Annual Report

2013

CGIF Credit Guarantee & Investment Facility

An Asian Bond Markets Initiative

Introduction

Credit Guarantee and Investment Facility (CGIF) was established by the Association of Southeast Asian Nations (ASEAN), the People's Republic of China, Japan, and the Republic of Korea, together with the Asian Development Bank (ADB) on 12 November 2010 as part of the Asian Bond Markets Initiative (ABMI) to develop and strengthen local currency and regional bond markets so that investment-rated corporations can access these markets and avoid currency and maturity mismatches.

CGIF aims to promote economic development, promote resilience of the financial markets, and prevent disruptions to the international financial order by developing deep and liquid local currency and regional bond markets. This will result in efficient allocation of Asian savings within the region by facilitating access by creditworthy entities to such markets while promoting the issuance of debt securities with longer-term maturities to match the gestation of investment projects.

ADB is the Trustee of CGIF, and as such, holds in trust and manages all CGIF funds and other property in accordance with the provisions of the Articles of Agreement (AoA). However, CGIF's governance and operational structure are independent of that of ADB. The Meeting of Contributors (MOC) is the highest decision-making organ of CGIF. Under the MOC, CGIF has its own Board of Directors and has its own internationally recruited management and staff.

[1] The Association of Southeast Asian Nations (ASEAN) comprises Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Republic of the Union of Myanmar, Philippines, Singapore, Thailand, and Viet Nam.

Contents

Abbreviations

ABMI	-	Asian Bond Markets Initiative
AC	-	Audit Committee
ADB	-	Asian Development Bank
AFS	-	available-for-sale
AoA	-	Articles of Agreement
ASEAN	-	Association of Southeast Asian Nations
ASEAN+3	-	ASEAN plus the People's Republic of China, Japan, and the Republic of Korea
BE	-	borrowing entity
BOD	-	Board of Directors
CAPEX	-	capital expenditure
CEO	-	Chief Executive Officer
CFO	-	Chief Financial Officer
CGIF	-	Credit Guarantee and Investment Facility
PRC	-	People's Republic of China
CRO	-	Chief Risk Officer
CTL	-	Controller's Department
DD	-	due diligence
DOD	-	Deal Operations Department
EAP	-	External Advisory Panel
EC	-	Executive Committee
EXIM	-	Export-Import Bank
FAL	-	Formal Application Letter
FOMC	-	Federal Open Market Committee
FS	-	financial statements
FY	-	fiscal year
GCP	-	Guarantee Concept Paper
GIC	-	Guarantee and Investment Committee
GL	-	general ledger
GUP	-	Guarantee Underwriting Paper

HR	-	human resources
IA	-	Internal Auditor
ICRMC	-	Internal Control and Risk Management Committee
IT	-	information technology
JBIC	-	Japan Bank for International Cooperation
Korea	-	Republic of Korea
LCY	-	local currency
Management	-	CGIF Management
MGC	-	Maximum Guarantee Capacity
MOC	-	Meeting of Contributors
MOF	-	Ministry of Finance
MTN	-	Medium Term Note
NRC	-	Nomination and Remuneration Committee
OGC	-	Office of General Counsel
OP	-	Operational Policies
PIP	-	Preliminary Information Packs
Q	-	quarter
RCSA	-	Risk and Control Self-Assessment
RMF	-	Risk Management Framework
S&P	-	Standard and Poor's
TOR	-	Terms of Reference
VaR	-	Value-at-Risk
VPO	-	Vice President of Operations

Currency Units

Rp	-	Indonesian Rupiah
RM	-	Malaysian Ringgit
P	-	Philippine Peso
S$	-	Singaporean Dollar
B	-	Thai Baht
D	-	Vietnamese Dong

NOTE

In this report, "**$**" refers to US dollars unless otherwise stated.

1 Highlights

Governance

- Mr. Fook Wah Wong was appointed as the first member of the External Advisory Panel (EAP) starting 6 February 2013.
- Mr. Robert Pakpahan from the Ministry of Finance, Indonesia, representing the ASEAN, was appointed by the Board of Directors as the new Chairman of the Audit Committee (AC) starting 25 November 2013 .

Financial Highlights

- CGIF ended 2013 with a net income of $2.72 million.
- Of the $8.13 million operating income in 2013, $7.64 million came from interest income on investments. The $0.49 million guarantee income was a result of the two inaugural guarantees issued this year.
- Table below represents the 3-year comparative financial position and income statement:

Table 1: Three-Year Comparative Financial Position and Income Statement

Financial Position (in $ '000)

	2013	2012	2011
Cash and Investments	712,427	710,800	685,667
Guarantee Fee Receivables	1,183	-	-
Others	4,363	3,896	1,900
Total Assets	**717,973**	**714,696**	**687,567**
Guarantee Liability	1,765	-	-
Other Liabilities	976	835	987
Capital Stock	700,000	700,000	681,099
Reserve and Retained Earnings	13,359	10,641	6,532
Unrealized Loss on Available-for-Sale	1,873	3,220	(1,051)
Total Liabilities and Members' Equity	**717,973**	**714,696**	**687,567**

Income Statement

	2013	2012	2011
Income on Investments	7,645	8,008	7,538
Income on Guarantee	421	-	-
Other Income	66	1	484
Translation Gain/Loss	(14)	4	(7)
Expenses	(5,400)	(3,904)	(1,292)
Net Income	**2,718**	**4,109**	**6,723**

Operational Highlights

- CGIF issued two inaugural guarantees for Thai Baht and Indonesian Rupiah bonds marking a successful completion of the efforts to operationalize CGIF's guarantee business.
- CGIF made five guarantee offers following the Board's approval of these guarantee underwriting proposals tabled. In addition to the two completed guarantees issued, there are three more remaining guarantee offers, which form a substantial pipeline of opportunities to be concluded in 2014.
- Opportunities from eight of the 13 countries were generated for preliminary review.
- Enhanced capability to guarantee bonds issued by non-bank financial institutions and project finance complement the capability to evaluate and guarantee bonds issued by corporations.
- This led to CGIF's entry in the project bonds markets by obtaining the Board's approval for a guarantee offer for its first project bond transaction, demonstrating CGIF's efforts to introduce new types of bond instruments to the markets in the region.
- CGIF's Contributors agreed to scale up CGIF's total guarantee capacity to $1.75 billion based on a leverage ratio of 2.5 times. This provided CGIF the capacity to engage more companies from a particular country or bond issuances in a particular currency to capitalize on follow-on opportunities after the success of CGIF's first transaction.
- CGIF conducted seminars and round-table workshops in Indonesia, Malaysia, Singapore, Thailand and Viet Nam to expand its reach to investors and issuers throughout the region.

Organizational Developments

- As CGIF continues to expand its capabilities and functions, staff complement grew to 25 positions at the end of 2013. The increase aims to meet a minimum number of staff resources in various functional areas particularly in finance, internal control and administration that are essential to the overall operation of CGIF. Additional HR related policies and procedures were established especially for salary administration, staff retirement fund, business travel, appointment and separation, disciplinary procedures, and termination.
- The office expansion plan approved by the Board in the previous year was completed in the first quarter of 2013.
- Year 2013 also saw the development and installation of CGIF's accounting general ledger (GL) system in preparation for the takeover of accounting and financial control functions from the ADB in 2014. The system is now in operation and CGIF performs its accounting and financial control functions starting 1 January 2014.

2 Contributors

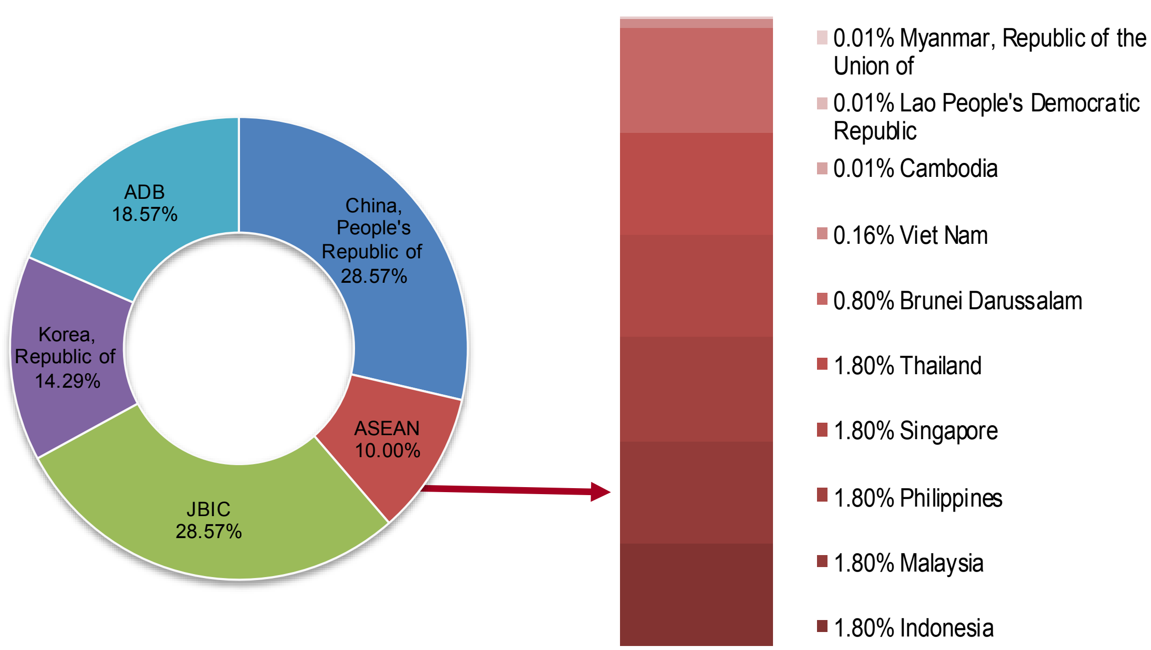
Capital Contributions

CGIF is owned by the governments of the member countries of the ASEAN plus the People's Republic of China (PRC), Japan, and the Republic of Korea (ASEAN+3), and ADB.

The authorized capital of CGIF is $700 million divided into 7,000 shares, with a nominal value of $100,000 each. All shares are subscribed and paid in full by the contributors since April 2012. Table 2 shows each contributor's ownership rights in proportion to their capital contribution.

Table 2: Capital Contribution

Contributors	Contributions US$ million	%
ASEAN	70.0	10.00
Brunei Darussalam	5.6	0.80
Cambodia	0.1	0.01
Indonesia	12.6	1.80
Lao People's Democratic Republic	0.1	0.01
Malaysia	12.6	1.80
Myanmar, Republic of the Union of	0.1	0.01
Philippines	12.6	1.80
Singapore	12.6	1.80
Thailand	12.6	1.80
Viet Nam	1.1	0.16
China, People's Republic of	200.0	28.57
Japan Bank for International Cooperation	200.0	28.57
Korea, Republic of	100.0	14.29
ADB	130.0	18.57
Total	**700.0**	**100.0**



Meeting of Contributors

The Annual Meeting of Contributors (MOC) was held on 21 May 2013 in Bangkok, Thailand.

The Contributors approved the following recommendations of the Board at the meeting:

- The allocation of net income for 2012 in the Retained Earnings of $4.1 Million to the Reserves.
- CGIF's 2012 Annual Report, including the Independent Auditor's Report and CGIF's Financial Statements for fiscal years 2012 and 2011.

On the recommendation of the Chairperson, the MOC approved the proposed change to the term of the MOC Chairperson. By virtue of the MOC approval, the chairmanship held by Thailand–Ministry of Finance, representing the ASEAN, was adjusted to end before the next Annual MOC. The approved term of the next Chairperson was for a period of one year, to begin on the next Annual MOC in 2014. The position of Chairperson will be rotated alphabetically among the 10 ASEAN member-countries, with the next chairmanship of the MOC to be held by Viet Nam, followed by Thailand.

