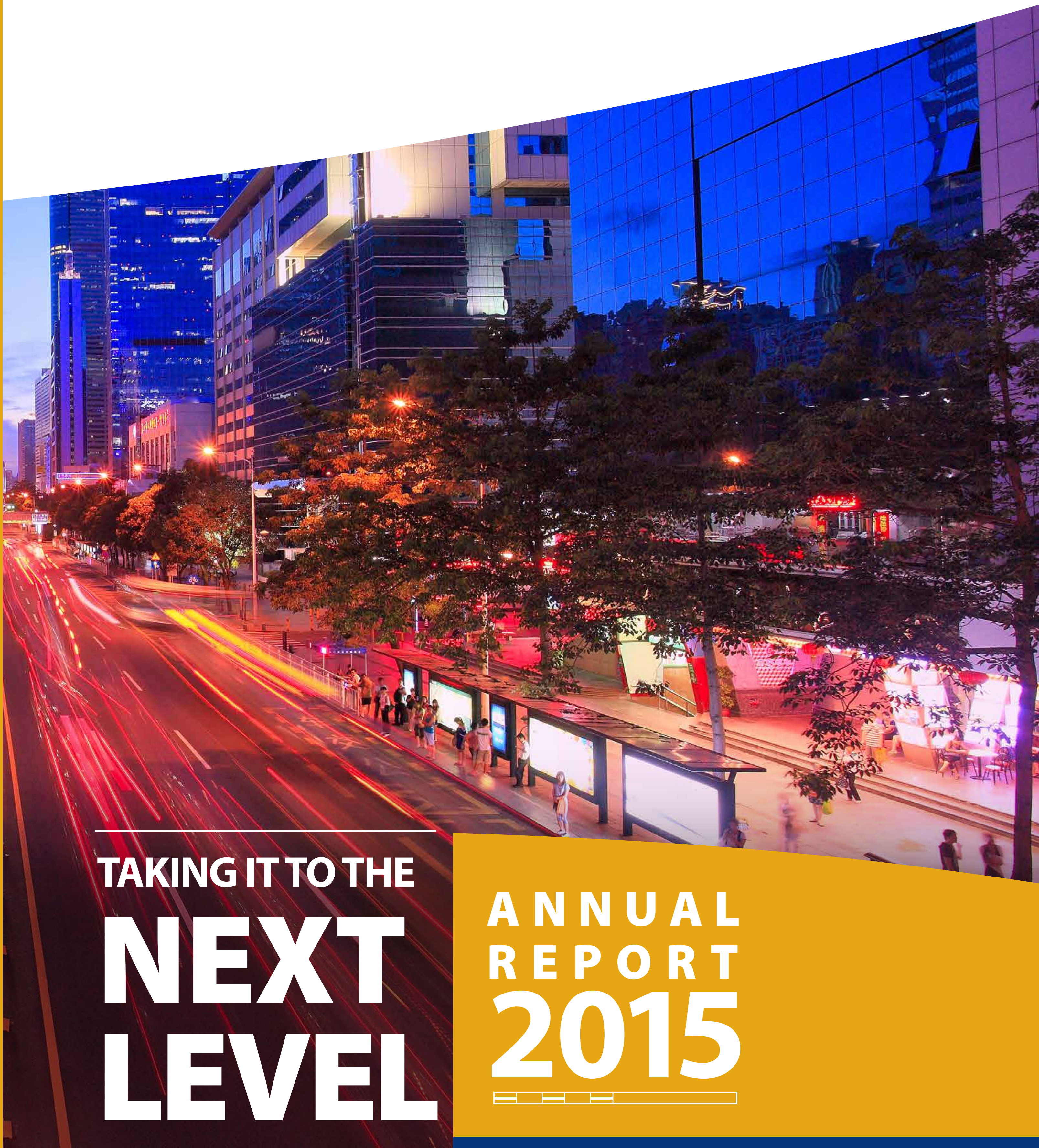
CGIF Credit Guarantee & Investment Facility

An Asian Bond Markets Initiative



TAKING IT TO THE NEXT LEVEL

ANNUAL REPORT 2015

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"INDORAMA Ventures' maiden bond issue in the Singapore market is a landmark event for the company, and ***the support offered by CGIF is a milestone in the debt market development of Thailand-based companies.*** *This was a good reflection of the confidence from CGIF, who provided an unconditional guarantee, post a detailed due diligence."*

SANJAY AHUJA
Director and Senior Vice President

Indorama Ventures Public Company Limited

TABLE OF CONTENTS

ABBREVIATIONS

ABMI	-	Asian Bond Markets Initiative
AC	-	Audit Committee
ADB	-	Asian Development Bank
AFS	-	Available for Sale
APEC	-	Asia-Pacific Economic Cooperation
APRI	-	AP Renewables, Inc.
ASEAN	-	Association of Southeast Asian Nations
ASEAN+3	-	ASEAN plus the People's Republic of China, Japan and the Republic of Korea
BCLM	-	Brunei Darussalam, Cambodia, Lao PDR and Myanmar
BOD	-	Board of Directors
CAP	-	Corrective Action Plan
CAR	-	Capital Ratio Adequacy
CEO	-	Chief Executive Officer
CGIF	-	Credit Guarantee and Investment Facility
CRO	-	Chief Risk Officer
DOD	-	Deal Operations Department
EXIM	-	Export-Import
EAP	-	External Advisory Panel
FX	-	Foreign Exchange
GCP	-	Guarantee Concept Paper
GDP	-	Gross Domestic Product
GIC	-	Guarantee and Investment Committee
GUP	-	Guarantee Underwriting Proposal
ICRMC	-	Internal Control and Risk Management Committee
IVL	-	Indorama Ventures Public Company Limited
IRR	-	Internal Risk Rating
ISDA	-	International Swaps and Derivatives Association
JSC	-	Joint Stock Company
LCY	-	Local Currency

MOC	-	Meeting of Contributors
MOF	-	Ministry of Finance
MPMF	-	Mitra Pinasthika Mustika Finance
MTNs	-	Medium Term Notes
NRC	-	Nomination and Remuneration Committee
OP	-	Operational Policies
OR	-	Operational Review
PPP	-	Public-Private Partnership
PRC	-	People's Republic of China
RCSA	-	Risk and Control Self-Assessment
RMF	-	Risk Management Framework
SAA	-	Strategic Asset Allocation
SME	-	Small and Medium-Sized Enterprises
UST	-	US Treasuries

CURRENCY UNITS

IDR	-	Indonesian Rupiah
MYR	-	Malaysian Ringgit
PHP	-	Philippine Peso
SGD	-	Singapore Dollar
THB	-	Thai Baht
VND	-	Vietnamese Dong

NOTE
In this report, "$" refers to US Dollars unless otherwise stated

"The success of Indorama Ventures' bond issuance demonstrates investors' confidence in the company and in CGIF, as the guarantor. ***With the support from CGIF, Indorama Ventures is able to access an alternative funding source.*** *The bond issuance has also given investors in Singapore an opportunity to take part in the growth of a strong Southeast Asian name."*

Ronny Chng
Managing Director and
Head of Investment Banking

United Overseas Bank Limited

CGIF AT A GLANCE

SUMMARY

BACKGROUND

The Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (CGIF), was established by the ASEAN+3[1], together with the Asian Development Bank (ADB), on 12 November 2010. The facility was part of the Asian Bond Markets Initiative (ABMI) to develop and strengthen local currency (LCY) and regional bond markets.

CGIF provides guarantees to corporate bonds mainly in local currencies issued by creditworthy ASEAN+3 domiciled corporations. It aims to help these companies secure long-term financing, reduce their dependency on short-term foreign currency borrowing, and address currency and maturity mismatches.

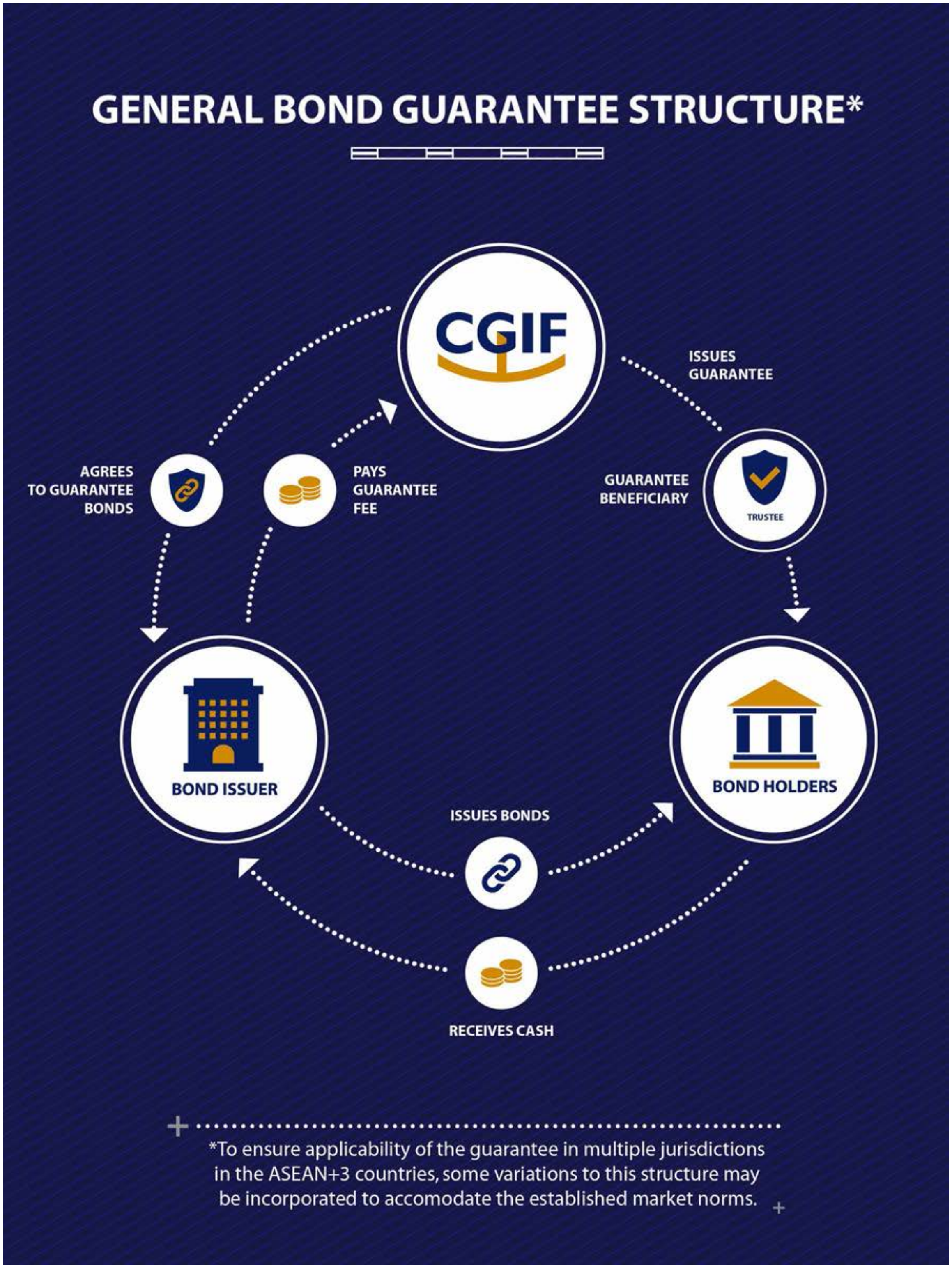
By promoting deep and liquid local currency and regional bond markets, CGIF helps foster economic development, build the resilience of the financial markets, and prevent disruptions to the international financial order. By facilitating the access of creditworthy entities to local currency and regional markets, and by pushing the issuance of debt securities with longer-term maturities that match the gestation of investment projects, efficient allocation of savings within the Asia and Pacific region is achieved.

ADB is the trustee of CGIF and as such, in line with the provisions of the Articles of Agreement, it holds in trust and manages all CGIF funds and other properties.

This Annual Report for 2015 includes the Independent Auditor's report and the Financial Statements for 2015.

1 The Association of Southeast Asian Nations (ASEAN) is composed of Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Republic of the Union of Myanmar, the Philippines, Singapore, Thailand, and Viet Nam. The ASEAN +3 is composed of the ASEAN nations, plus the People's Republic of China, Japan, and the Republic of Korea.

