	June 30, 2020	June 30, 2019
Changes in portfolio size and risk profile, net	$ 171	$ 4,866
Changes in host country risk ratings, net	26,142	18,006
Changes in discount rate	9,141	(1,031)
Impact of periodic review of core model parameters	-	(8,962)
Other	(303)	(83)
Net increase	$ 35,151	$ 12,796

The increase in Insurance Portfolio Reserve during the fiscal year was due largely to the economic uncertainity associated with the COVID-19 pandemic, which necessitated host country risk rating downgrades, and the impact of the decline in the observable interest rates.

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, 2020 and June 30, 2019:

In thousands of US dollars

	Fiscal Year Ended	
	June 30, 2020	June 30, 2019
Gross IPR, beginning balance	$ 566,635	$ 450,100
Less: Reinsurance recoverables	(344,631)	(239,616)
Net IPR, beginning balance	222,004	210,484
Increase in reserves before translation adjustments	35,151	12,796
Foreign currency translation gains	(1,165)	(1,277)
Increase in reserves, net of reinsurance	33,986	11,519
Net IPR, ending balance[a d]	255,991	222,004
Add: Reinsurance recoverables[b]	487,907	344,631
Gross IPR, ending balance[c]	$ 743,898	$ 566,635

a. As of June 30, 2020 represents 2.8% of Total Net Exposure (June 30, 2019 - 2.7%).

b. As of June 30, 2020, excludes $9,971 thousand (June 30, 2019 - $10,169 thousand) reinsurance recoverables associated with retroactive reinsurance contracts which is included in the Reinsurance recoverables on the Balance Sheet.

c. As of June 30, 2020 represents 3.3 % of Total Gross Exposure (June 30, 2019 - 2.4%).

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, 2020 and June 30, 2019:

In thousands of US dollars

	Fiscal Year Ended	
	June 30, 2020	June 30, 2019
Gross Specific reserve for claims, beginning balance	$ 3,124	$ 3,121
Less: Reinsurance recoverables	-	-
Net Specific reserve for claims, beginning balance	3,124	3,121
Increase in Specific reserve for claims, before translation adjustments		
- Current year	3,381	-
- Prior years	21	3
	3,402	3
Foreign currency translation losses (gains)	-	-
Increase in specific reserve for claims, net of reinsurance	3,402	3
Net Specific reserve for claims, ending balance[a]	6,525	3,124
Add: Reinsurance recoverables	16,205	-
Gross Specific reserve for claims, ending balance	$ 22,730	$ 3,124

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

The gross Specific Reserve for Claims as of June 30, 2020 and June 30, 2019 comprises:

In thousands of US dollars

	June 30, 2020	June 30, 2019
Reserve for pending claims	$ 1,964	$ 1,948
Probable loss reserve	20,766	1,176
Gross Specific reserve	$ 22,730	$ 3,124

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.

Notes to Financial Statements

The following tables present information about incurred and paid claims development as of June 30, 2020, net of reinsurance, and cumulative claim frequency. The tables include unaudited information about incurred and paid claims development for the years ended June 30, 2011 through 2019, 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 Fiscal Year Ended June 30, Reported Claims											
	Unaudited											
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Probable Loss Reserve	Cumulative number of Reported Claims
Accident Year												
2011	-	-	-	-	-	-	-	-	-	-	6,082	1
2012		3,833	8,232	5,350	4,303	4,303	4,303	4,303	4,303	4,303	5,593	1
2013			5,166	299	273	273	273	273	273	273	6,905	-
2014				-	-	-	-	-	-	-	1,752	1
2015					363	363	363	363	363	363	-	2
2016						4,458	4,458	4,458	4,458	4,458	-	-
2017							1,215	2,268	2,270	2,286	595	3
2018								-	-	-	1,175	2
2019									-	-	1,176	-
2020										-	4,561	-
Total										11,683		

Political Risk Insurance: Cumulative Claim Payments, Net of Reinsurance

In thousands of US dollars

	For the Fiscal Year Ended June 30,									
	Unaudited									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Accident Year										
2011	-	-	-	-	-	-	-	-	-	-
2012		-	-	-	4,303	4,303	4,303	4,303	4,303	4,303
2013			-	-	273	273	273	273	273	273
2014				-	-	-	-	-	-	-
2015					363	363	363	363	363	363
2016						-	4,458	4,458	4,458	4,458
2017							322	322	322	322
2018								-	-	-
2019									-	-
2020										-
Total										9,719
Outstanding liabilities before 2011, net of reinsurance										-
Liabilities for claims, net of reinsurance										1,964

(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 as of June 30, 2020 and June 30, 2019:

In thousands of US dollars

	June 30, 2020	June 30, 2019
Specific Reserve for claims, Net of Reinsurance	$ 6,525	$ 3,124
Reinsurance recoverable	16,205	-
Gross Specific Reserve for Claims	$ 22,730	$ 3,124

The following table presents supplementary information about average historical claims duration as of June 30, 2020:

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

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.