A Special MOC was held on 27 November 2013 in Shanghai, PRC. The Contributors approved the proposal from CGIF Management on scaling-up its guarantee capacity as well as the amendments to the Articles of Agreement (AoA) and Operational Policies (OP).

3 Board of Directors

as of 31 December 2013

Mr. Xinqiang ZHU
Vice President
The Export-Import
Bank of China
People's Republic of China

Chairperson

Mr. Shixin CHEN
Deputy Director General
International Department
Ministry of Finance
People's Republic of China

Mr. Nao KAWAKAMI
Director
Division 1
Power & Water Finance Department
Japan Bank for International Cooperation (JBIC)

Mr. Kouji KAWASHIMA
Director
Promotion of Regional Financial Cooperation
International Bureau
Japan - Ministry of Finance

Chairperson of Nomination and Remuneration Committee

Mr. June-shik MOON
Director General
Business Coordination Department
The Export—Import Bank of Korea

Chairperson of Internal Control and Risk Management Committee

Mr. Robert PAKPAHAN
Director General
Directorate General of
Debt Management
Indonesia - Ministry of Finance

Representative for ASEAN
Chairperson of Audit Committee

Ms. Christine Annette ENGSTROM
Director
Private Sector Operations Department
Financial Institutions Division
Asian Development Bank

Mr. Kiyoshi NISHIMURA
Chief Executive Officer
Credit Guarantee and Investment Facility

4 Report of the Chairperson of the Board of Directors

The primary role of the Board of Directors (Board) is to represent and protect the interest of the Contributors. In the discharge of its duties, the Board leads, guides, and performs policy oversight of CGIF Management to ensure that CGIF operates in full compliance with international best practices, focusing on minimizing inherent risks and protecting the full and efficient implementation of the strategic decisions of the MOC. The Board is accountable and reports to the MOC on the operations and performance of management and of CGIF.

In 2013, the Board held four meetings. The first, third, and fourth meeting were held in Manila, Philippines, while the second meeting was held in Bangkok, Thailand. In all meetings, the Board ensured compliance with its key responsibilities in governing CGIF by providing oversight and supervision of Management and the operations of CGIF.

Key items discussed and approved at the Board meetings in 2013 included various amendments to CGIF's Articles of Agreement and Operational Policies (OP), the Performance Benchmarks for 2013, enhancements to the Risk Management Framework (RMF), as well as amendments to CGIF's Safeguard Standards, Investment Guidelines, and Treasury Guidelines for Risk Control. The Board likewise approved the scaling-up proposal, which had, as its main elements, the increase of the Maximum Leverage Ratio to 2.5 times, removal of the reinsurance requirement, and the introduction of new prudential limits.

In 2013, the Board had approved five Guarantee Underwriting Proposals (GUP) from which two guarantees were issued during the year.

On 21 March 2013, the first Board meeting was held in Manila, Philippines whereby the Board adopted the appointment of Mr. Fook Wah Wong as the first member of the External Advisory Panel (EAP). The Board approved the allocation of the net income of $4,109,552.80 for 2012 in Retained Earnings to the Reserves of CGIF, as well as the Performance Benchmarks for 2013, subject to the condition that a quarterly review of the performance benchmarks should be undertaken. It was also during the meeting on 21 March that the Board approved the selection process and terms of reference (TOR) of CGIF's Internal Auditor. CGIF Management was also authorized to finalize the documentation for the guarantee transaction of Noble Group Limited.

On 21 May 2013, the Board held its second meeting, back-to-back with the Annual MOC in Bangkok, Thailand. The Board approved the Annual Report for 2012, as well as Investment Guidelines and Treasury Guidelines for Risk Control.

On 10-11 September 2013, during its third meeting in Manila, Philippines, the scaling-up of CGIF's guarantee capacity through leveraging was approved by the Board. The main elements of the scaling-up proposal consisted of: (i) the Maximum Leverage Ratio of 2.5:1; (ii) removal of reinsurance requirements; and (iii) setting of new prudential limits including new country exposure limits. Thereafter, the Special Meeting of Contributors on 27 November 2013 in Shanghai, People's Republic of China, approved the amendments to the AoA and OP to implement the scaling-up proposal, thereby increasing CGIF's guarantee capacity from $700 million to $1.75 billion.

It was also during the third Board meeting that the Board approved to change the frequency of the Board meetings dictated under the OP from "once every quarter" to "at least three times a year". The Board adopted its prior approval on a "no-objection" basis of the procurement of the project finance scorecard to support CGIF's entry into project bonds.

At the final Board meeting held on 17–18 December 2013 in Manila, Philippines, the Board approved the Work Plan for 2014, along with the Annual Budget for 2014. The Annual Budget for 2014 considered the increase in guarantee-related costs, the strengthening of organizational infrastructure, and the impact of staff resource costs.

The Board also approved several revisions to CGIF's OP including an alternative measure to the Bilateral Rating requirement. As one of the Management Committees, the Board approved the Executive Committee (EC) Charter which provides for the composition, responsibilities, and procedural guidelines of the EC.

In addition, on the selection and appointment of CGIF's External Auditor, upon the Audit Committee's recommendation, the Board approved to adopt ADB's selection process and appoint *Deloitte & Touche* as CGIF's external auditor for fiscal years 2014 to 2018, and concomitantly, its endorsement to the MOC for final approval.

5 Report of the Audit Committee (AC)

The Audit Committee (AC) consists of Directors from the ASEAN, Ministry of Finance (MOF) of the PRC, and EXIM Bank of Korea. The Director representing the ASEAN serves as the Chair.

The AC assists the Board in fulfilling its corporate governance and management responsibilities, particularly on CGIF's financial reporting and the internal and external audit functions (OP 67). Its primary role is to ensure (i) the integrity of financial reporting; (ii) an effective audit process that involves, among other things, effective and structured lines for internal audit and financial reporting, as well as the independence, objectivity, and thoroughness of the external audit; (iii) the effectiveness of internal controls to ensure proper and effective application of resources, and compliance with regulations and business procedures; (iv) effective dialogue among Board members, CGIF Management, and auditors; and (v) the culture and practice of effective oversight and ethical standards are fostered within CGIF.

In 2013, the committee held four meetings on 21 March, 21 May, 10 September, and 17 December. The committee (i) reviewed the effectiveness of the audit process, including the selection of the External Auditor, (ii) reviewed and approved CGIF's financial statements; (iii) approved the allocation of net income to reserves; and (iv) reviewed the approved 2014 internal audit plan. Representatives from ADB's Controller's Department and Treasury Department participated in the committee meetings as CGIF's accounting, financial control functions and capital resources management are currently being performed by these two departments. CGIF's external auditor, *Deloitte & Touche*, participated in the AC meeting in May via teleconference.

Regarding the effectiveness of audit process, the committee acknowledged the accounting support and services were in compliance with ADB's standard internal controls, processes and guidelines.

CGIF's Internal Auditor (IA) joined in September. The IA is responsible for evaluating and contributing to the improvement of governance, risk management and control processes.

The turnover of the accounting and financial control functions from ADB to CGIF is on track with successful test and parallel run results during the second half of 2013. The function and system will go live effective January 2014.

On the matter of CGIF's appointment of external auditors, the AC recommended to the Board to adopt ADB's selection process and appoint *Deloitte & Touche* as external auditor for the fiscal years 2014 to 2018. The audit fee proposed by CGIF Management was also reviewed and approved by the committee.

The committee reviewed and approved the annual Financial Statements (FS) for 2012 as well as the quarterly FS for 2013.

6 Report of the Internal Control and Risk Management Committee (ICRMC)

Control and Risk Management Governance. The Board is the highest internal control and risk management governing body in CGIF. Based on recommendations of its Internal Control and Risk Management Committee (ICRMC), the Board establishes appropriate policies on internal control and assures itself that the system is functioning effectively (OP 128). The ICRMC ensures that (i) there are sound and effective systems of internal control and risk management operating to safeguard CGIF's Contributors' investments and CGIF's assets, and (ii) only sound guarantee and investment proposals are approved by the Board (OP 117). The foregoing responsibilities are implemented at the management and operations levels by the Chief Risk Officer (CRO) who functionally reports to the ICRMC.

CGIF manages and controls all risks (pursuant to OP 133 and 180, and the CRO terms-of- reference 3). Internal control and risk management in CGIF involve continual activities of identification, measurement, control, and reporting of risk exposures. Given the nature of its guarantee business, CGIF is naturally heavily exposed to credit, market, and liquidity risks. As such, CGIF's internal control and risk management are predisposed toward, and prioritize, the management of these risks.

The ICRMC is composed of Directors from Japan Bank for International Cooperation (JBIC), EXIM Bank of Korea, and the ASEAN. The Director from EXIM Bank of Korea serves as the ICRMC Chair. The ICRMC met three times in 2013 on 21 March 2013, 10 September 2013 and 17 December 2013. Policies for internal control and risk management were deliberated upon, and approved, by the ICRMC at its physical meetings, as well as at electronic meetings.

Control and Risk Management Policies. CGIF has a system of internal control and risk management that promotes and facilitates effective and efficient operations. The system enables CGIF to (i) achieve its objectives; (ii) respond to business, financial, and operational risks; (iii) safeguard assets from inappropriate or improper use, loss, and fraud; and (iv) identify and manage liabilities (OP 133). CGIF's internal control and risk management policies may be found in its OP and the various manuals and guidelines that are considered part of CGIF's Risk Management Framework (RMF).

In 2013, several risk control-related amendments to the RMF, the OP, and the AoA were approved by the ICRMC, the Board, and the MOC, respectively. These amendments include the following:

1. The ICRMC electronic meeting on 8 March 2013. Modification and enhancements to the following sections of the RMF: (i) Credit Guarantee Process, (ii) Pricing, (iii) Credit Guarantee Portfolio Management, (iv) Risk Management Reporting Guidelines, (v) Guarantee and Investment Committee Charter, and (vi) Risk and Control Self-Assessment Guidelines.

2. The ICRMC regular meeting on 21 March 2013. Amendment to paragraph 2.4 of the Safeguard Standards to exempt from the completion of the integrity due diligence checklist the following: (i) borrowing entities (BEs), or consolidated subsidiaries of BEs, that are listed on a stock exchange; and (ii) licensed financial institutions regulated in the ASEAN+3 that do not have any PEP association or heightened CML-TF risks.
3. The Board regular meeting on 21 May 2013. Introduction of the Investment Guidelines and the Treasury Guidelines for Risk Control.
4. The Board electronic meeting on 17 October 2013. Amendment to the following prudential limits: (i) definition of the Maximum Guarantee Capacity (MGC), (ii) currency exposure limit at 40% of MGC, (iii) aggregate sector exposure limit at 30% of MGC, (iv) country sector exposure limit at 50% of MGC, (v) single borrower credit exposure limit and single group credit exposure limit to not exceed 20% of CGIF's paid-in capital, and (vi) use of CGIF's internal rating system in setting credit loss reserves.
5. The MOC special meeting on 27 November 2013. Amendment on the (i) increase of the leverage ratio from 1:1 to 2.5:1, and (ii) country exposure limit at 20% of MGC.
6. The ICRMC regular meeting on 17 December 2013. Further amendments to the following sections of the RMF: (i) Credit Guarantee Process, (ii) Pricing, (iii) Portfolio Management, and (iv) Risk Control Reporting Guidelines.