OUR BUSINESS



"**CGIF** *played an instrumental role in creating investment opportunities for long-term investors in Vietnam.* ***The corporate bonds guaranteed by CGIF helped us to match our investment with long-term liabilities and to diversify our portfolio.*** *In the early stage of capital market development, credit enhancement is a crucial step towards expanding the local currency bond markets and fostering the long-term investors. As a key institutional investor in Vietnam's future, we support the Asian Bond Markets Initiative and look forward to the next opportunity to work with CGIF."*

Takashi Fujii
Chairman

Dai-ichi Life Insurance Company of Vietnam/ Dai-ichi Life Vietnam Fund Management Company

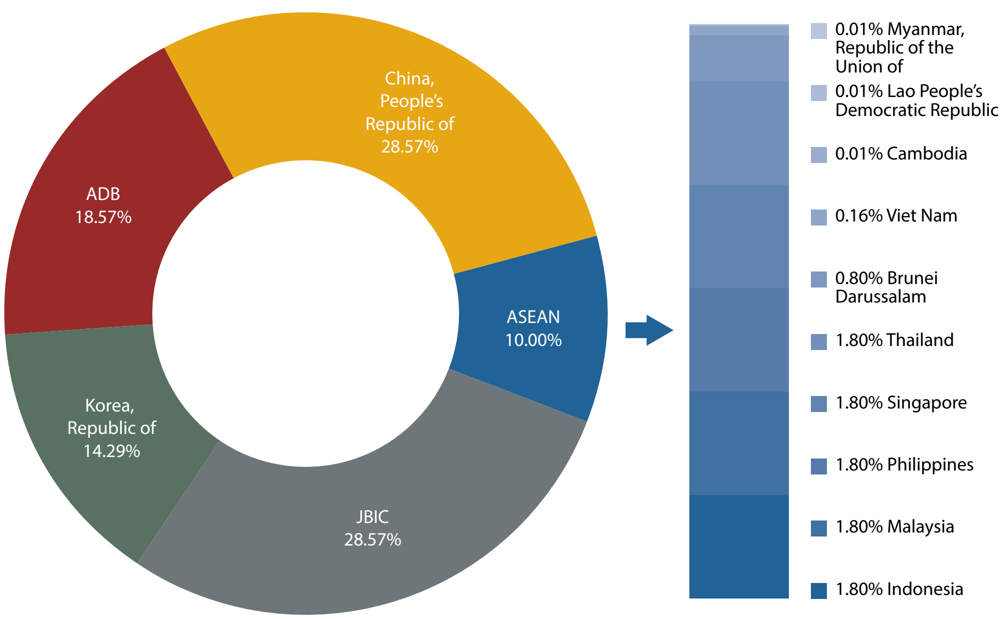
OUR CONTRIBUTORS

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

The illustration below shows each contributor's ownership rights in proportion to their capital contribution.

FIGURE 1: CONTRIBUTOR OWNERSHIP



MILESTONES

2010

NOVEMBER

CGIF was established

- Articles of Agreement were effectuated
- Operational Policies were adopted

2011

OCTOBER

The Core Management team was set in place (Chief Executive Officer & Chief Risk Officer)

- Business Plan & Risk Management Framework development was started
- Institutional infrastructure was set
- Staff recruitment commenced
- The office was initially opened

2012

APRIL

CGIF initial capital of $700 mn was fully paid-in

MAY

Net income for FY2010 & 2011 ($6.5 M) was allocated to Reserve

Guarantee operations were ready for commencement

- Business Plan & Risk Management Framework were approved by CGIF's Board of Directors (BOD)
- CGIF started receiving Preliminary Information Packs from potential clients

OCTOBER

First *guarantee offer* issued

2013

APRIL

First guarantee issued

- THB three-year bonds issued by Noble, an HK-based commodities supply chain manager

SEPTEMBER

BOD approved guarantee capacity scaling-up proposal

NOVEMBER

The scaling-up proposal, and the amendments of the Articles of Agreement and the Operating Procedures were approved in the Meeting of Contributors (MOC)

DECEMBER

First tranche of the second guarantee issued

- First tranche of IDR three-year Medium-Term Notes issued by BCAF, auto-finance co. in Indonesia

2014

MARCH

Second tranche of the second guarantee issued
- Second tranche of IDR three-year Medium Term Notes issued by BCAF to accommodate additional demand from a Japanese investor

MAY

Net income for FY2013 ($2.7 M) was allocated to Reserve

AUGUST

Third guarantee issued
- SGD three-year bonds issued by Kolao Holdings, an automobile and motorcycle distributor in Lao PDR

NOVEMBER

Fourth guarantee issued
- SGD ten-year bonds issued by Protelindo Finance BV, the largest-independent owner and operator of towers for wireless operators in Indonesia

DECEMBER

Fifth guarantee issued
- VND ten-year bonds issued by MasanConsumerHoldings, one of Viet Nam's largest private sector companies

DECEMBER

Sixth guarantee issued
- SGD three year bonds issue by PT Astra Sedaya Finance, a leading auto finance company in Indonesia

2015

MAY

Net income for FY2014 ($3.5 M) allocated to Reserve

OCTOBER

Seventh guarantee issued
- SGD ten-year bonds issued by Indorama Ventures Public Company Limited, a global leader in polyester

FINANCIAL SUMMARY

FIGURE 2: NET INCOME

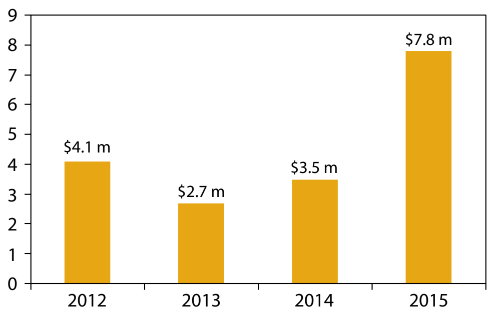


FIGURE 3: INVESTMENT INCOME

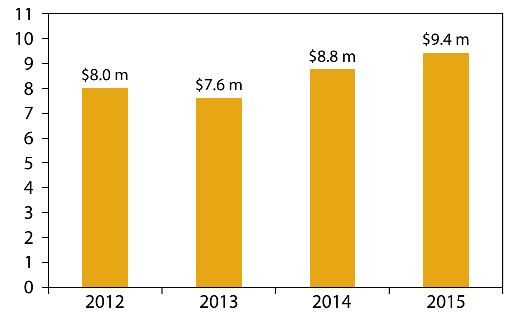


FIGURE 4: GUARANTEE INCOME

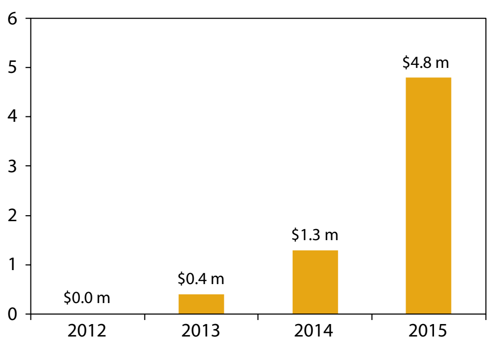


FIGURE 5: OUTSTANDING GUARANTEE ISSUED

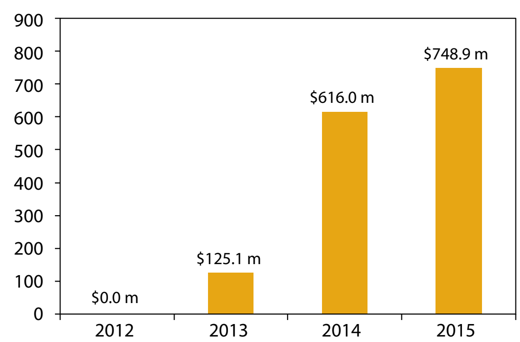
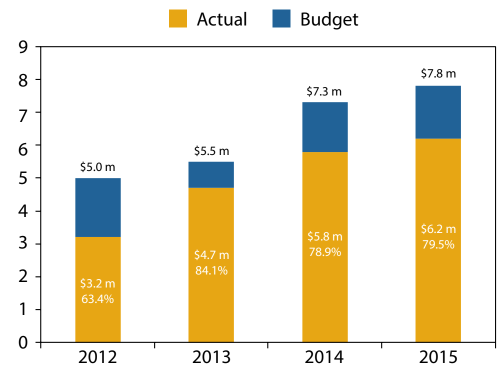


FIGURE 6: ACTUAL VS. BUDGET (OPERATING AND ADMINISTRATIVE EXPENSES)



Note: Recognition of utilized amount is based on Budgeting Procedures Manual (BPM) and may not be equal to the reported expenses in the Financial Statement

OUR FUTURE

TAKING IT TO THE NEXT LEVEL — THE FUTURE WE SEE

Since its inception, CGIF has strived to establish itself in the capital markets as a credible, innovative, and responsive partner to work with. Its strength is underpinned not only by its strong capital base, but also by its robust credit assessment process, its high standards, and its integrity.

It has already achieved a number of milestones in local currency and regional bond markets in recent years such as connecting a Laotian corporate with Singaporean institutional investors, enabling automobiles in Indonesia to be financed by Japanese insurers, and facilitating the first ten-year corporate bonds in Viet Nam to match long-term investments.

In short, CGIF has succeeded in connecting companies and investors from the opposing corners of the ASEAN, in raising long-term fixed rate funding for long-term investments, and in elevating the profile of the region's lesser-known companies. At present, it is continuing these efforts and is discovering new opportunities and frontiers as well.

CGIF envisions a bright future ahead for all the ASEAN bond markets that it is striving to develop and strengthen. This vision sees the following triumphs in the coming years:

- Countries that have yet to institute a bond market issuing their first bonds
- Established bond markets not only serving indigenous needs, but also standing as sources of long-term capital for their neighbors, and spurring more cross-border investments and intra-regional trades
- Companies making long-term investments backed by local currency bonds as CGIF provides them with the most appropriate terms of financing, in matching local currencies, at fixed rates and with long tenures
- The region's infrastructure deficiencies being addressed with a robust local currency project bond market that helps deliver safe investment opportunities to their growing pension and insurance funds
- Pools of mortgage, auto, consumer, and SME loans being financed by bond investors through securitization, delivering stable sources of funding at lower costs to households and SMEs as an alternative to the banking sector
- Innovative bond products and terms being deployed to address various risks and needs, allowing savers in the region to have access to a wide range of investment opportunities
- Local bond investors approaching risk of the unknown the way CGIF does– understanding, managing, and pricing, but not avoiding

CGIF's work centers on building confidence among investors in new frontiers. It helps investors embrace new issuers, asset classes, and bond terms. While it has already accomplished a significant amount of notable feats, there is still a lot of work to be done across the region and CGIF has only just started.

MESSAGE

FROM THE CHAIRMAN OF THE BOARD

It has been more than five years since the ASEAN+3, together with ADB, established the Credit Guarantee and Investment Facility. CGIF was established to provide credit enhancements and make investments, with the purpose of enabling eligible corporates to access local currency bond markets and to avoid currency and maturity mismatches in the region. These mismatches were partly the cause of the 1997-1998 Asian Financial Crisis. CGIF was envisioned to play a vital role in helping the region build more resilient financial markets, through the development of deep and liquid local currency and regional bond markets.

In the initial phase of its operations, CGIF focused its deal origination efforts in Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam. To date, it has already issued eight guarantees to seven companies from five of the aforementioned ASEAN+3 countries. The Board will continue to support and guide CGIF in fulfilling its obligation of deepening existing corporate local currency bond markets in the region that would help evolve these markets into more mature stages. Furthermore, the Board hopes to facilitate CGIF's efforts in creating and developing bond markets in other ASEAN countries such as Brunei Darussalam, Cambodia, Lao PDR, and Myanmar, where functioning local currency bond markets are yet to take off.

In 2015, we have seen the further expansion of the Emerging East Asia's local currency bond market. But despite this recent growth, the local currency corporate bond markets of ASEAN countries still face structural impediments and common challenges such as narrow issuer and investor base, limited tenors, slow financial integration, and lack of diversified bond instrument types. Thus, CGIF plays a critical catalytic role. It addresses these structural impediments and common challenges, and contributes to the stability of bond markets, and the Board will continue to uphold its commitment to CGIF and to support its important mission.

JIAN LI
Chairman, Board of Directors

MESSAGE

FROM THE CHIEF EXECUTIVE OFFICER (CEO)

In the fiscal year 2015, Credit Guarantee and Investment Facility (CGIF) focused its guarantee operations in promoting cross-border transactions, in meeting issuers' requirements for tenure extension, and in helping the broadening of investor base for issuers, while laying the ground work for its future expansion into new areas such as project bonds and securitization. The management considers all these as priorities in achieving a balanced portfolio, particularly as CGIF reaches a mature stage.