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, 2020 and June 30, 2019:

In thousands of US dollars

	Fiscal Year Ended June 30, 2020			
Benefit Cost	SRP	RSBP	PEBP	Total
Interest cost	$ 7,717	$ 1,207	$ 1,031	$ 9,955
Expected return on plan assets	(11,728)	(1,709)	-	(13,437)
Amortization of unrecognized prior service cost[a]	56	174	22	252
Amortization of unrecognized net actuarial losses[a]	999	-	1,259	2,258
Net periodic pension (credit) cost, excluding service cost	$ (2,956)	$ (328)	$ 2,312	$ (972)
Service cost[b]	7,516	1,746	1,453	10,715
Net periodic pension cost	$ 4,560	$ 1,418	$ 3,765	$ 9,743

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, 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.

(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, 2020 and June 30, 2019. 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 I (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, 2020				Fiscal Year Ended June 30, 2019			
	SRP	RSBP	PEBP	Total	SRP	RSBP	PEBP	Total
Projected Benefit Obligation								
Beginning of year	$ 230,326	$ 34,547	$ 30,354	$ 295,227	$ 204,496	$ 29,426	$ 22,604	$ 256,526
Service cost	7,516	1,746	1,453	10,715	6,373	1,414	1,141	8,928
Interest cost	7,717	1,207	1,031	9,955	8,166	1,209	910	10,285
Net entity transfers	1,664	313	n.a.	1,977	(5,210)	(101)	n.a.	(5,311)
Participant contributions	2,257	197	284	2,738	2,117	175	166	2,458
Benefits paid	(8,876)	(674)	(292)	(9,842)	(7,692)	(633)	(761)	(9,086)
Actuarial loss (gains)	33,973	5,368	(1,542)	37,799	22,076	3,057	6,294	31,427
End of Year	**$ 274,577**	**$ 42,704**	**$ 31,288**	**$ 348,569**	**$ 230,326**	**$ 34,547**	**$ 30,354**	**$ 295,227**
Fair value of plan assets								
Beginning of year	$ 218,134	$ 30,951		$ 249,085	$ 208,741	$ 28,042		$ 236,783
Net entity transfers	1,664	313		1,977	(5,210)	(101)		(5,311)
Participant contributions	2,257	197		2,454	2,117	175		2,292
Actual return on assets	5,494	998		6,492	17,239	2,695		19,934
Employer contributions	3,018	825		3,843	2,939	773		3,712
Benefits paid	(8,876)	(674)		(9,550)	(7,692)	(633)		(8,325)
End of Year	**$ 221,691**	**$ 32,610**		**$ 254,301**	**$ 218,134**	**$ 30,951**		**$ 249,085**
Funded Status[a]	**$ (52,886)**	**$ (10,094)**	**$ (31,288)**	**$ (94,268)**	**$ (12,192)**	**$ (3,596)**	**$ (30,354)**	**$ (46,142)**
Accumulated Benefit Obligations	**$ 249,979**	**$ 42,704**	**$ 27,872**	**$ 320,555**	**$ 209,335**	**$ 34,547**	**$ 27,408**	**$ 271,290**

a. Negative funded status is reported as Liabilities for Pension and Other Post-retiement Benefits on the Balance Sheet. Also included in the latter on the Balance Sheet is $1,069 thousand (June 30, 2019 - $867 thousand) for ex-MIGA staff transferred to an affiliated organization.

During the fiscal year ended June 30, 2020 and June 30, 2019, 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, 2020

In thousands of US dollars

	SRP	RSBP	PEBP	Total
Net actuarial loss	$ 81,709	$ 7,054	$ 9,973	$ 98,736
Prior service cost	234	631	116	981
Net amount recognized in Accumulated Other Comprehensive Loss	$ 81,943	$ 7,685	$ 10,089	$ 99,717

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

The $42,234,000 increase in the net amount recognized in Accumulated Other Comprehensive Loss during the fiscal year ended June 30, 2020 is attributable to the significant decline in the discount rate applied in determining the Pension Benefit Obligations by about 80 basis points.