Credit Risk Management. The Credit Guarantee Process document in the RMF guides the management of credit risk in CGIF. As it is for general risk management, a feature of the credit guarantee process is the continual identification, measurement, control and reporting of credit risk. From the guarantee deal origination stage to the Board approval stage, and up to the guarantee portfolio management stage, CGIF's Deal Operations Department (DOD) is directed to identify credit risk factors of borrowing entities. Portfolio concentration limits and borrower credit ratings, among others, are reviewed by the DOD at the deal origination stage.

The DOD is required to secure approval of CGIF's Guarantee and Investment Committee (GIC) before they advise a borrowing entity to formally apply for guarantee. It will then submit a Guarantee Concept Paper (GCP) to secure the aforesaid approval of the GIC. At this stage, the GIC reviews a borrowing entity's risk rating, compliance to various credit risk control limits, and initially available information, particularly the financials, business, and markets, of a borrowing entity. CGIF assigns a risk rating to a borrowing entity using a credit rating tool developed to emulate one of the major international credit rating agencies.

A borrowing entity that applies for credit guarantee is subjected to a more thorough and in-depth credit risk assessment and due diligence review before a guarantee underwriting proposal (GUP) is submitted to the GIC for the latter's endorsement to the Board for approval. Part of the due diligence review is an on-site visit to the borrowing entity. A thorough review covers, among others, the borrower's risk rating, involvement in prohibited activities, integrity checks, banks-trade-courts checks, political exposures, credit warning signs, exposure limits, environmental and social impacts, ownership and management, financial condition and projections, business operations and markets, industry and macroeconomic conditions, and regulatory and legal considerations. CGIF's Risk Management Department reviews all GCPs and GUPs submitted for deliberation by, and approval of, the GIC.

In 2013, the GIC reviewed 7 GCPs and 5 GUPs that were endorsed to, and eventually approved by the Board.

In 2013, CGIF booked two bond guarantees. Once bond guarantees are booked, such accounts are monitored for adverse movements in their credit quality. CGIF's risk management system includes guidelines for management of its portfolio of guarantees.

Investment Portfolio Market Risk and Credit Risk Management. CGIF's capital resources are currently managed by ADB as Trustee following the control guidelines provided by CGIF's OP, Investment Guidelines, and Treasury Guidelines, as well as by ADB's risk management and investment guidelines. Pursuant to Paragraph 215 of CGIF's OP, the primary objective in managing CGIF's capital resources is to protect the principal by maintaining a conservative exposure to the market, credit and liquidity risks. Liquidity must always be available to meet potential calls on the guarantees issued so that all investments would be marketable within a reasonable time.

In 2013, CGIF capital resources were invested in US dollar-denominated fixed income securities and in bank placements. Investments in fixed income securities are carried as available-for-sale (AFS) securities in CGIF's books. As such, movements in the market values of these securities will not be reflected under Net Income but will be accounted for in the Other Comprehensive Income in the financial statements.

CGIF's RMF sets forth a policy of limiting the 95% 1 month value-at-risk of its portfolio of AFS and held-for-trading securities to no more than 5% of CGIF equity. In addition to the foregoing control, unrealized loss of the investment portfolio is limited by policy to no more than 1% of equity, and the investment portfolio's modified duration is limited by policy to no more than five years. No breach of the aforementioned market risk control limits has been observed in 2013.

CGIF's investments, pursuant to OP 220, should be rated by international credit rating agencies at least AA- for securities with more than one year term to maturity, and at least A-1 for securities with equal to or less than one year term to maturity. No breach of this policy was noted in 2013.

Liquidity Risk Management. CGIF is liquid insofar as it has the ability to fund assets and meet obligations as they become due. As such, CGIF's liquidity redounds to the availability of resources to fund assets and to meet obligations when they become due. Liquidity risk refers to the possibility that CGIF finds itself short of funds for its short-term operational requirements, unable to fund assets, or meet obligations that fall due.

CGIF measures its liquidity risk by estimating liquidity gaps at each of the next three months. This exercise is conducted quarterly. In 2013, all projected monthly cumulative liquidity gaps have been observed to be positive.

Liquidity stress tests, in consideration of CGIF's guarantee portfolio as of end-September 2013, and as of end-December 2013, indicate that sufficient liquidity can be raised by CGIF to service contingent guarantee claims.

Operating Risk Management. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Potential loss may be in the form of financial on-book or off-book loss, opportunity loss, productivity loss, key-person loss, or loss of reputation.

Several guidelines were promulgated in 2013 to direct CGIF's staff. Among these are administrative orders for education assistance, salary assistance, business travel, appointment and separation, disciplinary measures and procedures, terminations, IT resources usage, and procurement. A Code of Conduct has been set. The following manuals were drawn: (i) General Office Administration Manual, (ii) Human Resources Procedures Manual, (iii) Accounting Manual for Disbursements, and (iv) Accounting Manual for Bank Reconciliation.

To control operational risk, CGIF conducted its annual risk and control self-assessment (RCSA). RCSA involves the assessment by each CGIF functional unit, or each staff, of the likelihood of CGIF incurring losses as a result of failures of internal processes, of internal systems, or of CGIF staff; or as a result of factors that are external to CGIF. RCSA in CGIF is pursuant to (i) OP 126, which specifies that an effective system of internal control depends on a thorough and regular assessment of the nature and extent of risks which CGIF is exposed to; and (ii) OP 131, which specifies that all employees of CGIF have a collective and joint responsibility for ensuring the effectiveness of internal control and, in particular, for their respective accountability in achieving objectives they have been assigned. Results of the RCSA for 2013 are reported to the ICRMC in its first meeting in 2014.

Compliance Risk. Compliance risk is the risk of non-compliance to CGIF's various policies and operating guidelines. Such risk is mitigated by internal compliance and disclosure validation audits. CGIF's Internal Auditor was appointed in September 2013.

Capital Adequacy. CGIF's capacity to undertake its guarantee business is contingent on the adequacy of its capital. Insufficiency of capital puts CGIF at risk of a credit rating downgrade, and the consequent loss of business or profitability. Capital sufficiency is assured by policy that specifies the aggregate amount of guarantees should be such that CGIF's leverage ratio does not exceed the maximum 2.5:1 on a gross basis. Furthermore, CGIF Management is committed to keep CGIF's leverage ratio on a net basis (a ratio based on the aggregate amount of guarantees excluding the reinsured portion) to be within 2:1. In support of the eventually-approved proposal to increase CGIF's leverage ratio from 1:1 to 2.5:1, CGIF Management developed initial capital adequacy models. These models will be enhanced for future periodic measurements of CGIF's capital adequacy.

7 Report of the Nomination and Remuneration Committee (NRC)

The Nomination and Remuneration Committee (NRC) consists of Directors from EXIM Bank of the PRC, MOF of Japan, and ADB. The Director from the MOF of Japan serves as Chair.

The NRC follows best practices and offers internationally competitive remuneration and compensation packages in recruiting and retaining the best qualified candidates for senior executive positions of CGIF.

The TOR of the NRC covers the determination and recommendation of remuneration, pension, and any other compensation to senior executives of CGIF (OP 152 and 156). Other duties include:

i) Having in place a succession plan for the Chairperson of the Board and the Chief Executive Officer (CEO);

ii) Making necessary recommendation to the Board for the continuation in service of executive staff of CGIF, in so far as the selection and appointment of these executives are responsibilities assigned to the NRC;

iii) Providing necessary information to the Board relating to matters concerning selection of executives to be included in CGIF's annual report; and

iv) Ensuring that the Chairperson of the NRC attends the MOC relating to the nomination and selection of the CEO.

In 2013, the NRC played a pivotal role in the selection of CGIF's Internal Auditor and held the NRC meetings on 10 September 2013 and 17 December 2013, in Manila, Philippines.

In the September meeting, the NRC deliberated on the Proposal on Staff Bonus Scheme. However, without majority decision made at the Board meeting, the deliberation of the Staff Bonus Scheme was subsequently postponed to 2014.

In the December meeting, the NRC deliberated and approved the Salary Adjustments for 2014. The approval saw to the general adoption of ADB's increments to salaries of CGIF staff.

8 Report of the Chief Executive Officer

Scaling Up

In order for CGIF to forestall possible capacity shortages and overcome the relatively small country and currency limits that are already constraining CGIF's progress, CGIF Management put forward a proposal on the scaling up of CGIF's guarantee capacity to the Board at its meeting on 10 - 11 September 2013.

CGIF's Board approved the increase of the Maximum Leverage Ratio (MLR) to 2.5:1, removal of reinsurance requirements, and introduction of New Prudential Limits as proposed by CGIF Management.

Consequent amendments to the AoA and OP requiring the approval of the MOC were subsequently obtained at the Special MOC meeting held in Shanghai, PRC on 27 November 2013.

CGIF Management viewed that expanding CGIF's capacity under the current market conditions is a strong and timely signal from Contributors of their support for the development of the local currency bond markets.

Guarantee Operations

Macroeconomic and bond market overview. After several years of weak growth prospects amongst the world major economies, the global economy in 2013 was buoyed by the stabilization and improved growth prospects in developed countries. The policy-makers' unprecedented stimulus measures, including those of the Bank of Japan which commenced in 2013, have contributed to sustaining the global economy. These efforts have also benefited emerging market economies by strengthening local currencies, paring interest rates and credit spreads across the ASEAN+3 region with the flood of liquidity in the financial markets, and propelling the fast growing region forward even faster. However, the forward guidance on the tapering of the US Federal Reserve's bond-buying in the middle of 2013 raised concerns throughout the emerging market countries as the knee-jerk impact of the initial wave of repatriation and capital flight threatened the region with another round of economic crisis.

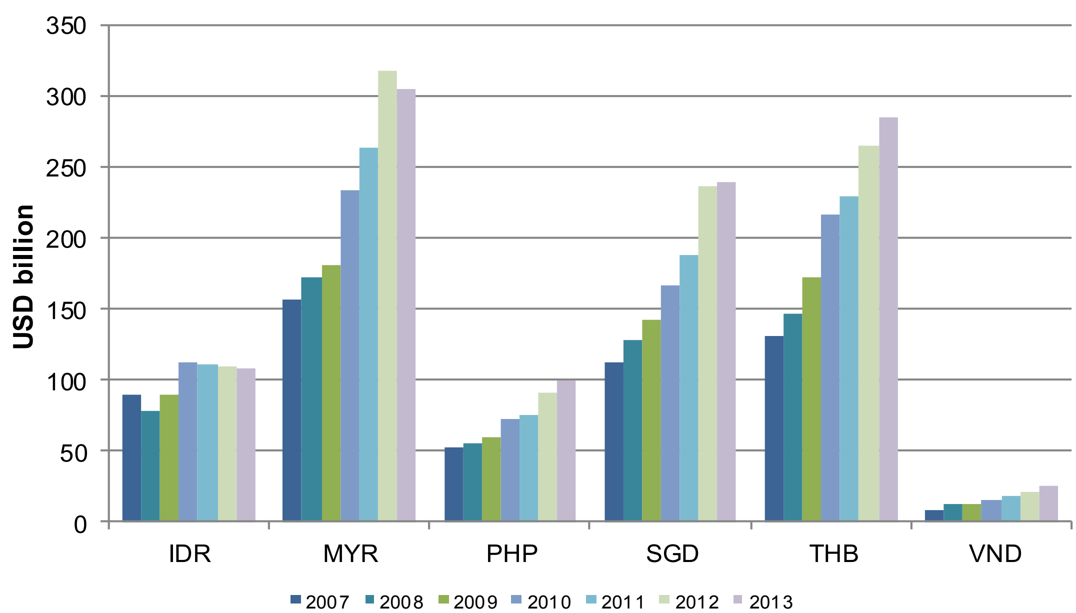
In response, the region responded with a variety of approaches toward the normalization of policy measures from an unprecedented accommodative stance. As a result, the global economy's growth drivers shifted considerably as development markets became more promising and emerging markets' prospects slowed. With a measured pace of stimulus withdrawal and sustained efforts from Japan, a better prepared ASEAN+3 region demonstrated strong resilience and still grew robustly in 2013. Moving forward, the continued recovery of the developed economies is expected to provide renewed impetus to the emerging economies in the medium term– setting the stage for further progress in the ASEAN+3 region.