2015 also marked the first guarantee issuance for a Thailand-based company (Indorama Ventures Public Company Limited) in the Singapore Dollar bond market, which squarely fits CGIF's mission to mobilize long-term savings within ASEAN+3 region. To date, CGIF has strategically issued over $600 million worth of guarantees. Our commitment to develop Capital Markets in the region is complemented by the strength and stability of our portfolio from the past years.

In 2015, CGIF's Net Income increased by approximately 120%. Total expenses remained under control, recording a less than 1% increase on the overall. CGIF continued to be profitable, maintaining its high credit ratings given by global and national credit rating agencies in the region with a stable outlook.

The Board also concluded the Operational Review (OR) in April 2015, with the final review report submitted to the MOC in May 2015, together with a market demand study conducted by an external consultant. The OR evaluates the effectiveness of the initial phase of CGIF operations and presents recommendations on how it can be improved, moving forward. It also reaffirms CGIF's current Business Plan and discusses the need for increase in guarantee capacity.

Some of the key plans for 2016 include new guarantee products in project bonds with high developmental impact, including a construction period guarantee facility to encourage bond finance for greenfield projects, and a pilot infrastructure asset securitization to kick start the market. CGIF also continues to collaborate with the ADB in bringing in the first Climate Bond in Asia.

In order to continue increasing the acceptance of CGIF's guarantees, there will be further market awareness activities in the ASEAN region. We will continue sponsoring round-table discussions directed at bond market development activities and participation in investor conferences, and we will keep engaging in close dialogue with market regulators and policy makers to enhance CGIF's contribution to the bond market development in the region.

CGIF remains relevant in its mission to promote financial stability and boosting long-term investment in the ASEAN+3 region.

西村 潔

KIYOSHI NISHIMURA
Chief Executive Officer

BUSINESS AND OPERATIONAL REVIEW

GUARANTEE OPERATIONS

MACROECONOMIC AND BOND MARKET OVERVIEW

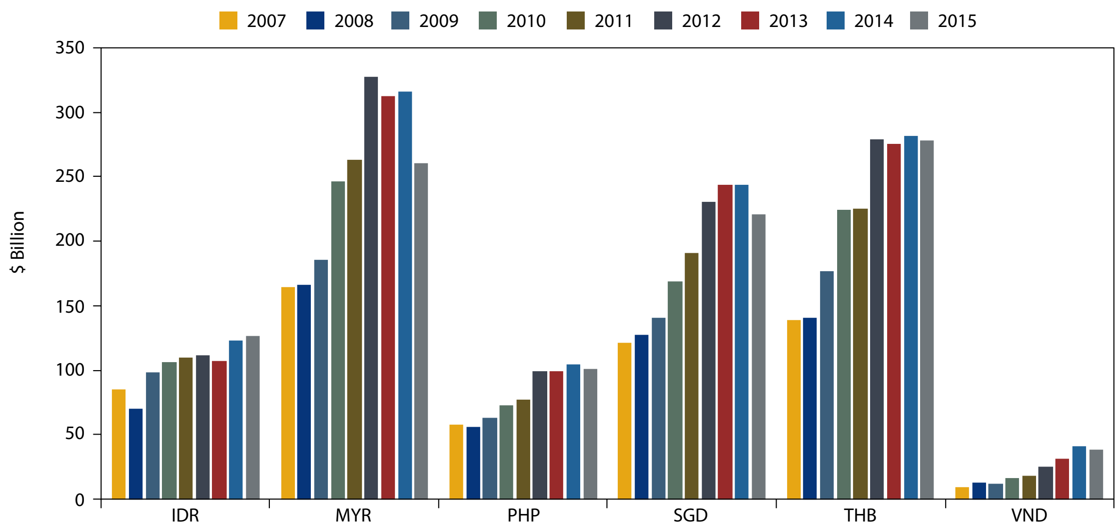
In 2015, the overall global economy continued to grow at a steady pace of 3.2%. However, economic activities were hampered by high volatility across many asset classes, by a prolonged commodities slump, and by declining oil prices. The impact of these issues varied across developed economies. While growth and confidence in the United States (US) returned, leading to the first Federal Reserve rate increase since 2006, Japan and Eurozone suffered, bringing about divergent monetary policies adopted among developed worlds. Slowing growth rates observed in People's Republic of China and the Republic of Korea contributed to challenges for emerging economies, including many in the ASEAN region.

But despite slowing demand for their commodities, many ASEAN countries churned out lower but respectable GDP growth rates for 2015, on the back of rising consumption and affluence. With the exception of only a few countries, most ASEAN economies saw near or above 5% growth rates. While growth rates were lower relative to the past years, they compare favorably against the overall emerging economies' growth rate of 4.4%, validating ASEAN's pivotal contribution towards the world's economic growth.

ASEAN local bond markets faced a challenging 2015. With the anticipation of higher interest rates in the US and depreciating local currencies, many of the emerging bond markets in ASEAN experienced capital outflows and repatriation of funds from foreign bond holders. This lead to higher benchmark rates across the ASEAN fixed income markets, although the ample liquidity in many markets helped limit the increase. Compared to the circumstances during the 1997-1998 Asian Financial Crisis, while many of the ASEAN currencies have depreciated to multi-year lows, the impact on domestic liquidity was less pronounced, supported by the stronger macroeconomic fundamentals.

Against this backdrop, as well as depreciated currencies, the size of bond markets declined in many jurisdictions as issuers adopted a more conservative stance and investors anticipated higher interest rates.

FIGURE 7: LCY BOND MARKET SIZE



The comparison between each country's GDP and the local currency bond market size shows the latter has not been able to keep pace with the respective country's economic activities and growth rates. In the larger bond markets across Thailand, Malaysia, and Singapore (save for the Thai Baht market, which was buoyed by the larger amount of government and corporate debt outstanding), local currency bonds outstanding relative to GDP have dropped.

In Thailand, the total market relative to GDP reached a high of 74%. In Malaysia, the declines were principally driven by sharply lower amounts of government bonds outstanding of 5.6% of GDP, as the 2.6% increase in corporate bond stock were unable to cushion the decline. Singapore's market saw lower percentages for both Government and Corporate bonds outstanding as a % of GDP.

Among the emerging markets, Indonesia is the one that continued to make a slow but steady progress, with the government and corporate bonds growing 0.6% and almost 0.1% respectively to reach a total of 15% of GDP. In the Philippines and Viet Nam, declines in the government bonds held back the expansion of the overall market, as the small increases in corporate bonds were not enough to make up the decline. With bond markets at 15%, 21%, and 36% of GDP for Indonesia, Viet Nam, and the Philippines, there is still a considerable amount of effort to boost these markets and support these surging economies.

*"**We** came to know of CGIF and its ability to support potential bond issuers through guarantees only 8 months before we launched our CGIF-backed SGD bond in November 2014. We were initially skeptical about how an international agency could move quickly. But* ***CGIF's highly professional team, with their quick execution of Protelindo's maiden global bond, proved the skeptics wrong. The bond enabled us to raise 10-year funds, something unheard of for a private sector Indonesian corporate, at a competitive all-in cost.*** *As a result, we have better matched our long-term assets and liabilities and reduced risk."*

Adam Gifari
Vice President Director

PT Profesional Telekomunikasi Indonesia

2015 GUARANTEES OPERATION

In 2015, CGIF approved and made offers to guarantee five transactions (totaling $594 million local currency equivalent), greater than the three transactions approved in 2014 (totaling $290 million equivalent). Among these, several unique yet challenging transactions were pursued including CGIF's first Philippine Peso guarantee, power infrastructure, property development, and green exposures.

From the five new approvals and offers made to guarantee bonds in 2015, CGIF issued a guarantee to one transaction for a Thai conglomerate on 7 October 2015, further extending its reach to guarantee corporates from five countries in the region.

Indorama Ventures Public Company Limited (IVL), via its subsidiary IVL Singapore Pte. Ltd., issued a 195 million SGD AA rated ten-year bond, marking CGIF's first guarantee for a Thai corporate. IVL is a global leader in polyester, with its products used in one of six PET bottles, one of two premium baby diapers, and one of four airbags consumed globally.

However, its funding had mainly relied on domestic sources including the Thai Baht bond market. CGIF helped IVL diversify its funding sources and reach investors in Singapore, with the issue being sold out in a few hours. The ten-year issuance also helped the company raise long-term funding to match its long-term investments—one of the key objectives of developing bond markets in the region, with the assistance of a specialist guarantor like CGIF.

Four remaining offers were at advanced documentation stages and are scheduled for issuance in 2016. At the publication date of this report, three of these transactions have already been successfully concluded.

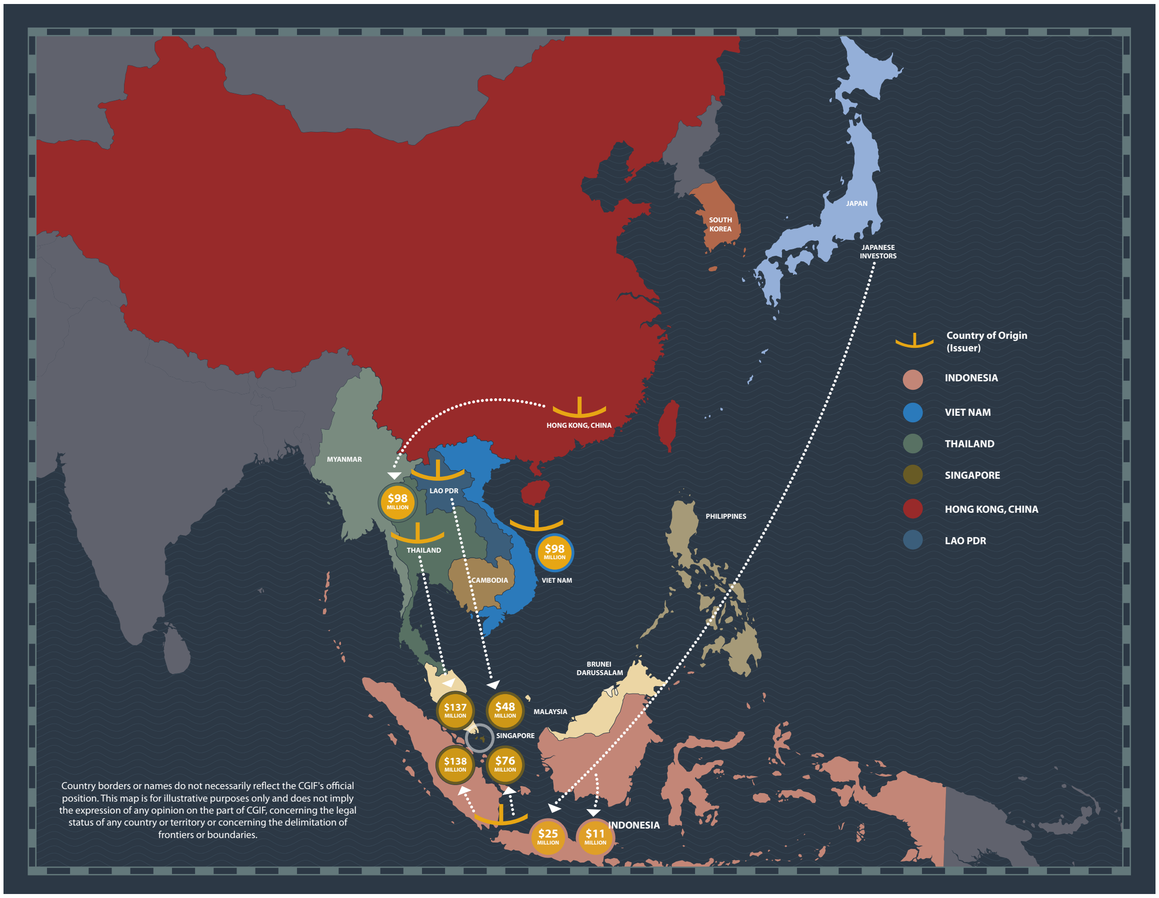
CGIF GUARANTEE PORTFOLIO

By end 2015, CGIF has issued eight guarantees to seven companies from a variety of sectors across the ASEAN+3 region. Many of these transactions broke new ground and set milestones for the respective bond markets.