The estimated amounts that will be amortized from Accumulated Other Comprehensive Loss into net periodic benefit cost in the fiscal year ending June 30, 2021 are as follows:

In thousands of US dollars

	SRP	RSBP	PEBP	Total
Net actuarial loss	$ 3,615	$ 124	$ 823	$ 4,562
Prior service cost	47	174	22	243
Net amount recognized in Accumulated Other Comprehensive Loss	$ 3,662	$ 298	$ 845	$ 4,805

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, duration-adjusted change in yields and risk premium/spread (as appropriate). 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

(Continued)

Notes to Financial Statements

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, 2020 and June 30, 2019:

In percent

	SRP		RSBP		PEBP	
	2020	2019	2020	2019	2020	2019
Weighted average assumptions used to determine projected benefit obligations						
Discount rate	2.60	3.40	2.70	3.50	2.60	3.50
Rate of compensation increase	4.60	4.90			4.60	4.90
Health care growth rates-at end of fiscal year			5.40	6.20		
Ultimate health care growth rate			3.70	3.90		
Year in which ultimate rate is reached			2031	2030		
Weighted average assumptions used to determine net periodic pension cost						
Discount rate	3.40	4.10	3.50	4.10	3.50	4.10
Expected return on plan assets	5.40	5.70	5.50	5.70		
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		

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	900	(700)
Effect on post-retirment benefit obligation	10,600	(8,000)

(Continued)

Notes to Financial Statements

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 SRP and RSBP (the plans) are invested. 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. 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 emergence of the global pandemic caused by the coronavirus disease (COVID-19) caused unexpected volatility in the global economy in recent months. However, the diversified nature of the Pension portfolio and its long-term positioning are meant to protect it against downturns in the markets, and that has been the case so far this year. No significant changes to the strategy are envisaged at this stage.

The following table presents the policy asset allocation at June 30, 2020 and the actual asset allocation at June 30, 2020 and June 30, 2019 by asset category for the SRP and RSBP:

In Percent

	SRP			RSBP		
	Policy Allocation 2020	% of Plan Assets		Policy Allocation 2020	% of Plan Assets	
Asset Class	(%)	2020	2019	(%)	2020	2019
Fixed income & Cash	23	19	20	23	20	22
Credit Strategy	5	7	6	5	6	6
Public Equity	31	29	30	31	27	28
Private Equity	20	21	21	20	24	23
Market Neutral Hedge Funds	8	10	10	8	9	8
Real Assets[a]	13	13	12	13	13	12
Other[b]	-	1	1	-	1	1
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 hedge funds.

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, 2020, the largest exposure to a single counterparty was 8% and 6% of the plan assets in SRP and RSBP, respectively (7% and 6%, respectively – June 30, 2019).

(Continued)

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.

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.

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.

(Continued)

Notes to Financial Statements

Fair Value Measurements and Disclosures

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, 2020 and June 30, 2019:

In thousands of US dollars	Fair Value Measurements on a Recurring Basis as of June 30, 2020							
	SRP				RSBP			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Debt Securities								
Time deposits	$ 47	$ 623	$ -	$ 670	$ 8	$ 113	$ -	$ 121
Securities purchased under resale agreements	784	-	-	784	127	-	-	127
Government and agency securities	23,215	3,563	-	26,778	3,755	618	-	4,373
Corporate and convertible bonds	-	5,873	-	5,873	-	874	-	874
Asset backed securities	-	1,749	-	1,749	-	266	-	266
Mortgage backed securities	-	4,010	-	4,010	-	608	-	608
Total Debt Securities	24,046	15,818	-	39,864	3,890	2,479	-	6,369
Equities								
US common stocks	7,025	-	-	7,025	1,410	-	-	1,410
Non-US common stocks	26,994	-	-	26,994	3,443	-	-	3,443
Mutual Funds	216	-	-	216	31	-	-	31
Real estate investments trusts (REITs)	1,846	-	-	1,846	261	-	-	261
Total Equity Securities	36,081	-	-	36,081	5,145	-	-	5,145
Other funds at NAV[a]								
Commingled funds	-	-	-	31,203	-	-	-	4,082
Private equity	-	-	-	61,957	-	-	-	9,692
Real estate (including infrastructure and timber)[a]	-	-	-	25,506	-	-	-	3,960
Hedge funds	-	-	-	25,557	-	-	-	3,265
Derivative assets/liabilities	41	(86)	-	(45)	2	(13)	-	(11)
Other assets/liabilities, net[b]	-	-	-	1,568	-	-	-	108
Total Assets	$ 60,168	$ 15,732	$ -	$ 221,691	$ 9,037	$ 2,466	$ -	$ 32,610

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, 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.