The sudden shift in interest rates across the region and change in investor appetite forced companies to review their fund raising plans toward the latter half of 2013.

As such, after a strong first half, the region's local currency bond markets slowed in 2013 as investors became more adverse to locking in long term commitments in an asset class that quickly turned frothy. The markets have rapidly become more challenging for companies to raise long term funds as investors become more risk adverse on the back of a challenging macro-economic environment for emerging market countries.

However, the strong performance of the bond markets in the earlier part of 2013 was sufficient to push many of the markets in the ASEAN local currencies further when compared to 2012 with the exception of the Malaysian ringgit market after an exceptional year in 2012 and Indonesia which maintained relatively stable despite the declining trend.

Figure 1: Local Currency (LCY) Bond Market Size



Source: Asian Bond Markets Online Data from September 2007 to September 2013

CGIF guarantees issued. In 2013, CGIF issued inaugural guarantees in Thailand and Indonesia. These transactions marked the many firsts in the Thai Baht and Indonesian Rupiah bond markets.

CGIF guarantees Thai Baht bonds issued by Noble Group Limited (Noble). On 26 April 2013, with CGIF's guarantee, Noble issued a 3.55% B2.85 billion Thai Baht, three-year bond issuance in Thailand's bourgeoning local currency bond market, marking a significant milestone for the region with demand from both domestic and international investors. By leveraging on CGIF's financial strength and high international ratings, Noble accessed the Thai Baht bond market for the first time as a foreign issuer. CGIF's credit enhancement enabled Noble to diversify its funding sources and achieve more favorable terms with a highly rated issuance. Fitch Ratings (Thailand) Limited assigned a final National Long-Term 'AAA (tha)' rating to Noble's guaranteed bonds. The proceeds are intended for general corporate purposes, including the refinancing of Noble's existing debt.

This transaction followed Noble's issuance of Malaysian Ringgit bonds which helped it diversify its pool of funding sources across the region. As Thai bond investors were not familiar with the company and its operations, the inaugural issuance with CGIF's guarantee helped Noble achieve competitive funding rates from the Thai Baht market. The bonds were successfully placed to a balanced mix of asset managers, pension fund, and insurance companies, enabling investors in Thailand to invest in the bonds of a new issuer that is not yet well known in the local bond market. Encouragingly, 22% of the bonds were bought by off-shore investors, leading to greater appreciation of Thai Baht corporate bonds amongst foreign investors as an alternative to their holding of Thai government bonds. This transaction also marked the emergence of a guaranteed bond from a third party guarantor in a market which is more familiar with guarantees provided by the issuers' parent company. The market's appreciation of CGIF's guarantee terms also lays the

Issued a ***3.55% 2.85 billion Thai Baht***, three-year bond issuance in Thailand's bourgeoning local currency bond market marking a significant milestone for the region with demand from both domestic and international investors.

26 April 2013

Issued a **8.20% 300 billion Indonesia Rupiah**, three-year *Medium Term Note* ("MTN") issuance in Indonesian local currency bond market to an established Japanese investor, The Dai-ichi Life Insurance Company, Limited.

04 December 2013

foundation for more guaranteed transactions in the future including those from other guarantors.

CGIF guarantees PT BCA Finance's (BCAF) Indonesian rupiah bonds. On 4 December 2013, PT BCA Finance (BCAF) issued an 8.20% Rp300 billion, three-year Medium Term Note (MTN) issuance in Indonesian local currency bond market to an established Japanese investor, The Dai-ichi Life Insurance Company, Limited. With CGIF's guarantee, BCAF was able to gain access to a Japanese institutional investor for the first time as an Indonesian corporate issuer, marking a significant milestone for CGIF's role as a guarantor. CGIF's credit enhancement enabled BCAF to reach new pools of bond investors in the region. CGIF's guarantee and confidence in an established auto finance operator is intended to help catalyze the mobilization of the region's surplus capital into the burgeoning auto finance sector in Indonesia. Concluded in December 2013, at the height of concerns over the negative effects of the Federal Reserve's tapering of their bond purchase program on emerging markets like Indonesia, CGIF's guarantee of BCAF's bonds was a timely endorsement for well managed corporates from the ASEAN region. This helped CGIF project to the market a strong message that the governments in the region stand ready to provide support when confidence unexpectedly wanes.

Five Guarantee Proposals Approved in 2013. CGIF's guarantee operations completed its first full year in 2013, filtering through numerous opportunities around the region. From a pre-cleared list of opportunities, CGIF received formal applications from six companies during the year, which led to five guarantee offers made following the due diligence process and the approval of the underwriting proposals by the Board. In addition to the two completed guarantees issued, the remaining guarantee opportunities are expected to be completed in 2014, subject to conducive market and regulatory conditions.

Distribution of Applicants and Approved Transactions. From the distribution of opportunities that flowed in, CGIF succeeded in generating interest from eight of the 10 ASEAN countries, as well as considerable amounts from the +3 countries. This is in line with the strategy to build a balanced portfolio of guarantee obligations despite a disproportionate appreciation of CGIF's guarantee across a diverse set of countries as well as differing market dynamics across the region.

Figure 2: Preliminary Enquiries by Country
(Cumulative Preliminary Information Packs Received, May 2012–December 2013)

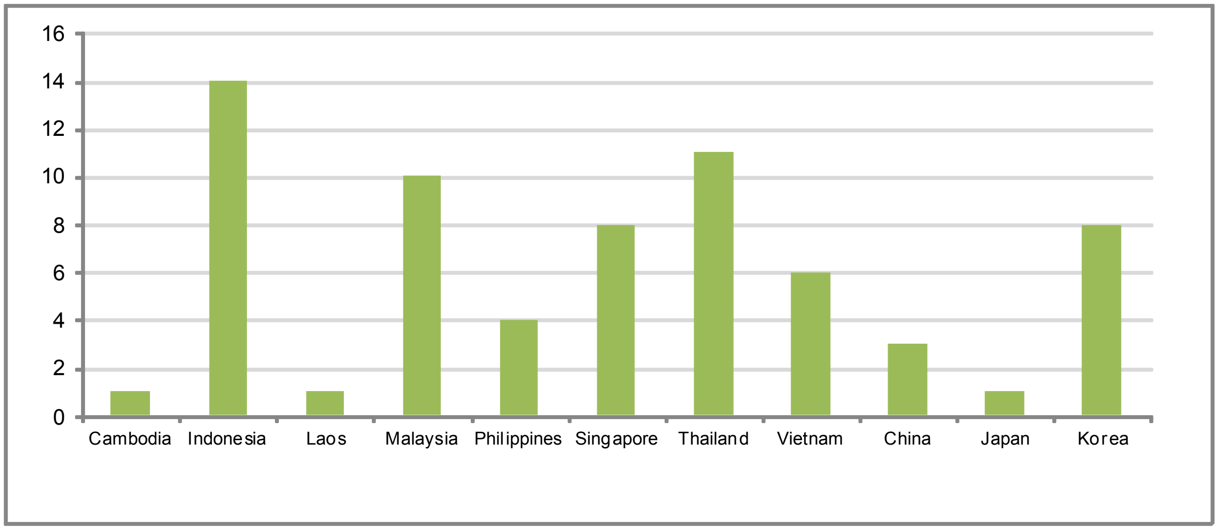


Figure 3: Formal Applicants, Guarantee Approvals and Guarantees Issued by Country
(Cumulative, May 2012–December 2013)

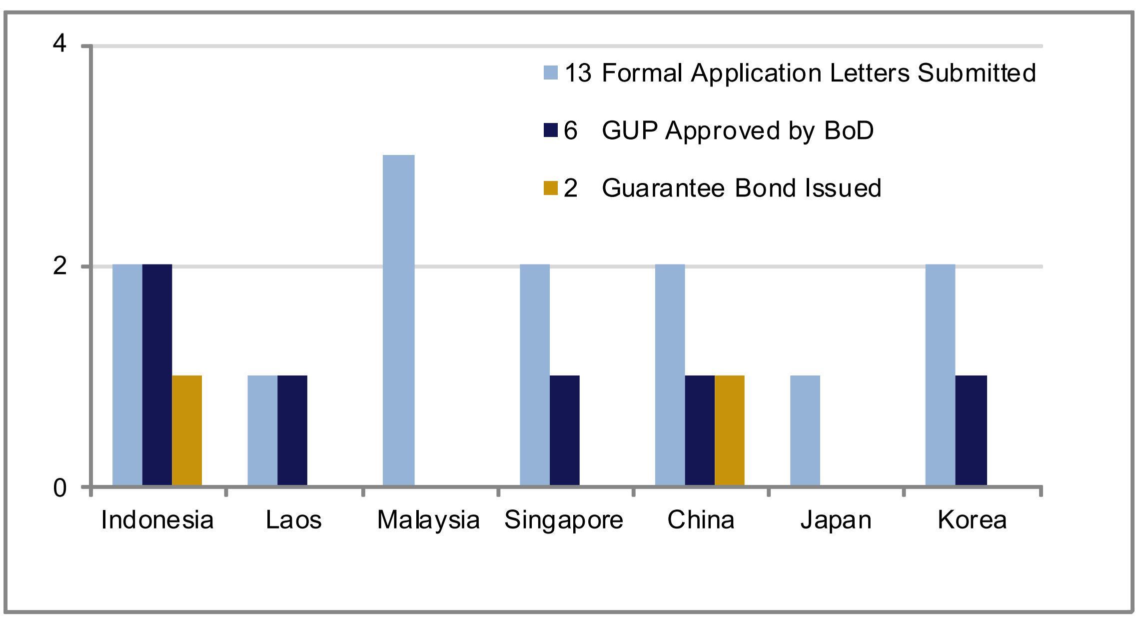
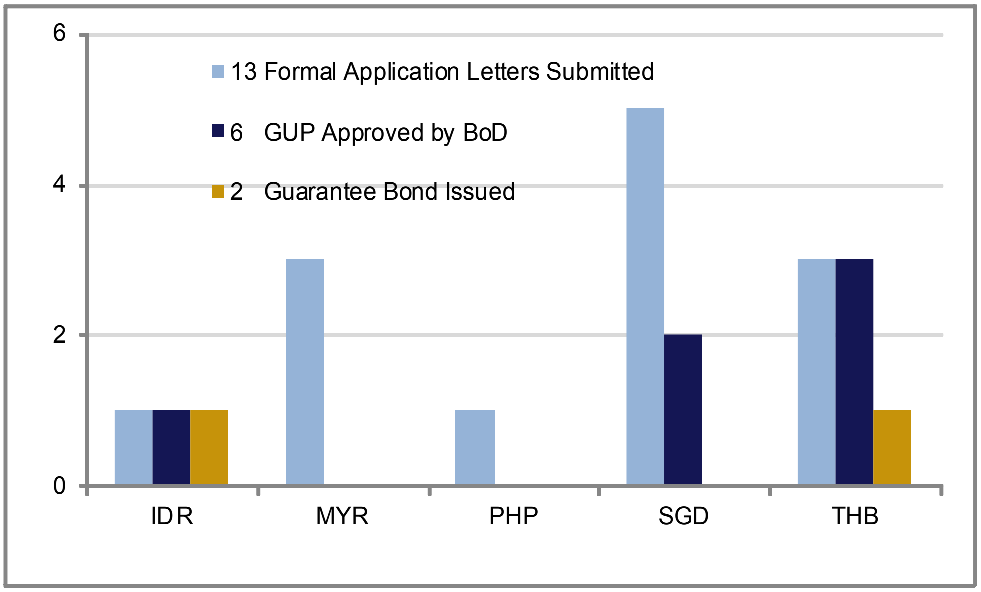


Figure 4: Formal Applicants, Guarantee Approvals and Guarantees Issued by Target Currency

(Cumulative, May 2012–December 2013)



Scaling-up proposal approved by CGIF's contributors. Given CGIF's small size and limited country and currency concentration limits, the ability to evaluate numerous opportunities were limited to one or two transactions from any one country. This proved to be a significant challenge to the pace of engagement given the ability to guarantee very limited opportunities from a particular country or market. To address this limitation, on 21 November 2013, the Contributors have agreed to scale-up CGIF's operations to a conservative leverage of 2.5 times to expand the respective country and currency limits.