TABLE 1: GUARANTEE PORTFOLIO AS OF 31 DECEMBER 2015

ISSUE DATE	ISSUER	COUNTRY OF ORIGIN (ISSUER)	BOND ISSUANCE VENUE (BOND MARKET)	ISSUE SIZE	ISSUE SIZE (USD)	PERCENTAGE GUARANTEED BY CGIF	ISSUE RATING AGENCY	TENOR
26-APR-13	NOBLE GROUP LIMITED	HONG KONG, CHINA	THAILAND	THAI BAHT 2.85 BILLION	$98 MILLION	100%	AAA (THA)- FITCH RATINGS THAILAND	3 YEARS
04-DEC-13	PT BCA FINANCE	INDONESIA	INDONESIA	INDONESIAN RUPIAH 300 BILLION	$25 MILLION	100%	UNRATED	3 YEARS
18-MAR-14	PT BCA FINANCE	INDONESIA	INDONESIA	INDONESIAN RUPIAH 120 BILLION	$11 MILLION	100%	UNRATED	3 YEARS
21-AUG-14	KOLAO HOLDINGS	LAO PDR	SINGAPORE	SINGAPORE DOLLAR 60 MILLION	$48 MILLION	100%	AA (S&P)	3 YEARS
27-NOV-14	PROTELINDO FINANCE BV	INDONESIA	SINGAPORE	SINGAPORE DOLLAR 180 MILLION	$138 MILLION	100%	AA (S&P)	10 YEARS
05-DEC-14	MASAN CONSUMER HOLDINGS COMPANY LIMITED	VIET NAM	VIET NAM	VIETNAMESE DONG 2.1 TRILLION	$98 MILLION	100%	UNRATED	10 YEARS
18-DEC-14	PT ASTRA SEDAYA FINANCE	INDONESIA	SINGAPORE	SINGAPORE DOLLAR 100 MILLION	$76 MILLION	100%	UNRATED	3 YEARS
07-OCT-15	IVL SINGAPORE PTE. LTD., A SUBSIDIARY OF INDORAMA VENTURES PUBLIC COMPANY LIMITED	THAILAND	SINGAPORE	SINGAPORE DOLLAR 195 MILLION	$137 MILLION	100%	AA (S&P)	10 YEARS

ASEAN + 3 MAP WITH LOCATOR ICON OF THE COUNTRY OF ORIGIN



1. **Noble Group Limited (Noble): 2.85 billion Thai Baht denominated, three-year bonds**
   CGIF's first guarantee was issued on 26 April 2013 to enable Noble, a Hong Kong headquartered and Singapore listed commodities supply chain management company, to access the Thai Baht bond market for the first time as a foreign issuer. This allowed Noble to further diversify their funding sources after tapping the Malaysian Ringgit bond market earlier.

2. **PT BCA Finance (BCAF): 420 billion Indonesian Rupiah denominated, three-year Medium Term Notes (MTNs)**
   CGIF's second guarantee was issued on 4 December 2013 to enable BCAF, a leading auto finance company, to issue MTNs targeting at offshore investors. This transaction made significant media headlines in Indonesia and Japan and was recognized as a very significant milestone, as it marked the first time that an Indonesian Rupiah MTN was placed with a Japanese institutional investor. It also allowed BCAF to tap regional sources of savings to meet the strong demands for automobile financing and increase vehicle ownership in Indonesia. The success of this transaction was followed by the second tranche of guaranteed MTN issued to another Japanese insurance company on 18 March 2014.

3. **Kolao Holdings (Kolao): 60 million Singapore Dollar denominated, three-year bonds**
   The Kolao group is one of the largest private

conglomerates in Lao PDR. It is a leading automobile and motorcycle distributor in the country. With CGIF's guarantee, Kolao successfully issued bonds to Singaporean investors on 21 August 2014 as the first Lao company to tap the Singapore Dollar bond market. Utilizing CGIF's financial strength and high international ratings, Kolao has been able to reach key institutional investors in Singapore and raise attractively priced debt capital. Enabling Kolao to access the region's more developed bond markets (like the one in Singapore) demonstrated CGIF's ability to build a bridge between a company with limited funding options in its home country and investors in a more developed market in the region.

4. **Protelindo Finance BV: 180 million Singapore Dollar denominated, ten-year bonds**
   Protelindo Finance BV is a subsidiary of PT Profesional Telekomunikasi Indonesia (Protelindo). Protelindo is the largest-independent owner and operator of towers for wireless operators in Indonesia. Protelindo's first Singapore Dollar denominated bonds, guaranteed by CGIF, were issued on 27 November 2014. CGIF's guarantee enabled Protelindo to reach out to long-term investors in Singapore and secure its first ten-year bullet financing to match the long-term nature of its tower assets and lease revenues.

5. **MasanConsumerHoldings (MCH): 2.1 trillion Vietnamese Dong denominated, ten-year bonds**
   CGIF's first guarantee for a Vietnamese Dong bond was issued on 5 December 2014 to support a bond issuance by MCH, a subsidiary of Masan Group, which is one of Viet Nam's largest private sector companies. MCH holds a leading position in the food and beverage business in Viet Nam. This transaction marked a significant milestone for the development of Vietnamese Dong bond market, as it was the first time a non-bank corporate bond was issued with a ten-year tenure in recent years.

6. **PT Astra Sedaya Finance (ASF): 100 million Singapore Dollar denominated, three-year bonds**
   CGIF enabled ASF, a leading auto finance company, to debut in the Singapore Dollar bond market on 18 December 2014. This marks the first time that ASF tapped an offshore bond market in the region, which helped the company diversify its funding sources.

7. **IVL Singapore Pte. Ltd.: 195 million Singapore Dollar denominated, ten-year bonds**
   CGIF's first guarantee for a Thai corporate was issued for Indorama Ventures Public Company Limited (IVL), which debuted in the Singapore Dollar bond market through its subsidiary in Singapore on 7 October 2015. IVL is a global leader in polyester, with its products used in one of six PET bottles, one of two premium baby diapers, and one of four airbags consumed globally. As IVL has only previously tapped the Thai Baht bond market, CGIF is pleased to have successfully matched investors in Singapore with one of the largest corporations from Thailand. This squarely fits CGIF's mission to mobilize long-term savings within the ASEAN+3 to support companies from the region.

GEOGRAPHICAL DISTRIBUTION OF APPLICANTS AND TRANSACTIONS

CGIF has continued to receive inquiries relating to a considerable number of opportunities in the region, with twenty-nine new Preliminary Information Packs submitted in 2015. This included opportunities from eleven out of the thirteen ASEAN+3 countries. CGIF continued to reach out to new jurisdictions including a roadshow in Brunei Darussalam, in conjunction with the Meeting of Contributors in May 2015.

FIGURE 8: PRELIMINARY INQUIRIES BY COUNTRY (CUMULATIVE PRELIMINARY INQUIRIES RECEIVED, MAY 2012-DECEMBER 2015)

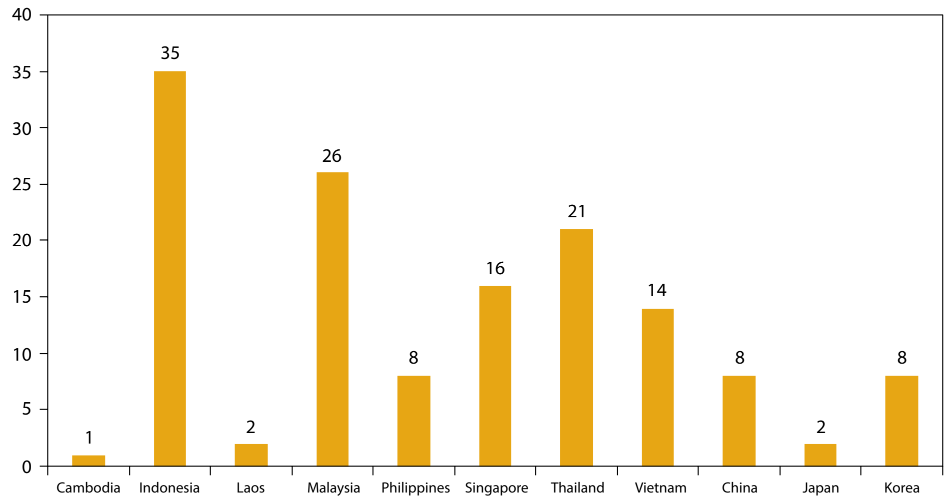
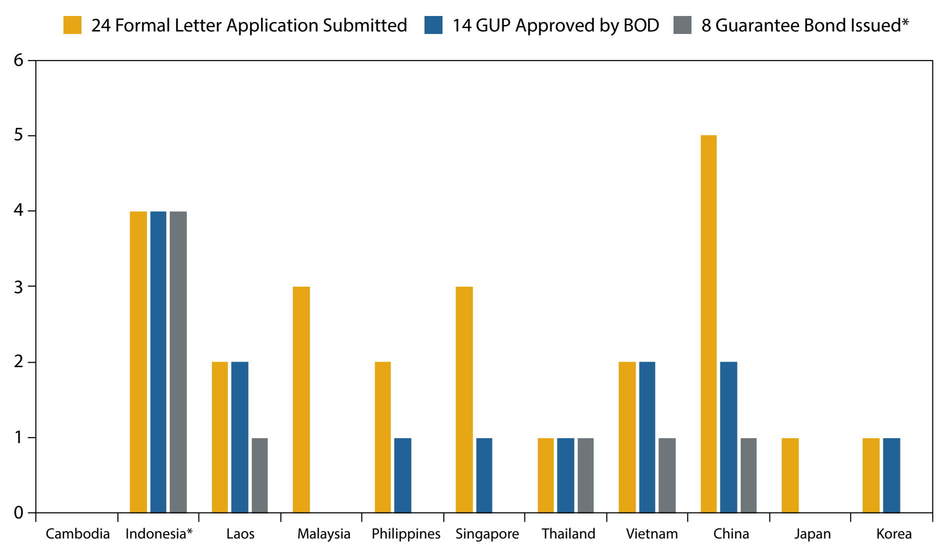
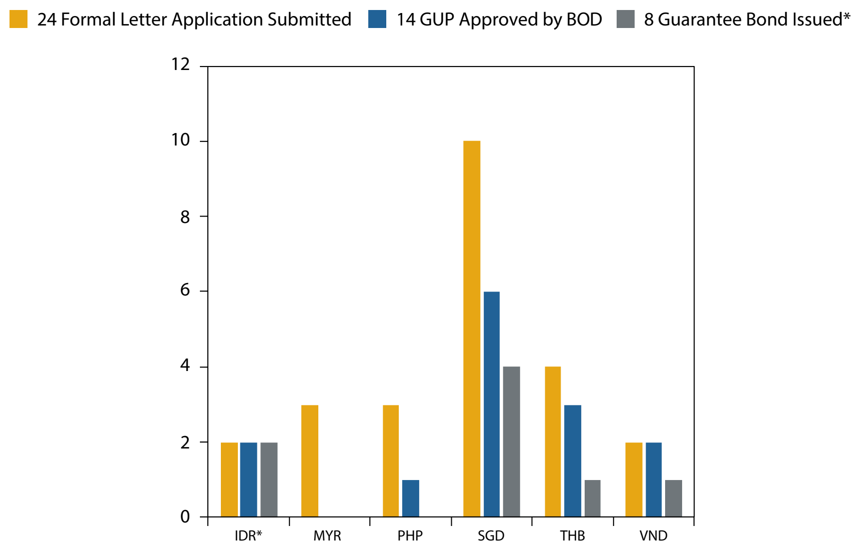


FIGURE 9: FORMAL APPLICANTS, GUARANTEE APPROVALS, AND GUARANTEES ISSUED BY COUNTRY (CUMULATIVE, MAY 2012-DECEMBER 2015)



*Including 2nd tranche of BCAF

FIGURE 10: FORMAL APPLICANTS, GUARANTEE APPROVALS, AND GUARANTEES ISSUED BY CURRENCY (CUMULATIVE, MAY 2012-DECEMBER 2015)



*Including 2nd tranche of BCAF

Steady progress was achieved, with five new Board approvals obtained in 2015, for companies in People's Republic of China, Indonesia, the Philippines, Thailand, and Viet Nam. Prolonged documentation work has resulted in only one issuance for the year from a Thai issuer, with the remaining approved transactions carried over to 2016. Still, this expanded the coverage of CGIF's guarantee issuances to support companies from five countries out of thirteen ASEAN+3 member countries. They were People's Republic of China, Indonesia, Lao PDR, Viet Nam, and Thailand.