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 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.

(Continued)

Notes to Financial Statements

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 funds
Private equity funds include 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 provided by the fund managers, taking into consideration the latest audited financial statements of the funds.

Private equity funds also include private credit investments which comprise 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.

Real estate funds (including infrastructure and timber)
Real estate funds include investments in core real estate, non-core real estate investments (such as debt, value add, and opportunistic equity investments), infrastructure and timber. Real estate 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.

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 provided by external managers or fund administrators (based on the valuations of underlying investments) on a monthly basis, taking into consideration the latest audited financial statements of the funds.

Investments in hedge funds and commingled funds can typically be redeemed at NAV 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. 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.

(Continued)

Notes to Financial Statements

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, 2020:

In thousands of US dollars

	SRP	RSBP		PEBP
		Before Federal Subsidy	Federal Subsidy	
July 1, 2020 - June 30, 2021	$ 9,435	$ 605	$ -	$ 871
July 1, 2021 - June 30, 2022	9,586	691	-	894
July 1, 2022 - June 30, 2023	9,693	765	-	918
July 1, 2023 - June 30, 2024	10,332	843	-	967
July 1, 2024 - June 30, 2025	11,022	925	-	1,033
July 1, 2025 - June 30, 2030	60,867	5,941	-	6,538

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, 2020 is $3,259,000 and $840,000, respectively.

(Continued)

Notes to Financial Statements

Note H: Other Liabilities

The following table provides the composition of other liabilities as of June 30, 2020 and June 30, 2019:

In thousands of US dollars

	Fiscal Year Ended	
	June 30, 2020	June 30, 2019
Payable to affiliated organizations - administrative and other services (Note I)	16,227	17,203
Payable to reinsurers and brokers	46,334	10,981
Deferred gains	2,701	3,763
Miscellaneous	17,822	16,560
Other liabilities	$ 83,084	$ 48,507

Note I: Transactions with Affiliated Organizations

Shared Services and Joint Business Development Agreement

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

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

Total fees paid by MIGA reflected in the Statements of Income for the fiscal year ended June 30, 2020 and June 30, 2019 are as follows:

In thousands of US dollars

	Fiscal Year Ended	
	June 30, 2020	June 30, 2019
Fees charged by IBRD/IDA	$ 11,178	$ 10,380
Fees charged by IFC	4,618	6,301

(Continued)

Notes to Financial Statements

At June 30, 2020 and June 30, 2019, 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, 2020			June 30, 2019		
	Administrative & Other Services[a]	Pension and Other Postretirement Benefits[b]	Total	Administrative & Other Services[a]	Pension and Other Postretirement Benefits[b]	Total
IBRD/IDA	$ (13,072)	$ 17,729	$ 4,657	$ (8,693)	$ 14,993	$ 6,300
IFC	(3,155)	-	(3,155)	(8,510)	-	(8,510)
	$ (16,227)	$ 17,729	$ 1,502	$ (17,203)	$ 14,993	$ (2,210)

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, 2020 and June 30, 2019, the outstanding off-balance sheet amounts relating to this exposure exchange agreement were as follows:

In thousands of US dollars

	June 30, 2020	June 30, 2019
IBRD's exposure in Brazil assumed by MIGA	$ 46,121	$ 58,794
MIGA's exposure in Panama assumed by IBRD	46,159	58,985
Net amount	$ (38)	$ (191)

As of June 30, 2020, the recorded liabilities related to MIGA's obligation under the existing exposure exchange agreement with IBRD amounted to $0.2 million ($0.4 million – June 30, 2019) and is included in Insurance portfolio reserve on the Balance Sheet.

(Continued)

Notes to Financial Statements

IDA18 IFC-MIGA Private Sector Window (PSW)
As of June 30, 2020, the amounts ceded to IDA under the first loss layer totaled $156,872,000 ($88,787,000 – June 30, 2019).

Total premium ceded to IDA and the related ceding commission reflected in the Statement of Income for the fiscal years ended June 30, 2020 and June 30, 2019, are as follows:

In thousands of US dollars

	June 30, 2020	June 30, 2019
Premium ceded	$ 959	$ 562
Ceding commission	144	84

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, 2020 and June 30, 2019:

In thousands of US dollars

	Fiscal Year Ended June 30, 2020			
	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	$ (56,250)	$ (1,233)	$ (54,048)
Changes during the year:				
Changes in fair value AOCL	-	(44,744)	-	(44,744)
Amounts reclassified into net income[b]	-	2,258	252	2,510
Net change during the year	-	(42,486)	252	(42,234)
Balance, end of year	$ 3,435	$ (98,736)	$ (981)	$ (96,282)

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

(Continued)

Notes to Financial Statements

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.