Outreach and increased awareness of CGIF. During the year, CGIF organized and participated in outreach seminars and roundtable discussions in Viet Nam, Malaysia, Singapore, Thailand, and Indonesia. A seminar in Hanoi, Viet Nam was jointly organized with the Ministry of Finance of Viet Nam and was successful in promoting CGIF to potential issuers, investors, and bond market players.

Enhanced operational capacity. During the year, CGIF also expanded its internal capability to evaluate non-bank financial institutions and project finance opportunities. This set the stage for CGIF to guarantee a larger variety of opportunities as opposed to mainly corporations in the previous year. This foundation is a critical step toward fulfilling CGIF's potential as a bond guarantor in a region with relatively young bond markets, particularly in the project bond segment.

Photo above: Kiyoshi Nishimura speaking at workshop on ASEAN +3 activity
*(*Photo sourced from ***Vietnam Ministry of Finance****)*

Photo below: Kiyoshi Nishimura part of the panel of Round-Table discussions in Kuala Lumpur. (Photo sourced from ***Asiamoney***)

Photo right: Kiyoshi Nishimura part of the panel of Round-table discussion in Jakarta (Photo sourced from ***Asiamoney)***

Photo Left: Boo Hock Khoo, VPO part of the panel of Round -table discussion in Singapore (Photo sourced from ***Asiamoney)***

Photo right: Kiyoshi Nishimura part of the panel of Round-table discussion in Bangkok (Photo sourced from ***Asiamoney)***

Financial Control and Treasury

Financial Control. Financial Control is a process of directing, monitoring and measuring CGIF's financial resources so that it can help CGIF achieve its objectives in sound financial reporting, optimal managerial strategic decision making, administrative effectiveness and efficiency, and compliance with rules and policies. Since its establishment in November 2010, CGIF has been relying on ADB, its Trustee, through its Controller's Department (CTL) for its function, the core of which includes accounting for investments and guarantee transactions, processing of payments, preparation of quarterly and annual financial statements, and coordination with ADB's Office of the Auditor General (OAG) for the annual external audit exercise. But it had been established at the onset that this was an interim arrangement until CGIF was able to take over these functions from ADB-CTL.

Take-over of Accounting Function. As a critical component of the Key Work Program which started in December 2012, CGIF's Management presented to the ICRMC of the Board a proposal for CGIF's own accounting general ledger (GL) system. With the approval of ICRMC, and the subsequent Board's approval of the necessary budget, the process of taking-over of the accounting functions commenced. To maintain proper control and governance against the risks that may be present, best practices were adopted throughout the whole process in planning, developing strategies, careful legal documentation, and disciplined execution. The CGIF's own accounting GL system was developed in May 2013 and was properly tested. Parallel run with ADB's system during the second half of 2013 was successful. CGIF produced its own sets of Statement of Financial Position as well as Statement of Comprehensive Income for Q2 and Q3. Detailed reconciliation of reports of CGIF and ADB has been done. And as part of the take-over, data arrangements with ADB-related departments and other arrangements including payment have already been set up. CGIF has opened its own bank accounts that can be used for payment of expenses.

The accounting GL system, along with the development of other policies, procedures and workflow, would subsequently allow CGIF to assume full control of its own payment and financial control functions.

Treasury. ADB, as Trustee, manages CGIF's capital resources under investment strategies and performance benchmarks agreed with CGIF. The primary objective in managing CGIF's capital resources is to protect the capital by maintaining a conservative exposure to the market, credit, and liquidity risks. Liquidity must always be available to meet potential calls on the guarantees issued so that all investments should be marketable within a reasonable time. Investment rules and policies, along with liquidity risk management and risk management for external transactions, were reviewed. Comprehensive Investment Guidelines and Treasury Guidelines have been prepared in consultation with ADB. Both guidelines were approved by the ICRMC and the Board in May 2013. Investment Guidelines are for the risk tolerance parameters including duration of investment portfolio. Eligibility of investments as well as monitoring and reporting requirements and Treasury Guidelines are to control risks relating to CGIF's treasury operation including rules on transactions with external counterparties and liquidity risk management. Amendment to both Investment Guidelines and Treasury Guidelines requires approval of the ICRMC and the Board.

Market Overview of 2013. Fixed income rates soared in 2013 with the expectation on Fed's tapering Quantitative Easing Policy. After uncertainty from Italy and Cyprus which re-ignited sovereign debt crisis in Europe, and concerns about federal spending cut issue in the US slowly waned, rates started rising from May when improved labor market and consumer sentiment in the US brought the early tapering expectation. With the actual tapering decision on December's Federal Open Market Committee (FOMC) meeting and continuous trimming expectation, the year-end US Treasury 10-year yield recorded the highest in 2013. Yield curve has steepened as the economic recovery in the US was envisaged and Quantitative Easing Policy absorbing long-term US treasuries was expected to be reduced. Though credit spreads were widened in the middle of the year when the appetite on credit risk was damaged by a highly volatile market environment, they were slightly tightened in the end due to the strong demand for high grade corporate bonds. Asian credits were aggressively tightened backed by both a favorable economic outlook for the region and the sustained strong demand for investment-grade Asian bonds.

2013 Investment Results. Realized Interest income on investments for 2013 was $7.65 million representing a yield of 1.08% without the effect of change in fair value. Table 5 below provides a quarterly breakdown of investment income for the year 2013.

Plans for 2014. For hedge and repos transactions, CGIF will continue to explore to establish counterparty relationships with banks and their affiliates. Current guidelines and rules will be reviewed and enhanced to better control any risk that entails over-the-counter (OTC) transactions with external counterparties. In addition, to get higher efficiency in the investments and to achieve a capital resources management which is better aligned to CGIF's business profile and liability structure, a Strategic Asset Allocation plan for CGIF will be prepared.

Table 5: 2013 Investment Income

Investment Income (in $ '000)	1Q	2Q	3Q	4Q	Year-to-date
Debt Securities	1,990	1,910	1,855	1,850	7,605
Time Deposits	19	12	4	5	40
Total	**2,009**	**1,922**	**1,859**	**1,855**	**7,645**

Staffing and Organization Structure

CGIF's approved organization plan for 2013 consisted of a staff complement of 25 (excluding secondees) positions. The organization and governance structure of CGIF will be regularly reviewed to ensure efficient and effective mobilization of human resources. The updated organizational structure as of end of December 2013 is provided on Table 6.

Table 6: Staff Resources by Category

Staff Category	Positions
Executive	5
Professional *	7
National Staff	9
Administrative Staff	4
Total	**25**

** Numbers include two secondees who are outside of authorized staff complement*

At the end of 2013, a total of 25 positions (including two secondees) have been filled, compared to 18 positions at the end of 2012.

Institutional Infrastructure

Several enhancements to the institutional infrastructure were made in 2013. This was centered around building further capabilities of the Deal Operations Team through the acquisition of a project finance scorecard system.

The Finance Team also developed the capability of performing the accounting function in 2013.

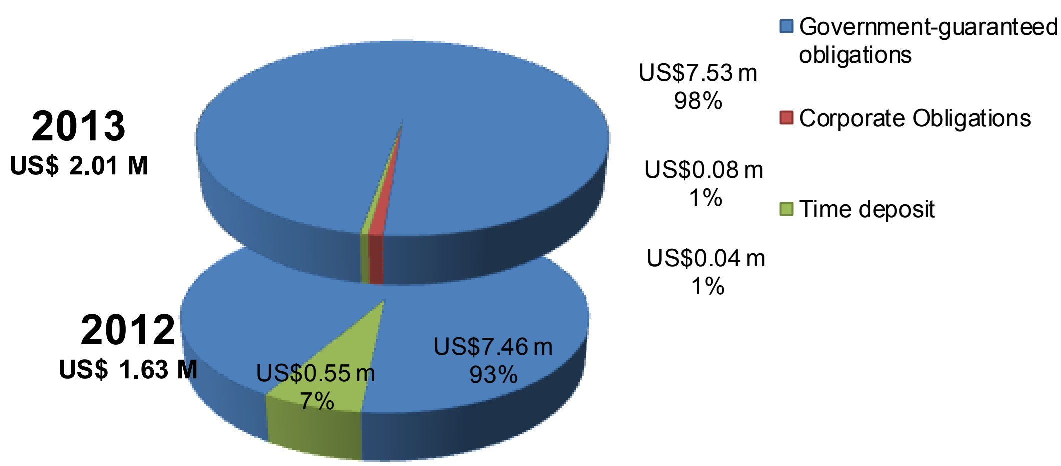
During the third Board meeting held on 27 September 2012, the Board approved CGIF Management's proposal for its office expansion plan to rent additional space on the same floor. The entire fitting out work, including the re-arrangement of existing office space, was completed in the first quarter of 2013, thus giving CGIF a total office space of 530 square meters.

Financial Highlights

CGIF recorded a Net Income of $2.72 million for 2013. This was achieved on the back of revenue from investment interest income of $7.65 million. Of the investment interest income, 98% was from government-guaranteed obligations, while the balance of 2% was from corporate obligations and time deposits.

CGIF recorded its first year of guarantee fees in 2013. A recognised amount of $421,000 was contributed by two inaugural guarantees issued in the year. The aforementioned two guarantees also resulted in the recognition of guarantee fee receivables and a guarantee liability of $1.18 million and $1.77 million respectively.

Figure 5: Interest Income from Investment



Operating expenses totaled $5.40 million, composition of which is illustrated below.