In terms of issuing markets of bonds guaranteed by CGIF, by the end of 2015, CGIF was able to support bond issuances in four local currency bond markets—Thai Baht, Indonesian Rupiah, Singapore Dollar, and Vietnamese Dong. CGIF will continue to look for opportunities to support bond market development in other ASEAN countries, including those which still do not have functioning local currency corporate bond markets.

LOOKING FORWARD

Amidst an uncertain and volatile period of capital flows within the region and globally, ASEAN countries are expected to continue their growth trajectory, albeit at a slower pace. Bond market development will continue to be an important aspect in discovering new frontiers in each of the respective markets within CGIF's mandate. New ground, moving forward, includes infrastructure project bonds in many of the ASEAN countries to catalyze the financing of much needed infrastructure with long-term local currency bonds. It also includes the revival of securitization—an important technique to channel funding of key asset classes from the banking sector to the bond markets. While still at preliminary stages, CGIF is developing construction period guarantee and residential mortgage securitization frameworks to accelerate the issuing of bonds in the respective ASEAN local currency markets.

RAISING MARKET AWARENESS

In the past year, CGIF had either organized or sponsored five conferences or seminars on local currency bond market development in four countries—Malaysia, Brunei Darussalam, Indonesia, and Thailand. These events were used not only to increase market awareness of CGIF's activities, but also to discuss challenges and opportunities in the bond market development, including cross border bond issuance and project bonds.

In addition, CGIF representatives also participated as speakers or panelists in more than twenty conferences, workshop, and seminars on capital market issues. Notable examples included the Asia-Pacific Economic Cooperation (APEC) Workshop on Infrastructure Financing and Capital Market Development in the Philippines on July 2015, the APEC Workshop on Islamic Infrastructure Investment in Brunei Darussalam in October 2015, and the United Nations Economic and Social Commission for Asia and the Pacific Expert Group Meeting on Financing Sources for PPP in Malaysia in November 2015, where CGIF made contribution to their recommendations.

FINANCIAL CONTROL AND TREASURY

FINANCIAL CONTROL

Financial Control is a process of directing, monitoring and measuring CGIF's financial resources, helping CGIF achieve sound financial reporting, optimal managerial strategic decision-making, administrative effectiveness and efficiency, and compliance with rules and policies.

TAKE-OVER OF ACCOUNTING FUNCTION

Since its establishment, CGIF has been relying on ADB, its Trustee, through its Controller's Department, for the Financial Control 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 for the annual external audit exercise. However, it has been established at the onset that this circumstance is just an interim arrangement until CGIF is able to take over these functions.

With support of the Internal Control and Risk Management Committee (ICRMC) and the Board, the CGIF's own accounting General Ledger system was developed. With completion of relevant policies, procedures and workflow, the functions have been turned over to CGIF since January 2014.

CGIF'S OWN CONTROL

While CGIF still relies on ADB Treasury Department's provision of accounting data for investments and external treasury transactions with the take-over of the financial control function, CGIF can now control the whole payment process in direct communication with the depository bank. Moreover, CGIF is now able to produce its Quarterly Financial Statements faster, with more detailed information, which can be useful for the management's quick decision-making. Currently, CGIF produces basic financial reports monthly, immediately after arrival of ADB's treasury accounting data. The financial statements for 2014, for which CGIF directly coordinated with its external auditor, were the first annual financial statements prepared by CGIF.

The procedures and workflows from the inception of accounting events to the full reflection on the books are reviewed and analyzed regularly. The review results and analyses are reflected in the revisions and enhancements done on relevant manuals and procedures.

CAPITAL RESOURCES MANAGEMENT

ADB, as Trustee, manages CGIF's capital resources under the investment strategies and performance targets that have been set in agreement with the latter. This is done in order to protect CGIF's capital, an objective met by maintaining a conservative exposure to the market, credit, and liquidity risks.

With approval from ICRMC and the Board, the Investment Guidelines were revised on April 2015. The revisions made are meant to keep the guidelines in line with the evolution of CGIF's operations and market conditions, and with the practicality of implementation. The revisions include introduction and redefinition of limits. The Investment Guidelines will continue to be reviewed and updated to sustain relevance.

CGIF and ADB have agreed on the Strategic Assets Allocation (SAA), which is designed to optimize the investment allocation of CGIF's investment portfolio, with the goal of maximizing the ratio of investment return to the combined risk of both its guarantee and investment portfolios. The SAA was approved by the Board on January 2015.

The SAA recommendations for portfolio asset allocation and duration are presented in the table below. With the SAA implemented, CGIF expects diversification of credit risks, enhanced liquidity, and stable income stream.

Migration to the SAA target portfolio will be implemented gradually, in consideration of market condition, by taking a prudential approach to the rebalancing the investment portfolio. Keeping the basic buy-and-hold principle intact, the portfolio will be rebalanced gradually to the target of SAA upon maturity of the existing investments.

LIQUIDITY POLICY

CGIF maintains adequate liquidity resources to meet the cash requirements and potential calls on the guarantees issued. CGIF's investment portfolio comprises of high-quality liquid securities and short-term deposits. CGIF's liquidity condition is tested regularly to make it sure that it can secure enough funds to be able to meet guarantee obligation within the agreed guarantee call service periods, even in stressed markets.

TABLE 2: PROPOSED SAA AND PORTFOLIO ALLOCATION AS OF 31 DEC 2015

ASSET CLASSES	UST 1-5Y	UST 5-10Y	AAA & AA	A-1	PORTFOLIO
PROPOSED ALLOCATION	0-30%	0-20%	40-80%	0-40%	2.0-4.0
PORTFOLIO ALLOCATION	17%	0%	61%	32%	1.77

*Where, UST means US Treasuries. AAA & AA means a combination of AAA and AA rated bonds with targeted duration 3~4 years. A-1 means A-1 rated bonds with 1 year of maximum tenor. Portfolio duration means average effective duration of the investment portfolio.

FIGURE 11: COMPOSITION OF INVESTMENT PORTFOLIO BY CREDIT RATING

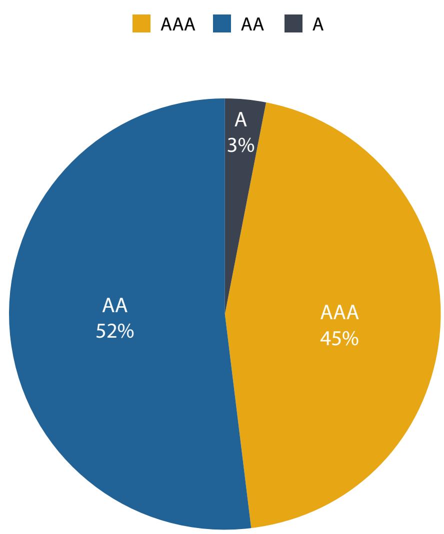


FIGURE 12: COMPOSITION OF INVESTMENT PORTFOLIO BY GEOGRAPHY

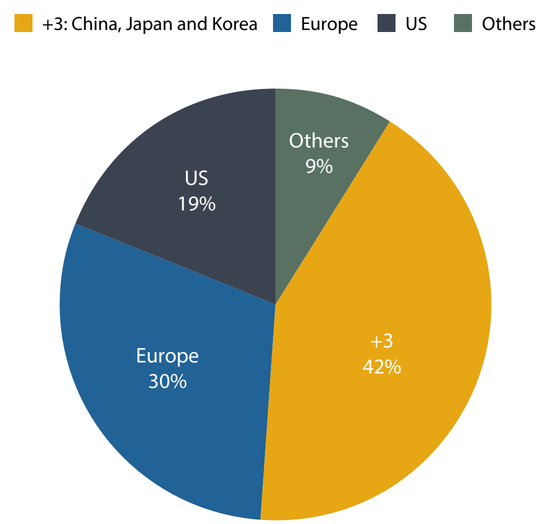


TABLE 3: 2015 QUARTERLY INVESTMENT INCOME

(USD '000)

INVESTMENT INCOME	1Q	2Q	3Q	4Q	2015
DEBT SECURITIES	2,320	2,189	2,351	2,408	9,267
TIME DEPOSITS	46	32	15	6	98
TOTAL	**2,365**	**2,220**	**2,365**	**2,414**	**9,365**

*"**Previously,** our corporate clients could only get loans or issue bonds with three to five-year tenure and mainly floating rate.* ***With CGIF's guarantee structure, we can now help our clients raise ten-year fixed rate capitals from international life insurance companies,*** *which was almost impossible for local companies to access in the past. The funding cost is cheaper, and a longer tenure supports our clients' long-term planning and expansion. For TCBS as a bond arranger, CGIF's guarantee is creating more bond-issuing interests from our clients and is also helping us to create more varieties of bond products for the Vietnam market."*

Nguyen Xuan Minh, CFA
Chairman

Techcom Securities

INVESTMENT INCOME IN 2015

Realized interest income on investments for 2015 was $9.4 million, representing a yield of 1.30% without the effect of change in fair value. The yield in 2014 was 1.20%, and the original target yield of 2015 was 1.15%. Table 3 provides a quarterly breakdown of investment income for the year 2015. A target yield for 2016 is set at 1.25%, in consideration of conservative investment strategy under expectation of volatile markets, with possible delay of policy rate hike in 2016.

HEDGING AND REPOS

CGIF may enter into derivative transactions for hedge against Foreign Exchange (FX) exposure and Repo transactions for contingent liquidity requirements. Treasury Guidelines and Procedures for External Transactions and Exposure Monitoring regulate risks and define the procedure for these transactions with external counterparties and they are constantly reviewed for enhancement. During the year, with approval by the ICRMC and the Board in April 2015, FX exposure limit was adjusted by taking into market conditions and the process of counterparty establishment was refined.

COUNTERPARTY RELATIONSHIP

As CGIF's first external counterparty for derivative transactions, the International Swaps and Derivatives Association (ISDA) Master Agreement was signed with a renowned international financial organization in July 2014. In order to enlarge a scope of possible counterparties for these external transactions and enhance CGIF's hedging capabilities, CGIF has been continuing its efforts in establishing relationships with other potential counterparties and negotiation required documentation. Unique legal status of CGIF continues to be one of the major issues to be resolved before completion of the documentation. Nonetheless, CGIF has agreed on all the major issues with a couple of banks and financial institutions and expects to sign necessary documents soon. CGIF will continue to exert its efforts to extend its counterparty relationship with global names in the markets.

CGIF researched and analyzed FX markets of target economies. Based on the research and the analysis, CGIF sets a hedge strategy for specific FX exposure. CGIF have executed hedge transactions for its FX exposure from the guarantee receivables in local currencies. FX exposures are well controlled within the preset limit. Given that CGIF's target markets are evolving fast, CGIF will keep monitoring new developments in the markets and Treasury Guidelines and relevant procedures will be reviewed and revised if necessary to reflect market development.

STAFFING AND ORGANIZATION STRUCTURE

CGIF's approved staff number for 2015 is a complement of thirty-four staff members, excluding secondees. The updated staff complement by category as of end of December 2015 is provided in Table 4.

TABLE 4: STAFF RESOURCES BY CATEGORY

STAFF CATEGORY	HEAD COUNT
EXECUTIVE STAFF	7
PROFESSIONAL STAFF	5
NATIONAL/ADMINISTRATIVE STAFF	21
TOTAL	**33**

By the end of 2015, a total of thirty-three positions had been filled, compared to the twenty-six filled positions at the end of 2014. During 2015, two professional staff members resigned and left CGIF on January and November, while a Senior Risk Management Officer was assigned as a Risk Management Specialist (Professional Staff). A total of three staff members joined the Deal Operations Department. The remaining four staffers were assigned in the Finance Control Department, Legal Department, Budget and Planning Department, and Human Resources and Administration Department, respectively.

The organization structure of CGIF is regularly reviewed to ensure effective recruitment of human resources.

INSTITUTIONAL INFRASTRUCTURE

The development of 2015's institutional infrastructure centered on the following key areas:

1. **Enhancing risk assessment capabilities of CGIF** in the real estate industry. CGIF invested a total of $200,000 in real estate scorecards from S&P Capital IQ, to this end, to acquire both the Real Estate Developer and Real Estate Investor scorecards. The staff was also trained in the usage of these scorecards.

2. **Establishment of Credit Administration and Monitoring Unit** to focus on the monitoring of CGIF's guarantee portfolio. The establishment of this unit under the Deal Operations Department has become necessary, as CGIF's portfolio grows in size and complexity.