Note K: Fair Value Disclosures

Valuation Methods and Assumptions

As of June 30, 2020 and June 30, 2019, MIGA had no assets or liabilities measured at fair value on a non-recurring basis.

Due from Banks

The carrying amount of unrestricted currencies is considered a reasonable estimate of the fair value of these positions.

Summarized below are the techniques applied in determining the fair value of MIGA's financial instruments.

Investment securities

Investment securities are classified based on management's intention on the date of purchase, their nature, and MIGA's policies governing the level and use of such investments. As of June 30, 2020, all of the financial instruments in MIGA's investment portfolio were classified as trading. These securities are carried and reported at fair value or at face value, which approximates fair value.

Where available, quoted market prices are used to determine the fair value of trading securities. Examples include most government and agency securities, futures contracts, exchange-traded equity securities, ABS and TBA securities. For instruments for which market quotations are not available, fair values are determined using model-based valuation techniques, whether internally-generated or vendor-supplied, that include the discounted cash flow method using market observable inputs such as yield curves, credit spreads, and constant prepayment rates. Unless quoted prices are available, time deposits are reported at face value, which approximates fair value, as they are short term in nature.

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

These securities are of a short-term nature and reported at face value, which approximates fair value.

(Continued)

Notes to Financial Statements

Derivative instruments

Derivative contracts include currency forward contracts, currency swaps, TBAs, swaptions, and exchange-traded options and futures contracts. Currency forward contracts and currency swaps are valued using the discounted cash flow methods using market observable inputs such as yield curves, foreign exchange rates, basis spreads and funding spreads.

The following tables present MIGA's fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of June 30, 2020 and June 30, 2019:

In thousands of US dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2020			
	Level 1	*Level 2*	*Level 3*	*Total*
ASSETS				
Time deposits	$ -	$ 949,530	$ -	$ 949,530
Government and agency obligations	255,757	621,101	-	876,858
Asset-backed securities	-	2,413	-	2,413
Total investments - Trading	$ 255,757	$ 1,573,044	$ -	$ 1,828,801
Derivative Assets				
Currency forward contracts	$ -	$ 483	$ -	$ 483
Currency swaps	-	378	-	378
Others[a]	11	-	-	11
	$ 11	$ 861	$ -	$ 872
Less:				
Amounts subject to legally enforceable master netting agreements				861
Cash collateral received				-
Derivative Assets, net				$ 11
LIABILITIES				
Derivative Liabilities:				
Currency forward contracts	$ -	$ 7,619	$ -	$ 7,619
Currency swaps	-	4,705	-	4,705
	$ -	$ 12,324	$ -	$ 12,324
Less:				
Amounts subject to legally enforceable master netting agreements				861
Derivative Liabilities, net				11,463

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

(Continued)

Notes to Financial Statements

In thousands of US dollars

	Fair Value Measurements on a Recurring Basis As of June 30, 2019			
	Level 1	*Level 2*	*Level 3*	*Total*
ASSETS				
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
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.

During the fiscal years ended June 30, 2020 and June 30, 2019, there were no transfers within the levels of fair value hierarchy.

Notes to Financial Statements

Note L: Coronavirus Outbreak (COVID-19) Impact Assessment

The outbreak of the novel strain of Coronavirus (COVID-19) has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

The Agency has undertaken a vulnerability assessment in the context of COVID-19 with focus on, among others, capital adequacy and liquidity sufficiency. As of the reporting date, MIGA has sufficient resources to meet its liquidity requirements. MIGA's credit exposures remain within established limits and in compliance with the Agency's existing governance framework.

As of the reporting date, MIGA continues to operate under home-based work arrangements in line with the Agency's Business Continuity Procedure. In addition, MIGA has adopted other prudent measures to ensure the health and safety of its employees, including the imposition of travel restrictions, rescheduling of public events or holding them in virtual format with operations remaining functional, even with the changes in working arrangements.

The duration of the COVID-19 pandemic is difficult to predict at this time, as is the ultimate efficacy of government and central bank interventions. The length and severity of these developments as well as the impact on the future operating performance and financial condition of MIGA cannot be reasonably estimated at this point in time.

(Continued)