Figure 6: 2013 Total Expenses

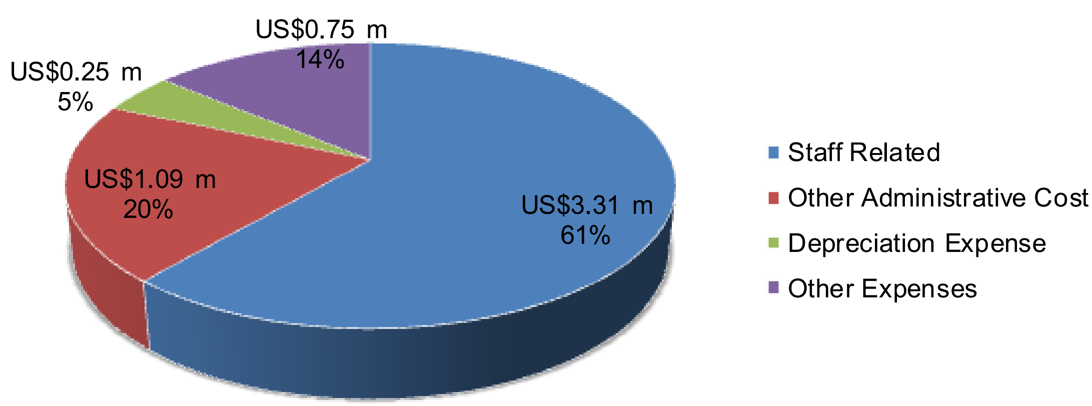
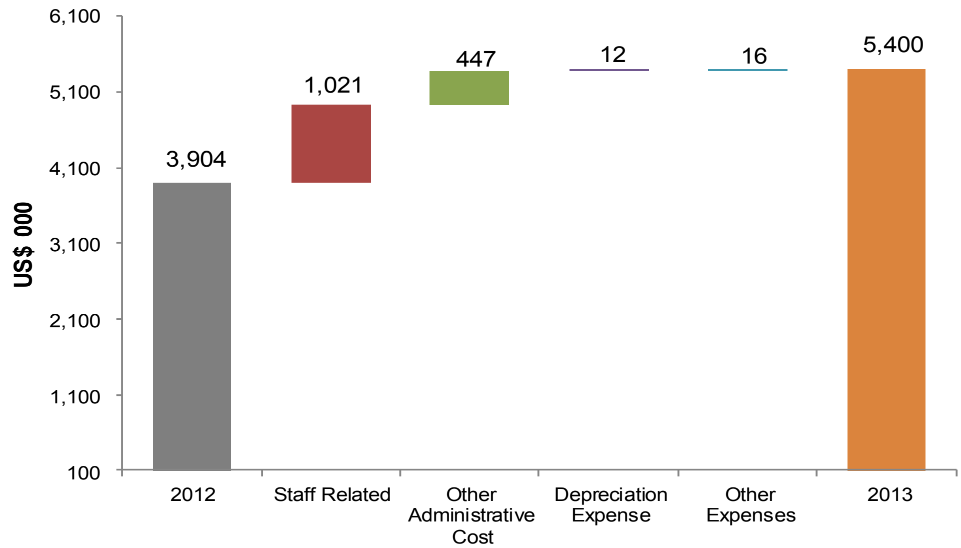


Figure 7: Components of Increase in Operating Expenses



The significant increase in operating expenses (2012: $3.90 million to 2013: $5.40 million) is illustrated by their major categories above. Staff related expenses comprise salaries, benefits and staff relocation expense, and are attributed to the additional 7 various positions recruited in 2013.

Total investments remained unchanged (year on year as of 31 December 2013). The movement in Total Investments can be reconciled in Table 8 below.

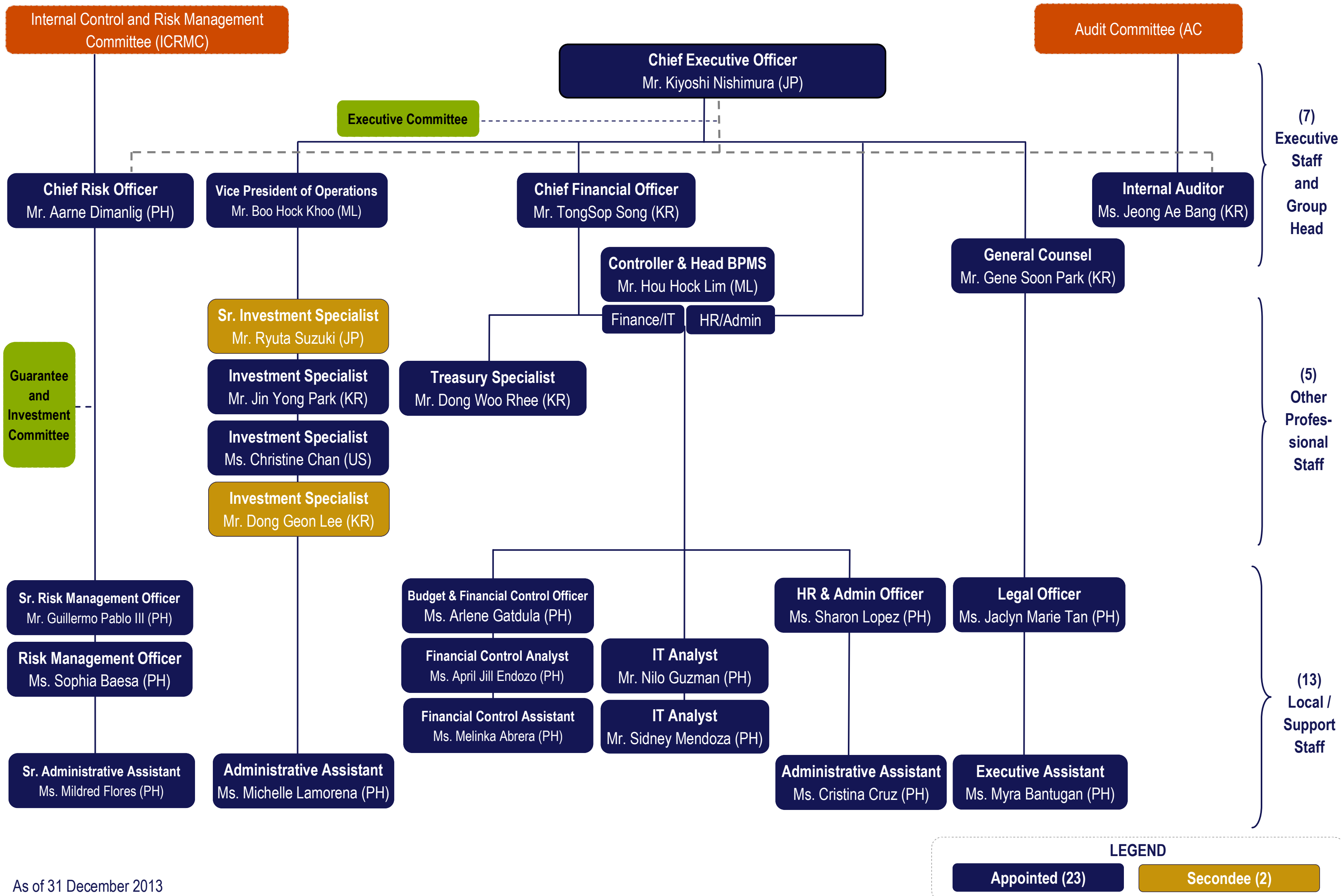
Table 8: Movement in Total Investments

Description	$ million
Purchase	842
Sale / maturities	(835)
Amortizations & Unrealized gains / loss	(7)
Net movement	-

Total Members' Equity increased to $715.23 million (2012: $713.86 million) contributed by a net unrealized loss on available for sale investments of $1.35 million (for the period), and net income retained of $2.72 million for 2013.

CGIF sets aside capital to cover the probability of credit and foreign exchange loss events. Unlike accounting provisions and impairment loss reserves, the setting aside of capital into what CGIF terms as "loss reserves" do not impact CGIF's net income. When these reserves are set aside, it acts to reduce CGIF's maximum guarantee capacity (MGC) as CGIF's MGC is computed as the product of (A) total paid in capital of CGIF plus retained earnings less credit loss reserves (CRLR) and foreign exchange loss reserves (FXLR) less all illiquid investments, and (B) 2.5, CGIF's maximum leverage ratio. CRLR increases as the credit risk profile of CGIF's guarantee portfolio deteriorates. FXLR, on the other hand, increases with an increase in the likelihood of the USD weakening against local currencies that are subject of CGIF bond guarantees. As of 31 December 2013, CGIF's MGC was $1,723.49 million based on credit loss reserves of $11.24 million and foreign exchange loss reserves of $12.53 million.

Appendix 1 – Organizational Chart



As of 31 December 2013

Appendix 2

Report of the External Auditor and Financial Statements

Deloitte.

CREDIT GUARANTEE AND INVESTMENT FACILITY
(Asian Development Bank - Trustee)

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2013 AND 2012

Deloitte.

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INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF
CREDIT GUARANTEE AND INVESTMENT FACILITY

Report on the Financial Statements

We have audited the accompanying financial statements of Credit Guarantee and Investment Facility, which comprise the statement of financial position as at 31 December 2013 and 2012 and the statement of net income, the statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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.

Deloitte.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Credit Guarantee and Investment Facility as at 31 December 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

15 April 2014

CREDIT GUARANTEE AND INVESTMENT FACILITY
(ASIAN DEVELOPMENT BANK - TRUSTEE)
STATEMENT OF FINANCIAL POSITION
31 December 2013 and 2012
Expressed in Thousands of United States Dollars

			2013				**2012**	
ASSETS								
CASH			$	3,053			$	1,709
INVESTMENTS (Note D)								
Government or government-guaranteed obligations	$	690,208			$	621,091		
Corporate Obligations		11,165				-		
Time deposits		8,001		709,374		88,000		709,091
ACCRUED REVENUE				3,226				2,903
GUARANTEE FEE RECEIVABLE (Note E)				1,183				-
FURNITURE & EQUIPMENT		1,251				688		
Less: Allowance for depreciation		482		769		235		453
OTHER ASSETS (Note F)				368				540
TOTAL			**$**	**717,973**			**$**	**714,696**
LIABILITIES AND MEMBERS' EQUITY								
GUARANTEE LIABILITY (Note E)			$	1,765			$	-
DEFERRED EARNINGS ON GUARANTEES				4				-
ACCRUED EXPENSES (Note G)				272				127
PAYABLE TO OTHER FUND				-				12
OTHER LIABILITIES (Note H)				700				696
TOTAL LIABILITIES				**2,741**				**835**
MEMBERS' EQUITY (CGIF-4)								
CAPITAL STOCK (Note I)								
Subscribed capital				700,000				700,000
UNREALIZED GAIN ON AVAILABLE FOR SALE INVESTMENTS (Note D)				1,873				3,220
RESERVE (Note J)				10,641				6,532
RETAINED EARNINGS				2,718				4,109
TOTAL MEMBERS' EQUITY				**715,232**				**713,861**
TOTAL			**$**	**717,973**			**$**	**714,696**

The accompanying notes are an integral part of these financial statements (CGIF-6).

CREDIT GUARANTEE AND INVESTMENT FACILITY
(ASIAN DEVELOPMENT BANK - TRUSTEE)
STATEMENT OF NET INCOME
For the years ended 31 December 2013 and 2012
Expressed in Thousands of United States Dollars

	2013	2012
REVENUE		
Interest income on investments	$ 7,645	$ 8,008
Income on guarantees	421	-
Others	66	1
TOTAL REVENUE	**8,132**	**8,009**
EXPENSES		
Administrative expenses	4,405	2,937
Financial expenses	49	37
Depreciation expenses	246	234
Other miscellaneous expenses (Note H)	700	696
TOTAL EXPENSES	**5,400**	**3,904**
Total operating income	2,732	4,105
TRANSLATION (LOSS) GAIN	(14)	4
NET INCOME	**$ 2,718**	**$ 4,109**

The accompanying notes are an integral part of these financial statements (CGIF-6).

CREDIT GUARANTEE AND INVESTMENT FACILITY
(ASIAN DEVELOPMENT BANK - TRUSTEE)
STATEMENT OF COMPREHENSIVE INCOME
For the years ended 31 December 2013 and 2012
Expressed in Thousands of United States Dollars

	2013	2012
NET INCOME	$ 2,718	$ 4,109
OTHER COMPREHENSIVE (LOSS) INCOME		
Item that may be reclassified subsequently to net income:		
Unrealized (loss) gain on available for sale investments (Note D)	(1,347)	4,271
TOTAL COMPREHENSIVE INCOME	**$ 1,371**	**$ 8,380**

The accompanying notes are an integral part of these financial statements (CGIF-6).