3. **Review of CGIF's current Internal Risk Rating (IRR) Framework.** Management initiated a review of CGIF's current IRR framework, with assistance from an external party. This review is aimed at determining if the current IRR Framework is aligned with CGIF's main objective of developing and strengthening local and regional bond markets. Results of the review and any recommended action plans will be presented to the ICRMC and the Board thereafter.

4. **Relocation.** To comply with the Philippine Government's requirement for CGIF's office to be located within ADB's headquarter seat, CGIF has relocated from the Joy-Nostalg Center to ADB's headquarter at the end of March 2015.

BUDGET

Budget utilization for 2015 amounted to $6.22 million. This represents a utilization of 79.2%, excluding contingencies. The Board, on its December 2015 meeting, approved the 2016 budget, committing the necessary resources to support the 2016 Work Program. This reflects an increase of $1.4 million or 17.4% over the 2015 budget.

*"**CGIF,** as a sophisticated credit enhancer, supports the expansion of our investment fields in the ASEAN bond market.*

We respect their expertise, as a whole entity and person-to-person, not only in fulfilling transactions—coordinating the needs of investors and issuers—but also in appropriately monitoring transactions after issues.

CGIF contributes to the continuous fortification of the ASEAN bond market.

We expect more investment opportunity, in accordance with the market expansion, along with CGIF's great support."

Kenichi Yoshida
General Manager, Investment & Loan Department

Sompo Japan Nipponkoa Insurance Inc.

FINANCIAL HIGHLIGHTS

CGIF recorded a net income $7.8 million in 2015, which is 119.3% higher than the 2014 income. Total revenue increased by 42.1% and stood at $14.3 million. Growth of guarantee income marked 255.5% increase from $1.4 million to $4.78 million, backed by five transactions completed since the second half of 2014. Investment income also contributed to the growth of gross revenue, with 7.7% increase—from $8.8 million to $9.5 million. With continuing efforts to control costs, total expenses showed only a slight increase of 0.2%.

Outstanding Guarantee issued as of end 2015 increased to $748.9 million or by 21.6% from $616.0 million in 2014. Recognized guarantee fee receivables and guarantee liability recorded $25.5 million and $27.8 million, which mark increases of 23.2% and 23.7% from 2014, respectively.

Total Members' Equity increased to $751.6 million in 2015. It was $740.5 million in previous year. Retained Earnings for 2015 was $7.8 million. In addition, CGIF's Reserve, which is the accumulation of allocated retained earnings since its establishment, stood at $16.9 million.

FIGURE 13: REVENUE VS. EXPENSES

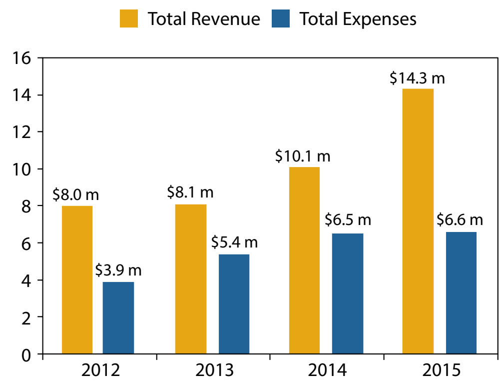


FIGURE 14: EXPENSES COMPOSITION

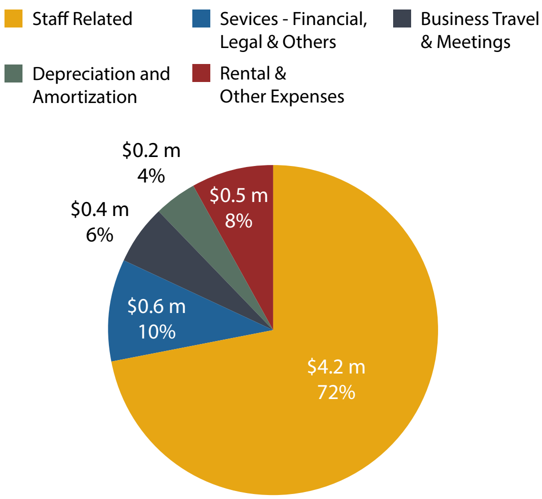


FIGURE 15: GUARANTEE LIABILITY

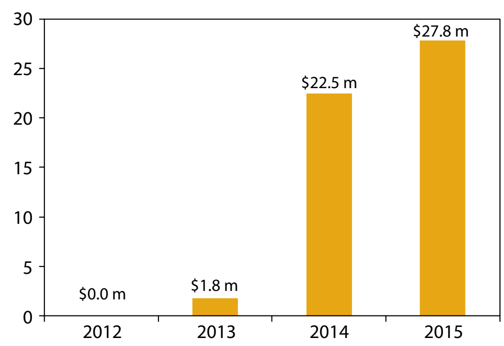
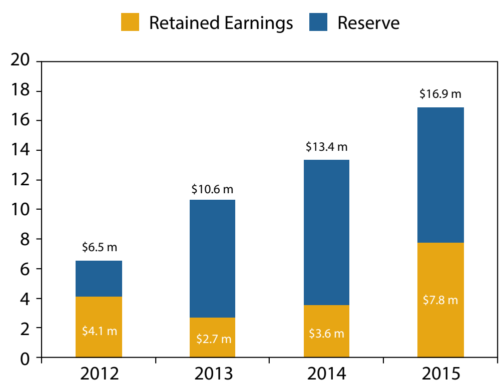


FIGURE 16: RETAINED EARNINGS AND RESERVE



Please refer to Appendix 3 for the Audited Financial Statements.

OUR PEOPLE

BOARD OF DIRECTORS

Chairman
Board of Directors

Mr. Jian Li
Assistant President and General Counsel
The Export-Import
Bank of China PRC

Chairman
Nomination and Remuneration Committee

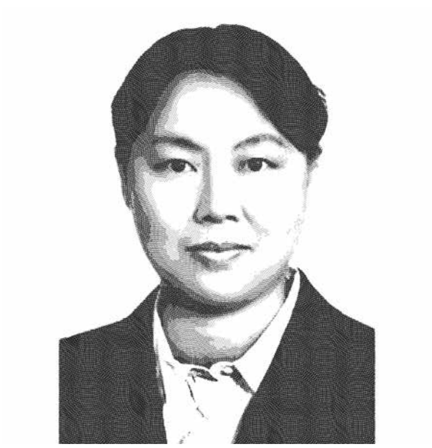
Mr. Fumihiko Yamada
Director
Promotion of Regional Financial Cooperation
International Bureau
Ministry of Finance Japan

Chairman
Internal Control and Risk Management
Committee

Mr. Chang-Ho Jung
Director General of Financial Investment
Department
The Export-Import Bank of Korea

Chairman
Audit Committee

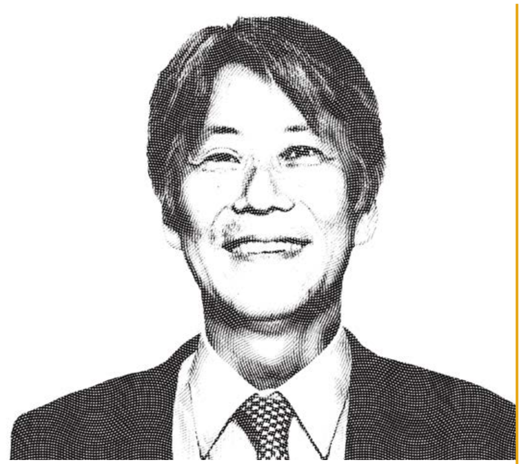
Mr. Robert Pakpahan
Director General
Directorate General of Debt Management
Indonesia - Ministry of Finance
ASEAN Representative



Ms. Junhong Chang
Deputy Director General
International Economic Relations
Department
Ministry of Finance
PRC

Mr. Tsutomu Sato
Deputy Director General and
Director of Division 1
New Energy and Power Finance Department II
Infrastructure and Environment Finance Group
Japan Bank for International Cooperation

Ms. Christine Engstrom
Director, Financial Institutions Division,
Private Sector
Operations Department
Asian Development Bank



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

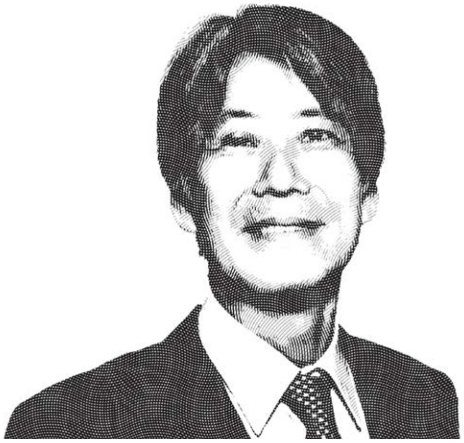
*"**Our** relationship with Mr. Kiyoshi Nishimura and his team at CGIF began in 2013 when PT Astra Sedaya Finance ("ASF") decided to delve into Singapore Dollar Bond. The bond was priced at a very competitive rate under CGIF's guarantee scheme and it was a milestone for ASF to enter into Singaporean debt capital market.*

What we appreciated most about working with CGIF's team was their ability to understand our business model, the flexibility of their bond structure, and having the team members fully engaged in order to give the best results to the client."

Jodjana Jody
President Director and CEO

PT Astra Sedaya Finance

MANAGEMENT TEAM



Kiyoshi Nishimura
Chief Executive Officer

Mr. Kiyoshi Nishimura is the first Chief Executive Officer of the Credit Guarantee and Investment Facility. He has had extensive experience in development banking. Along with his work at the European Bank for Reconstruction and Development as acting director of its Financial Institutions Business Group, Mr. Nishimura has also held senior positions at the Japan Bank for International Cooperation, Export-Import Bank of Japan and the International Monetary Fund.

Mr. Nishimura acquired his Master of Arts in Economics from the University of British Columbia, and his Bachelor of Arts in Economics from the Keio Gijuku University.

Aarne Dimanlig
Chief Risk Officer

Mr. Aarne Dimanlig has had sixteen years of risk management and investment banking experience prior to CGIF. Mr. Dimanlig's other professional experiences include appointments at Columbia University Graduate School of Business, the International Monetary Fund, and the University of California in Santa Barbara.

Mr. Dimanlig attended the University of California, Santa Barbara for his PhD in Economics. Mr. Dimanlig's academic portfolio includes a Master of Science degree in Industrial Economics and a Bachelor of Science degree in Mathematics.

Boo Hock Khoo
Vice President, Operations

Mr. Boo Hock Khoo oversees CGIF's operations. He was formerly the Deputy Chief Executive of Danajamin Nasional Berhad, a government-owned bond insurer that he helped conceptualize and start up in 2009. Prior to that, he has held various positions in Rating Agency Malaysia, building an almost twenty-year career there. Besides his broad experience in rating infrastructure, corporate and financial institutions, and structured finance bonds, he has also had extensive involvement in project finance consultancy in Turkey, Indonesia, and Sri Lanka, as well as in venture capital and private equity transactions.

Mr. Khoo holds a Master of Business Administration degree from Ohio University and a Bachelor of Science degree in Information Systems from Mount Union College.

TongSop (Tim) Song
Chief Financial Officer

Mr. TongSop Song has had over twenty years of extensive experience in the capital markets with primary focus on trading fixed income, asset and liability management, and risk management. Before joining CGIF, he was the president of Stonewall Investments, a hedge fund. He also held various lead positions in SK Securities, Credit Agricole CIB (formerly Calyon), BNPP and HSBC, in Seoul. Mr. Song was the Chairman of the Korean Primary Dealers Association in 2010.

Mr. Song attended Seoul National University for his Bachelor of Arts in Economics and the Graduate School of Yonsei University for his Master of Arts in Economics.

Gene Soon Park
General Counsel and Board Secretary

Mr. Gene Soon Park is the General Counsel and Board Secretary of the Credit Guarantee and Investment Facility. He started his legal career as a Korean attorney at the largest law firm in Korea (Kim and Chang) where he gained hands-on experience in capital market transactions, cross-border financial transactions, and project financing. He has served as General Counsels of Korean subsidiaries of global institutions of Lehman Brothers Securities/Bank and Citibank. He held the position of General Counsel and Board Secretary for Citibank Korea and Citigroup Korea.

Mr. Park attended the Law School of Seoul National University for his Bachelor, Master, and PhD in Banking and Securities Regulation, and the Law School of Stanford University for his Master degree of SPILS (Stanford Program for International Legal Studies).