CREDIT GUARANTEE AND INVESTMENT FACILITY
(ASIAN DEVELOPMENT BANK - TRUSTEE)
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the years ended 31 December 2013 and 2012
Expressed in Thousands of United States Dollars

	Subscribed Capital	Receivable from Contributors	Unrealized (Loss) / Gain on Available for Sale Investments	Reserve	Retained Earnings	Total Members' Equity
Balance, 1 January 2012	**$ 700,000**	**$ (18,901)**	**$ (1,051)**	**$ -**	**$ 6,532**	**$ 686,580**
Payment of subscriptions	-	18,901	-	-	-	18,901
Net income for the period	-	-	-	-	4,109	4,109
Allocation of prior year income to reserve	-	-	-	6,532	(6,532)	-
Other comprehensive income						
Net unrealized investment holding gain during the period	-	-	4,271	-	-	4,271
Balance, 31 December 2012	**$ 700,000**	**$ -**	**$ 3,220**	**$ 6,532**	**$ 4,109**	**$ 713,861**
Net income for the period	-	-	-	-	2,718	2,718
Allocation of prior year income to reserve	-	-	-	4,109	(4,109)	-
Other comprehensive loss						
Net unrealized investment holding loss during the period	-	-	(1,347)	-	-	(1,347)
Balance, 31 December 2013	**$ 700,000**	**$ -**	**$ 1,873**	**$ 10,641**	**$ 2,718**	**$ 715,232**

The accompanying notes are an integral part of these financial statements (CGIF-6).

CREDIT GUARANTEE AND INVESTMENT FACILITY
(ASIAN DEVELOPMENT BANK - TRUSTEE)
STATEMENT OF CASH FLOWS
For the years ended 31 December 2013 and 2012
Expressed in Thousands of United States Dollars

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenses paid	$ (4,912)	$ (3,549)
Income from guarantees and other sources received	487	-
Other assets received (paid)	699	(671)
Financial expenses paid	(49)	(37)
Net Cash Used in Operating Activities	(3,775)	(4,257)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(842,087)	(3,915,326)
Sales/maturities of investments	835,141	3,890,586
Interest received on investments	12,637	10,955
Purchase of furniture and equipment	(561)	(480)
Net Cash Provided (Used) in Investing Activities	5,130	(14,265)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received	-	18,901
Net Cash Provided by Financing Activities	-	18,901
Effect of exchange rate changes on cash	(11)	5
Net Increase in Cash	1,344	384
Cash at Beginning of Period	1,709	1,325
Cash at End of Period	**$ 3,053**	**$ 1,709**

RECONCILIATION OF NET INCOME TO NET CASH USED IN OPERATING ACTIVITIES:

	2013	2012
Net income (CGIF-2)	$ 2,718	$ 4,109
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	246	234
Interest income on investments	(7,645)	(8,008)
Change in future guarantee fee receivable	(1,186)	-
Change in guarantee liability	1,765	-
Change in deferred earnings on guarantees	4	-
Change in payable to other fund	(12)	(16)
Change in accrued expenses	146	(148)
Translation loss (gain)	14	(4)
Change in other assets	171	(450)
Change in other liabilities	4	26
Net Cash Used in Operating Activities	**$ (3,775)**	**$ (4,257)**

The accompanying notes are an integral part of these financial statements (CGIF-6).

CREDIT GUARANTEE AND INVESTMENT FACILITY
(ASIAN DEVELOPMENT BANK – TRUSTEE)

NOTES TO FINANCIAL STATEMENTS
31 December 2013 and 2012

NOTE A—GENERAL INFORMATION

The Credit Guarantee and Investment Facility (CGIF) was established on 12 November 2010. Its main objectives are to promote resilience of the financial markets, and to prevent disruptions to the international financial order, by eliminating currency and maturity mismatches for investment rated corporations through guarantees to help them access local currency bond markets.

The general principles of organization, management and operations of CGIF are set out in the Articles of Agreement as adopted by the Contributors. The Asian Development Bank (ADB) is the Trustee of CGIF and holds in trust and manages all CGIF funds and other property only for the purposes of, and in accordance with the provisions of the Articles of Agreement. Based on the Article 13.2 of the Articles of Agreement of CGIF, the privileges, immunities and exemption accorded to ADB pursuant to the Agreement Establishing the ADB shall apply to (i) the trustee, (ii) the property, asset, archives, income, operations, and transactions of CGIF.

CGIF will be financed solely from capital contributed by member countries and ADB. CGIF will not borrow from any source to finance its operations except for purposes of cash management.

The Contributors in CGIF are the governments of Association of Southeast Asian Nations, Japan, People's Republic of China, and Republic of Korea (ASEAN+3) and ADB (see Note I). Ownership rights are in proportion to capital contributions. The authorized capital of CGIF is US$700,000,000, divided into 7,000 shares with a nominal value of US$100,000 each. All such shares are subscribed and fully paid in by the Contributors as at 31 December 2013.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of CGIF have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The accounting policies adopted are consistent with those of the previous financial year unless otherwise stated.

Functional and Presentation Currency

CGIF's members are from ASEAN+3 and ADB with the subscriptions and redemptions of the shares denominated in the United States dollars (USD). The primary activity of CGIF is guaranteeing bonds that are denominated in local currencies and issued by investment-grade ASEAN+3 corporations in undertaking infrastructure and other longer term projects in ASEAN. The performance of CGIF is measured and reported to the Contributors in USD. The USD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in USD, which is CGIF's functional and presentation currency.

Translation of Currencies

CGIF adopts the use of daily exchange rates for accounting and financial reporting purposes. This allows transactions denominated in currencies other than USD to be translated to the reporting currency using the exchange rates applicable at the time of transactions. Contributions included in the financial statements during the year are recognized at applicable exchange rates as of the respective dates of commitment. At the end of each accounting month, translations of asset and liabilities which are not denominated in USD are adjusted using the applicable rates of exchange at the end of the reporting period. These translation adjustments are accounted for as exchange gains or losses and are credited or charged to operations.

Cash

Cash represents cash or deposit in an interest bearing money account.

Investments

All investment securities and negotiable certificate of deposits by CGIF are considered to be "Available for Sale" and are reported at fair value. Time deposits are reported at cost which is a reasonable estimate of fair value. Investment securities are recorded on their trade dates. Unrealized gains and losses are reported as part of "Unrealized Gain on Available for Sale Investments" under Members' Equity. Realized gains and losses are recognized in the Statement of Net Income and are measured by the difference between amortized cost and net proceeds of sales. When a security is derecognized or disposed of, the remaining unrealized gains or losses will be reclassified out of "Unrealized Gain on Available for Sale Investments" and recognized in the Statement of Net Income.

Interest income on investment securities and time deposits are recognized as earned and reported net of amortization of premiums and discounts. Interest is accrued on a timely basis, by reference to the principal outstanding and at the applicable effective interest rate.

Unrealized losses on investment securities are assessed to determine whether the impairment is deemed to be other than temporary. If the impairment is deemed to be other than temporary, the unrealized loss will be recognized in the Statement of Net Income even though the securities have not been derecognized. If in a subsequent period, the fair value of the investment security increases and the increase can be objectively related to an event occurring after the impairment was recognized, that portion of the impairment loss shall be reversed in the Statement of Net Income.

Furniture and Equipment

Furniture and equipment are stated at cost and depreciated over estimated useful lives (4 to 7 years) on a straight-line basis. Maintenance, repairs and minor betterments are charged to expense.

Subscribed Capital

Each contributor subscribed by depositing with the Trustee a duly completed Instrument of Acceptance. Contributions are included in the financial statements at historical cost from the date of the signing of the Instrument of Acceptance.

Financial Guarantees

Financial guarantees are initially recognized at their fair values in the Statement of Financial Position, which are estimated based on the present value of fees expected to be received under the guarantees. Subsequently, the guarantees are measured at the higher of the unamortized balance of the amount initially recognized, and the expenses required to settle any commitments which are probable and can be reliably estimated.

Income from Guarantees includes fees earned from guarantees, which are recognized on an accrual basis over the life of the contract.

Fair Value of Financial Instruments

IFRS 13, Fair Value Measurements, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is market-based measurement, not an entity-specific measurement. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market, or in the absence of principal market, in the most advantageous market for the asset or liability.

Fair Value Hierarchy

To increase consistency and comparability in fair value measurements and related disclosures, IFRS establishes a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs), next priority to observable market inputs or market corroborated data (Level 2 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). Valuation techniques used to measure fair value shall maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The fair values of CGIF's financial assets and liabilities are categorized as follows:

Level 1: fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities
Level 2: fair values are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3: fair values are based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

Inter-level transfers from one year to another may occur due to changes in market activities affecting the availability of quoted market prices or observable market data.

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

Segment Reporting

CGIF is a credit guarantee and investment facility established to develop and strengthen local currency and regional bond markets, so that investment-rated corporations can access those markets and avoid currency and maturity mismatches. CGIF's products and services are unique and are structured and distributed in a uniform manner to its clients. Based on CGIF's operations, CGIF has only one reporting segment.

Critical Accounting Estimates and Judgment

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires exercising judgment in the process of applying the CGIF's accounting policies and determining the fair value of financial instruments. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are included in Notes D and E. Since the estimates are based on judgment and available information, actual results may differ and might have a material impact on the financial statement.

Accounting and Reporting Developments

In 2009, the IASB issued IFRS 9 *Financial Instruments* as part of a comprehensive project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, which was subsequently updated in 2010 and 2013. IFRS 9 focuses on classification and measurement of financial assets where it retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 also added requirements for classification and measurement of financial liabilities, where the requirements related to the fair value option for financial liabilities were changed to address own credit risk. The amendments in November 2013 include (1) the introduction of a new hedge accounting model, along with disclosure requirements related to risk management activity; (2) an option for a reporting entity to present changes in its own credit risk within other comprehensive income; and (3) the removal of the mandatory 1 January 2015 effective date from IFRS 9, without removing the early-adoption provisions. CGIF is currently assessing the impact of this standard on its financial statements.

In May 2011, the IASB issued IFRS 13 *Fair Value Measurement*. IFRS 13 is a single source of fair value measurement guidance that clarifies the definition of fair value, provides a clear framework for measuring fair value and enhances disclosures about fair value measurements. IFRS 13 does not introduce new fair value measurements; it specifies how an entity should disclose information about fair value measurements. The new guidance is effective from quarter ended 31 March 2013 for CGIF. See Note D for the required disclosure.

In June 2011, the IASB issued *Presentation of Items of Other Comprehensive Income (OCI)* (Amendments to IAS 1). The main amendments require an entity to group items presented in OCI on the basis of whether they will be reclassified subsequently to profit or loss (when specific conditions are met) or not. The updates are effective for annual periods beginning on or after 1 July 2012. CGIF adopted the provisions in Amendments to IAS 1 and presented in CGIF-3 beginning its quarter ended 31 March 2013 and 2012 financial statements the reclassification grouping.

In December 2011, the IASB issued Amendments to IFRS 7 *Disclosures - Offsetting Financial Assets and Financial Liabilities*. This amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. The amendments require more extensive disclosures, including quantitative information about recognized financial instruments that are offset in the statement of financial position, as well as those recognized financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. The new guidance is effective for annual periods beginning on or after 1 January 2013. This Amendment did not have any impact on CGIF's financial statements.

NOTE C—RISK MANAGEMENT

CGIF's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. These risks are managed pursuant to the operational policies approved by the Contributors. Majority of the financial assets and liabilities recorded in the Statement of Financial Position as of 31 December 2013 are denominated in USD.

Market Risk

Market risk represents the potential loss that could result from adverse market movements. The main driver for market risk for CGIF is interest rate risk. Interest rate risk is primarily the sensitivity of income on assets funded by equity resources to changes in interest rates. CGIF's principal interest rate risk management is to generate a stable overall interest income that is not overly sensitive to sharp changes in interest rates, but yet adequately responsive to general market trends. This is achieved by continuously adjusting the repricing profile of the assets to match current liquidity needs against interest yields on the investments.