Hou Hock Lim
Corporate Planner and Head of Budget, Planning, Personnel and Management Systems

Prior to joining CGIF, Mr. Hou Hock Lim was the General Manager of Group Finance Division of Hong Leong Bank, one of the major banks in Malaysia. He had held various senior positions in OCBC Bank (Malaysia) Bhd, in Deloitte Touche Tohmatsu in Melbourne, Australia doing corporate advisory work for regional mergers and acquisitions, and regional restructuring and global transaction services, in Danajamin Nasional Berhad, a bond guarantor in Malaysia overseeing the functions of Finance, Treasury, Administration and IT, and in Affin Investment Bank Berhad as Chief Financial Officer.

Mr. Lim attended the Monash University (Clayton) Australia for his Bachelor of Commerce Degree, Major in Accounting and Finance, and the Harvard Business School's Senior Management Development Programme. He is also a member of the Australian Society of CPAs and Malaysian Institute of Accountants.

Jackie Jeong-Ae Bang
Internal Auditor

Ms. Jackie Jeong-Ae Bang was the Senior Vice President of Citibank Internal Audit Department for nine years covering ASEAN+3 region, along with the India subcontinent and Australia/New Zealand, based in Singapore. She has had over twenty years of extensive banking experiences on audit, credit risk management, client relationship, and securities and funds services in Standard Chartered Bank and Citibank, Seoul and Singapore.

Ms. Bang attended Seoul National University for her BA in English Language and Literature, the Graduate School of Yonsei University for MBA and Thunderbird School of Global Management for Master of International Management. She obtained certificates for Project Management Professional (PMP) and Certified Fraud Examiner (CFE).

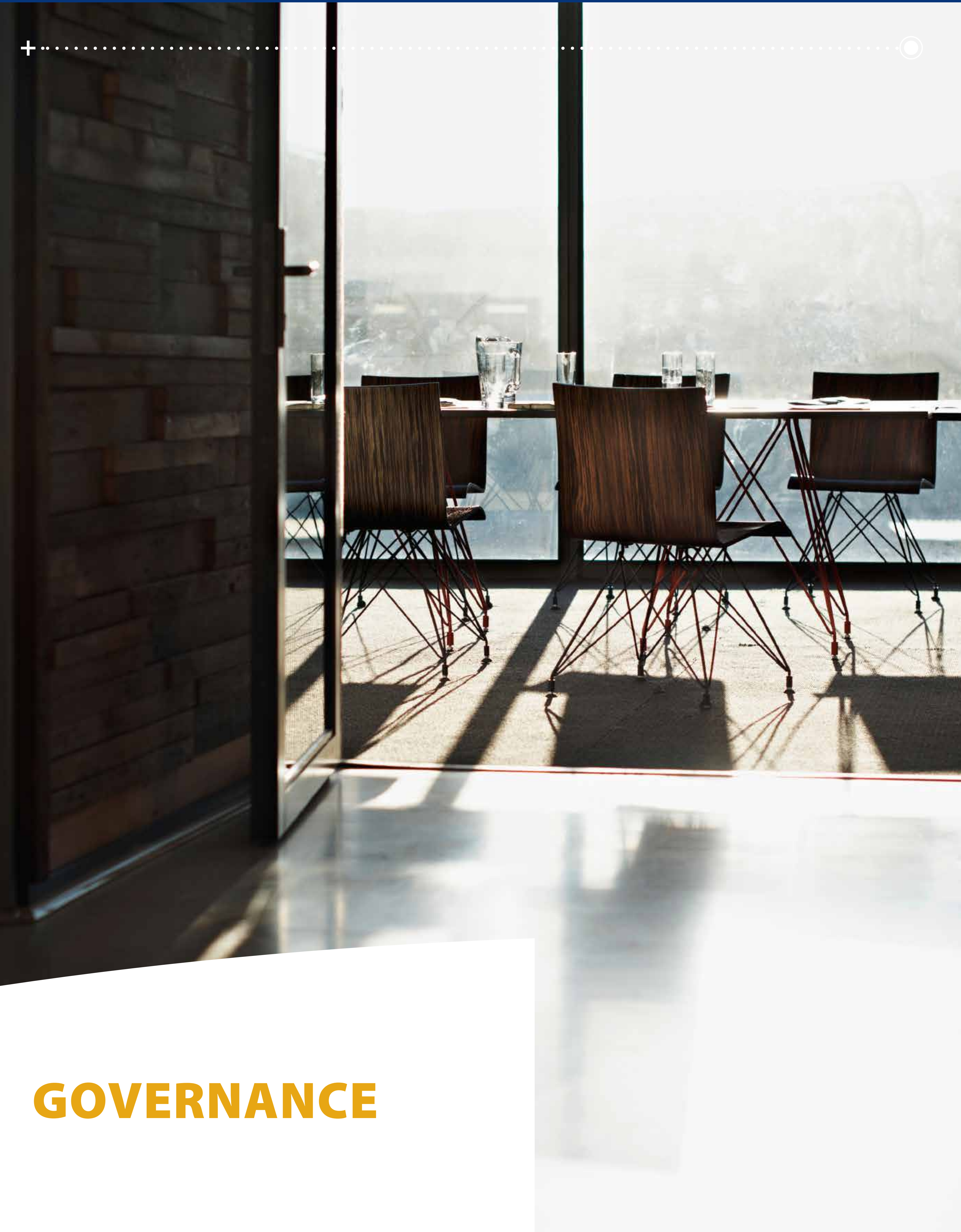
*"**CGIF** and DBS share a common agenda: to develop and deepen the Asian bond markets.* ***Our natural partnership resulted in the largest CGIF-backed SGD denominated bond, to date, for PT Professional Telekomunikasi Indonesia, letting us help an Asian issuer achieve its long-term financing objectives*** *via the issuance of its debut international bond offering, and also provided a much-needed strong investment grade Asian local currency offering to high-quality institutional investors."*

Clifford Lee
Managing Director and Head of Fixed Income, Treasury and Markets

DBS Bank Ltd.

OUR PEOPLE

We are represented by skilled and experienced individuals from the ASEAN+3. The diversity at our workplace acts as a catalyst to fulfill CGIF's ultimate mission to promote economic development in the region. We believe that everyone brings a unique set of skills and talents. We are committed to investing in the development of our people. By setting aside a training budget each year, we are able to advance the staff's technical skills, soft-skills, and management capabilities.



GOVERNANCE

30 March 2015

Mr. June-shik Moon, Executive Director of SME Finance Group in The Export-Import Bank of Korea (Korea Eximbank), resigned as the Director of the CGIF Board of Directors (Board). In his place, the Republic of Korea nominated Mr. Chang-Ho Jung, Director General of Financial Investment Department in Korea Eximbank, as new Director of the Board.

27 May 2015

The term of Board Chairman, Mr. Liange Liu, Vice Chairman, President of The Export-Import Bank of China (China Eximbank) expired.

The People's Republic of China, then, nominated Mr. Jian Li, Assistant President of China Eximbank, as Director of the Board.

At the 2015 Annual Meeting of Contributors (MOC), the MOC considered and unanimously approved the election of Mr. Li, the new Director from China Eximbank, as the Chairman of the Board for a term of three years, beginning on 27 May 2015, up to the next selection of the Chairperson of the Board in the 2018 Annual MOC.

30 June 2015

Mr. Atsushi Inoue, Director for Promotion of Regional Financial Cooperation, Ministry of Finance Japan (Japan MOF), resigned as Director of the Board.

Japan Bank for International Cooperation (JBIC) nominated Mr. Fumihiko Yamada, Director for Promotion of Regional Financial Cooperation, International Bureau, Japan MOF, to serve as new Director of the Board, effective 01 July 2015.

23 July 2015

Mr. Nao Kawakami, Director of Division 2, New Energy and Power Finance Department 2, Infrastructure and Environment Finance Group, JBIC, resigned as Director of the Board. In his place, JBIC nominated Mr. Tsutomu Sato, Deputy Director General and Director of Division 1, New Energy and Power Finance Department 2, Infrastructure and Environment Finance Group.

MEETING OF CONTRIBUTORS (MOC)

The Annual Meeting of Contributors (MOC) for 2015 was held on 27 May 2015 in Bandar Seri Begawan, Brunei Darussalam.

During the Annual MOC for 2015, the Contributors considered and approved the following recommendations of the Board of Directors of CGIF:

1. The Annual Report for 2014 including the Audited Financial Statements
2. The allocation of the entire net income for 2014 of US $3,548,411.86 in Retained Earnings to Reserve
3. The election of Mr. Jian Li, the Director from The Export-Import Bank of China (China Eximbank) as the Chairman of the Board for a term of three years beginning on 27 May 2015 up to the next selection of the Chairperson of the Board in the 2018 Annual MOC.

2015 Annual MOC also considered and noted the Final Report of Operational Review, which was submitted as a reporting item.

BOARD OF DIRECTORS (BOARD)

In 2015, the Board held a total of four meetings: two meetings in Manila, Philippines; one meeting in Dali City, Yunnan Province, People's Republic of China, and one meeting via telephone conference. In all Board meetings, the Board provided oversight and supervision of CGIF's management and operations. This ensured the Board's compliance with its key responsibilities in the governance of CGIF.

The key items discussed and approved by the Board in 2015 are summarized below:

21-22 April 2015 (Manila, Philippines)

1. Approval of the Annual Report for 2014, which includes the Audited Financial Statements for the year ended 31 December 2014, for sending to the MOC for its review and final approval
2. Approval and recommendation to the MOC of the proposal for the allocation of the entire earning in 2014 of $3,548,411.86 in Retained Earnings to Reserve, subject to the approval of the Audited Financial Statements for 2014 by the MOC
3. Approval of the amendments to the Investment Guidelines and Treasury Guidelines
4. Approval of the amendments to the Sector Classification and Sector Exposure Limits in paragraphs 206 and 208 of CGIF's Operational Policies (OP)
5. Approval of the amendments to the governance clauses in the OP
6. Approval of the recommendation to the MOC for the appointment of Mr. Jian Li, the Director from China Eximbank, as the Chairman of the Board for a term of three years, which will begin on 27 May 2015 up to the next selection of the Chairperson of the Board in the 2018 Annual MOC.
7. Deliberation of the Final Report of Operational Review, with the instruction to submit it to 2015 Annual MOC as reporting item after incorporating comments from the Board

06-07 August 2015 (Dali City, Yunnan Province, People's Republic of China)

The Board adopted the approval by the Internal Control and Risk Management Committee (ICRMC) of the proposed amendments to the Risk Management Framework (RMF).

09-10 December 2015 (Manila, Philippines)

1. Approval of the 2016 Business Plan, the 2016 Work Programs, the 2016 Key Performance Benchmarks, and the 2016 Budget, consisting of an Operational and Administrative Expenditure Budget that amounts to $9.68 million, and a Capital Expenditure Budget amounting to $439,000.00
2. Approval of the renewal of appointment of Mr. Fook Wah Wong as the first member of the External Advisory Panel (EAP) for another three years, counted from the expiry of his term (on 05 February 2016), or up to 05 February 2019
3. Adoption of the Audit Committee's (AC) approval of the 2016 Internal Audit Plan of Ms. Jackie Bang, Internal Auditor
4. Adoption of the ICRMC's approval of the proposed amendments to the RMF, as well the ICRMC's approval of the 2016 Work Plan of the Chief Risk Officer (CRO).

In 2015, through electronic means, the Board also deliberated and approved key guarantee-related items as follows:

1. Approval of the proposal for the amendment of certain terms of CGIF's guarantee for MasanConsumerHoldings Company Limited
2. Approval of the Guarantee Underwriting Proposal (GUP) for Indorama Ventures Public Company Limited (IVL)
3. Approval of the GUP for AP Renewables, Inc. (APRI)
4. Approval of the slight amendment to certain terms of the GUP for IVL
5. Approval of the GUP for Texhong Textile Group Limited (Texhong)
6. Approval of the Revised GUP for Texhong
7. Approval of the GUP for PT Mitra Pinasthika Mustika Finance (MPMF)
8. Approval of the GUP for Vingroup Joint Stock Company (Vingroup JSC)
9. Approval of the revised GUP for APRI

AUDIT COMMITTEE (AC)

The Audit Committee assists the Board in fulfilling its corporate governance and oversight responsibilities particularly on financial reporting, and on internal and external audit functions. The Audit Committee ensures the integrity of financial reporting, the effectiveness of the internal and external audit functions, the efficient use of resources, and compliance with regulations and business procedures. Through the effective dialogue shared among the Board members, the CGIF Management, and the auditors, the culture and practice of effective supervision and ethical standards are fostered within CGIF.