According to CGIF's Investment Guidelines which were approved in May 2013 by the CGIF Board of Directors, the allowable average duration of all outstanding investments, including floating rate-based securities, is 5 years. As of 31 December 2013, CGIF investment portfolio was invested with maturities up to 4 years (3 years – 2012), with an average effective duration of 1.1 years (1.0 year – 2012). CGIF investments are sensitive to interest rate movements. A parallel 100 basis points (bps) upward shift in the yield curve at the portfolio level is estimated to increase an unrealized loss of about $7.8 million ($6.9 million – 2012) for the fixed income securities.

Credit Risk

Pursuant to its Investment Guidelines, CGIF limits the international ratings of its investments to no lower than AA- and A-1, respectively, for long term instruments and short-term instruments. The same policy applies to CGIF's investments in government-related-entity or government-guaranteed instruments. CGIF's long-term deposits are placed in banks with long-term credit ratings of at least AA-. CGIF's deposits are placed in banks with short-term ratings of at least A-1. Credit risk in these investments is considered low.

The profile of CGIF's guarantee portfolio is monitored and controlled so that leverage and concentrations are kept within policy limits. Current policy limits the amount of guarantees issued or approved to no more than CGIF's Maximum Guarantee Capacity (MGC), where MGC is the product of (A) CGIF's total paid-in capital plus retained earnings, less credit loss reserves, foreign exchange loss reserves, and all illiquid investments, and (B) the maximum leverage ratio of 2.5:1. CGIF's maximum leverage ratio is determined by the Meeting of Contributors on the recommendation of the CGIF Board. A system of concentration controls is in place. Guarantee exposure to any country and to any currency is limited to no more than 20% and 40%, respectively, of CGIF's MGC. Exposure to any particular sector may not exceed 30% of MGC, in aggregate; and 50% of the country exposure limit, within countries. Single borrower exposures, and single group exposures, may not exceed 20% of CGIF equity. CGIF's leverage ratio and concentration ratios are reported quarterly to the CGIF Board.

Liquidity Risk

Liquidity risk can arise if CGIF is unable to provide funds to meet its financial and operational commitments. CGIF maintains adequate liquidity resources to meet the cash requirements and potential calls on the guarantees issued. CGIF assesses and monitors the availability of its liquid assets on a periodic basis. CGIF conducts quarterly tests of its liquidity under stress scenarios where CGIF has to meet lumpy obligations related to claims on guarantees, and raise funds from various sources under strenuous conditions. The liquidity stress tests in consideration of CGIF's guarantee portfolio as of 30 September 2013 and 31 December 2013 indicate that CGIF could generate the liquidity that will be required should there be a guarantee claim on CGIF.

Capital Resources

CGIF'S capital resources comprise of capital stock and reserve. The primary objective in the management of CGIF's capital resources is to protect the principal by maintaining a conservative exposure to the market, credit and liquidity risks. CGIF strives to maximize returns on the invested asset portfolio while minimizing the volatility of investment income. Based on this objective, CGIF capital resources are placed with its trustee, ADB

Other Operating Risks

In the normal course of business, CGIF may utilize derivative instruments to cover risk hedges. These derivative instruments are used to minimize foreign exchange rate risks in managing its financial position. These derivative instruments involve, to varying degrees, the risk that the counterparty to the transaction may be unable to meet its obligation to CGIF. Given the nature of CGIF's operations, it is not possible to eliminate counterparty credit risk; however, CGIF minimizes this risk by executing transactions within a prudent framework of approved counterparties with minimum credit rating standards.

NOTE D—INVESTMENTS

The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB administers CGIF's investments and seeks the highest possible returns on its investments while minimizing volatility of investment income.

The annualized rate of return on the average investments held during the year ended 31 December 2013, based on the portfolio held at the beginning and end of each month without the effect of change in fair value was 1.08% (1.13% - December 2012).

The estimated fair value and amortized cost of the investments by contractual maturity as of 31 December 2013 and 2012 were as follows:

	31 December 2013		31 December 2012	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
Due in one year or less	$ 344,323,000	$ 344,191,000	$ 378,140,000	$ 377,998,000
Due in one to five years	365,051,000	363,311,000	330,951,000	327,874,000
Total	$ 709,374,000	$ 707,502,000	$ 709,091,000	$ 705,872,000

Fair Value Disclosure

The fair value of the government-related-entity or government guaranteed and corporate obligations as of 31 December 2013 and 2012 was as follows:

		Fair Value Measurements		
	31 December 2013	Level 1	Level 2	Level 3
Government-related-entity or government-guaranteed obligations	$ 690,208,000	$ 322,361,000	$ 317,847,000	$ 50,000,000
Corporate Obligations	$ 11,165,000	$ 11,165,000	$ -	$ -

		Fair Value Measurements		
	31 December 2012	Level 1	Level 2	Level 3
Government-related-entity or government-guaranteed obligations	$ 621,091,000	$ 279,997,000	$ 291,106,000	$ 49,988,000
Corporate Obligations	$ -	$ -	$ -	$ -

If available, active market quotes are used to assign fair values to investment securities. These include government-related-entity or government-guaranteed obligations and corporate obligations. Investments with no active market quotes are categorized as Level 2 or Level 3. Valuation for these investments is provided by independent valuation services using valuation techniques appropriate to the market and industry of each investment. Time deposits are reported at cost, which approximates fair value.

ADB as CGIF's Trustee, manages CGIF's investments in liquid assets which are governed by the CGIF Operational Policies and Investment Guidelines approved by the CGIF Board of Directors, and follows the same process and internal controls to value the investment securities as ADB's portfolio. The data management unit in ADB's treasury department is responsible for providing the valuation in accordance with the business process. In instances where ADB relies primarily on prices from third party pricing information, there are procedures in place to validate the appropriateness of those values in determining the hierarchy levels. This involves evaluating the nature of prices provided by third party pricing sources to determine if they are indicative or binding prices. Transfers into or out of each level can happen from one period to another depending on the availability of observable inputs.

The table below provides the details of transfers between Levels 1 and 2 for the years ended 31 December 2013 and 2012:

	2013		2012	
	Level 1	Level 2	Level 1	Level 2
Government-related-entity or government-guaranteed				
Transfers into (out of)	$ 25,586,000	$ (25,586,000)	$ -	$ -

The inter-level transfer is attributed to the availability of observable inputs. There was one government-related-entity or government-guaranteed obligation that matured in Level 3 as of the year ended 31 December 2013.

The following tables present the changes in CGIF's Level 3 investments for the years ended 31 December 2013 and 2012.

		Government-related-entity or government-guaranteed obligations
Balance, 1 January 2013	$	49,988,000
Total gains (losses) - (realized/unrealized)		
Included in earnings (or changes in net assets)		-
Included in other comprehensive income		
Accumulated Translation Adjustments		-
Unrealized Holdings Gains (Losses)		12,000
Purchases		50,000,000
Maturities		(50,000,000)
Settlement and others		-
Transfers into Level 3		-
Transfers out of Level 3		-
Balance, 31 December 2013	$	50,000,000
The amount of total gains (losses) for the period recognized in other comprehensive income attributable to the change in net unrealized gains or losses relating to assets/liabilities still held at the reporting date	$	-

		Government-related-entity or government-guaranteed obligations
Balance, 1 January 2012	$	-
Total gains (losses) - (realized/unrealized)		
Included in earnings (or changes in net assets)		-
Included in other comprehensive income		
Accumulated Translation Adjustments		-
Unrealized Holding Gains/(Losses)		(12,000)
Purchases		50,000,000
Maturities		-
Settlement and others		-
Transfers into Level 3		-
Transfers out of Level 3		-
Balance, 31 December 2012	$	49,988,000
The amount of total gains (losses) for the period recognized in other comprehensive income attributable to the change in net unrealized gains or losses relating to assets/liabilities still held at the reporting date	$	(12,000)

NOTE E—GUARANTEES

In 2013, CGIF issued two guarantees covering bonds denominated in Thai Baht and Indonesian Rupiah totaling to US$139.7 million at issuance date. The total outstanding amount of the guarantees issued under the related bonds was $125.1 million as of 31 December 2013.

As of 31 December 2013, a guarantee liability of $1.8 million was reported on the Statement of Financial Position representing the unamortized balance of the present value of total guarantee fees expected to be received under the terms of the guarantee.

The reported guarantee fee receivable of $1.2 million represents the present value of the stream of total guarantee fees expected to be received for the guarantee outstanding as of 31 December 2013.

The balance of the guarantee fee receivable and liability by contractual maturity as of 31 December 2013 were as follows:

($ thousand)	Less than one year	One year to five years	Adjustment	Total
Guarantee Fee Receivable	$ 670	$ 598	$ (85)	$ 1,183
Guarantee Liability	$ 758	$ 1,094	$ (87)	$ 1,765

The guarantee fee receivable and liability are reported at carrying value, which approximates the fair value.

NOTE F—OTHER ASSETS

Other assets pertain to advances made by CGIF for staff benefits, prepaid office rentals, consulting services, model rating from S&P, subscriptions and licenses as well as security deposit.

NOTE G—ACCRUED EXPENSES

Accrued expenses pertain to administrative expenses incurred during the year but not yet paid.

NOTE H—RELATED PARTY TRANSACTIONS

CGIF utilizes certain services from ADB including treasury and accounting services as may be agreed with the Chief Executive Officer from time to time.

Other liabilities and other miscellaneous expenses pertain to the provision for ADB's administration fee which is equivalent to 10 bps of the average quarterly balance of contributions received as of the end of the year. The amount of $0.7 million pertaining to ADB's administration fee for 2012 was subsequently settled in April 2013. The same amount of administration fee was recorded in 2013 to be settled in April 2014.

NOTE I—MEMBERS' EQUITY

Equity is composed of capital stock and retained earnings and is consistent with prior year.

The capital stock of CGIF as of 31 December 2013 and 2012 were as follows:

	2013	2012
Capital Stock - $100,000 nominal value		
Authorized		
$700,000,000 (7,000 shares)		
Subscribed		
7,000 shares	$700,000,000	$700,000,000

Each contributor shall subscribe by depositing with ADB a duly completed Instrument of Acceptance.

Capital stock of $700 million have been fully subscribed as of 31 December 2011.

The subscribed capital for CGIF as of 31 December 2013 and 2012 were as follows:

Contributor	No. of Shares	Amount
Asian Development Bank	1,300	$ 130,000,000
ASEAN Member Countries		
Brunei Darussalam	56	5,600,000
Cambodia	1	100,000
Indonesia	126	12,600,000
Lao People's Democratic Republic	1	100,000
Malaysia	126	12,600,000
Myanmar, Republic of the Union of	1	100,000
Philippines	126	12,600,000
Singapore	126	12,600,000
Thailand	126	12,600,000
Viet Nam	11	1,100,000
	700	70,000,000
Others (non-ASEAN Member Countries (+3))		
China, People's Republic of	2,000	200,000,000
Japan Bank for International Cooperation	2,000	200,000,000
Korea, Republic of	1,000	100,000,000
	5,000	500,000,000
Total	7,000	$ 700,000,000

NOTE J— RESERVE

In May 2013 and 2012, the Contributors approved the allocation of net income of $4.1 million and $6.5 million respectively, to Reserve.

NOTE K— SUBSEQUENT EVENTS

ADB has evaluated subsequent events after 31 December 2013 through 15 April 2014, the date these Financial Statements are available for issuance. In March 2014, CGIF completed a guarantee underwriting transaction for issuance of an IDR 120 billion bond which is due on 18 March 2017. As this guarantee was entered into after 31 December 2013, the respective guarantee liability, fee receivable and off balance sheet contingent position shall be reflected in the subsequent year's financial statements.

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