The Audit Committee performs a critical role in assuring the integrity of CGIF's financial reporting and of its internal control environment. It implements effective control measures and corrects any gaps appropriately. The Audit Committee also serves as a forum where the Board of Directors, the CGIF Management, and the auditors can address issues relating to the risk management and financial reporting.

Given the importance of the Audit Committee in the Board's supervisory function and in enhancing accountability to the Contributors, its work is communicated to the Contributors by stipulating the committee's roles, the qualifications of its members, the number of its meetings, the reports of its findings, and the discharge of its responsibilities.

The Audit Committee is composed of three members consisting of directors representing the Association of South East Asian Nations (ASEAN), People's Republic of China, and the Republic of Korea, with the ASEAN director as chairperson. The chairperson and members were all appointed by the Board. The Chairperson of the Board of Directors is not a member of the Audit Committee.

Where there is disagreement between the Audit Committee and the Board, and the disagreement cannot be resolved within a reasonable time, the Audit Committee has the right to report the issue to the Meeting of the Contributors. The Audit Committee will have explicit authority to investigate any matter within its terms of reference, and have full access to available information.

The Audit Committee reviews its terms of reference and its own effectiveness annually and recommends any necessary changes to the Board.

The Audit Committee held four meetings in 2015 – three physical meetings (on 21 April, 6 August, and 9 December), and one via email (on 3 July). The Audit Committee discharged its independent oversight function during its periodic meetings through deliberations, which were reported to the Board by the chairperson, and were considered and unanimously adopted by the Board.

In 2015, the following were discussed and deliberated by the Audit Committee:

1. **Ensuring Integrity of Financial Reporting**
   The Audit Committee reviewed and approved significant financial reporting matters that were made in the preparation of financial statements and disclosures by the CGIF Management. These included the review of the accounting and reporting policies adopted by CGIF, the significant estimates and judgments that were made, and the clarity and completeness of disclosures, in accordance with

international financial reporting standards, plus, taking into account the view of the external auditor.

CGIF's 2014 audited financial statements were reviewed and approved by the Audit Committee in its first meeting held on 21 April. The external auditor, Deloitte & Touche, physically participated in the meeting and responded to the questions raised by the Audit Committee. The Audit Committee also reviewed the 2015 quarterly financial statements reported by the Chief Financial Officer.

2. **Ensuring Effectiveness of the External Audit Process**

The Audit Committee has oversight over the work of the external auditor and is responsible for making recommendations to the Board and the Contributors on its appointment, reappointment, and removal.

The Audit Committee reviewed and approved the engagement terms and audit fees given to the external auditor, which included the review of the scope of work and the appropriateness of the audit fee, in respect to the audit services provided. Deloitte & Touche was appointed as external auditor for the fiscal years 2014 to 2018 by the Contributors recommended by the Board and the Audit Committee. The Audit Committee reviewed and approved the 2015 audit fees for the external auditor, which were then approved by the Board. There were no changes on the engagement terms since 2014.

3. **Ensuring Effectiveness of the Internal Audit Process**

The Audit Committee reviewed and approved the internal audit function's remit and ensured that it has the necessary resources and the access to information, to enable it to fulfill its mandate. It also certified that it is equipped to perform in accordance with appropriate professional standards.

The internal auditor, as part of its responsibility and accountability to the Audit Committee, evaluates and contributes to the improvement of governance, risk management, and control processes by providing risk-based independent and objective assurance, advice, and insight. Internal audit activities are carried out through a systematic and disciplined approach approved by the Audit Committee.

The Audit Committee reviewed the results of the internal auditor's work through the internal audit reports and the quarterly internal audit activity reports for 2015. The internal audit report includes the findings and recommendations for high and medium-risk observations, with the corresponding corrective action plans.

The Audit Committee reviewed and monitored the management's responsiveness to the internal auditor's findings and recommendations through the corrective action plans. The corrective action plans were monitored and validated by the internal auditor and were reported to the Audit Committee and the Board through the quarterly audit update and the quarterly management report, respectively.

In its third meeting (on 9 December), the Audit Committee reviewed and approved the internal audit plan for 2016. In addition, it conducted a closed meeting with the internal auditor without CGIF Management in attendance to discuss issues arising from the audit. This is to ensure that the internal auditor has direct access to the Audit Committee, which will assess the role and effectiveness of the internal audit function, and affirm its independence.


Report 2: Survivorship: Q1
Category
Period
Count at Beginning of Period
Survivorship %
Canadian Equity Funds

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 control and risk management system is functioning effectively (OP 128). The ICRMC ensures that there are sound and effective systems of internal control and risk management operating to safeguard CGIF's Contributors' investments and CGIF's assets, and that the Board approves only sound guarantee and investment proposals (OP 117). The Chief Risk Officer, who functionally reports to the ICRMC, implements the foregoing responsibilities at the managerial and operational level.

CGIF manages and controls all risks (pursuant to OP 133 and 180). 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 towards, and prioritize, the management of these risks.

The ICRMC is composed of Directors representing Japan, the Republic of Korea, and the ASEAN. The Director representing the Republic of Korea serves as the ICRMC Chair.

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 achieve its objectives, responds to business, financial, and operational risks; safeguards assets from inappropriate or improper use, loss, and fraud; and identifies and manages liabilities (pursuant to OP 133). CGIF's internal control and risk management policies may be found in its Operational Policies and the various manuals and guidelines that are considered part of CGIF's Risk Management Framework (RMF).

CREDIT RISK MANAGEMENT

The Credit Guarantee Process document of 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 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 financials, business, and markets, of a borrowing entity. CGIF assesses the credit rating of a borrowing entity using a credit rating tool developed by 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 is submitted to the GIC for the latter's endorsement for Board approval. Part of the due diligence review is an on-site visit on the borrowing entity. The 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 guarantee underwriting papers (GUPs) submitted for deliberation by, and approval of, the GIC.

INVESTMENT BOOK MARKET RISK AND CREDIT RISK MANAGEMENT

CGIF's capital resources are managed by ADB, as Trustee, following the guidelines in CGIF's OP, Investment Guidelines and Treasury Guidelines, and in the ADB risk management and investment guidelines. CGIF's OP 215 specifies that the primary objective of CGIF capital resources management is the protection of 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 should be marketable within a reasonable time.

In 2015, 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 Other Comprehensive Income in the financial statements.

CGIF's RMF limits the 95.0% one-month value-at-risk of its portfolio of AFS and held-for-trading securities to no more than 5.0% of CGIF equity. In addition to the foregoing control, unrealized loss of the investment portfolio is limited by policy to no more than 1.0% of equity, and the investment portfolio's modified duration is limited by policy to no more than five years.

CGIF's investments, pursuant to OP 220, should be given at least an AA- rating by international credit rating agencies 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.


STOCK · EXCHANG

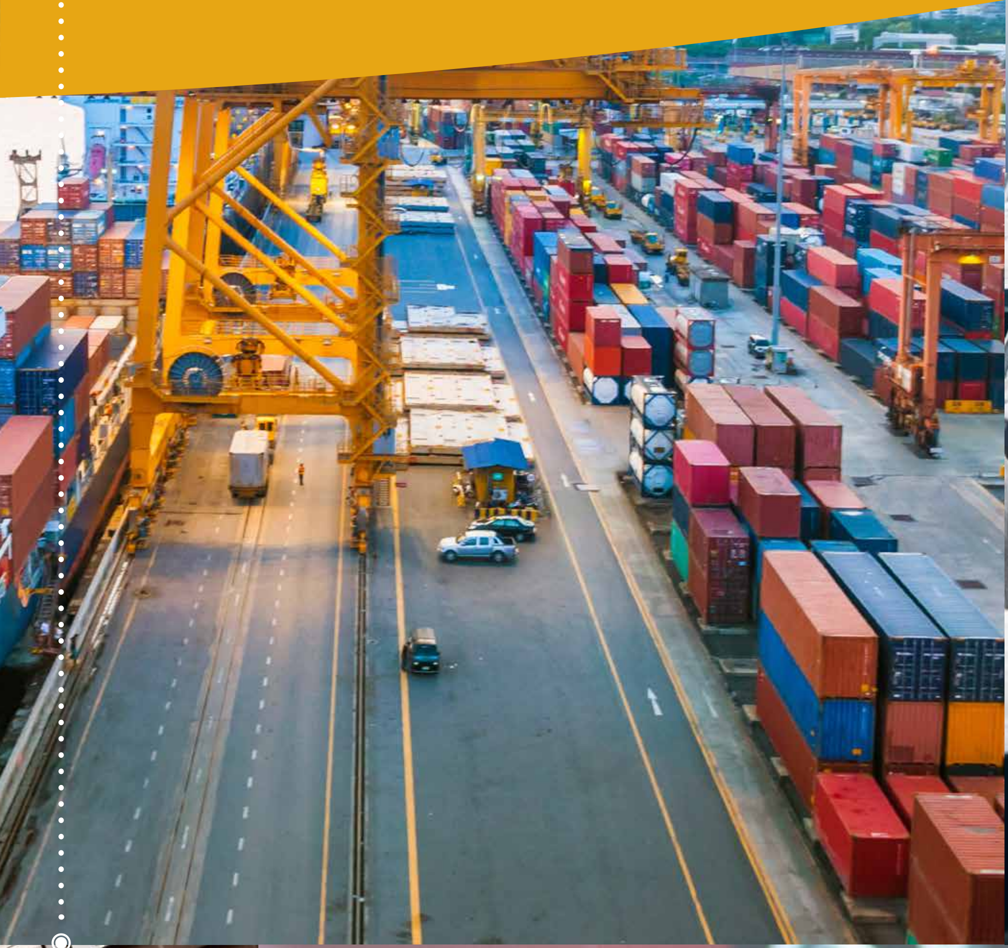
*"**Despite the short time in which CGIF has been operational, we have seen them act as a real enabler in the ASEAN bond markets.** This is evident in the number and breadth of deals that they have done and the impact that these have had. Their product and their strategy are clearly right for the market, and they have the correct people and processes to make them work.*

***CGIF has delivered genuine value to both our clients and investors alike.** Looking ahead, we see them playing an even bigger role, building on its established reputation to enable new products such as project bonds and securitization."*

Andrew Yau
Director, Structured Capital Markets

The Hongkong and Shanghai Banking Corporation Limited (HSBC)

CGIF provides credit guarantees on local currency denominated bonds issued by creditworthy companies in ASEAN+3 countries. It has been established to help promote economic development and build resilience and stability in the region's financial markets.



LIQUIDITY RISK MANAGEMENT

CGIF is liquid insofar that 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 its ability 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, or 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 2015, all projected monthly cumulative liquidity gaps have been observed to be positive.

FOREIGN EXCHANGE RISK MANAGEMENT

CGIF shall provide foreign exchange hedges (to the extent possible) tocover foreign exchange exposures such as guarantee fees paid in a local currency and amortized over a period of time. Foreign exchange risk refers to the event that CGIF is not able to maintain the dollar value of the guarantee fees, had these been paid in full on issuance date. CGIF measures its aggregate foreign exchange risk exposure regularly.

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 loss, reputational loss, operational downtime or disruptions, and loss of information and/or damage to assets. Guidelines for the management of CGIF's operational risks are articulated in CGIF's Operational Risk Management Manual that includes guidelines for annual Risk and Control Self-Assessment (RCSA).

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.

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 of profitability. CGIF tracks its leverage ratio and Capital Adequacy Ratio (CAR) to monitor capital sufficiency. By policy, CGIF's maximum leverage ratio should not exceed 2.5:1. At the end of 2015, CGIF's leverage stood at 1.423.

CGIF's CAR follows the Basel II definition. By policy, the CAR should not fall below 8.8%.

THE NOMINATION AND REMUNERATION COMMITTEE (NRC)

The Nomination and Remuneration Committee (NRC) is composed of three directors representing Japan, People's Republic of China, and the Asian Development Bank (ADB). The director representing Japan acts as the Chairperson.

The NRC is responsible for overseeing the remunerations, pensions, and the other compensations given to the senior executives of CGIF. Specific responsibilities include:

1. Having in place a succession plan for the Chairperson of the Board and the CEO
2. Making necessary recommendations to the Board for the continuation in service of the executive staff of CGIF; the selection and appointment of these executives
3. Providing necessary information to the Board relating to matters concerning selection of executives, to be included in CGIF's annual report
4. Ensuring that the Chairperson of the NRC attends the MOC relating to the nomination and selection of the CEO

NRC held one meeting on 9 December 2015 in Manila, Philippines. The committee noted the two reporting items namely: the enhancements to CGIF's Core Competencies and Performance Evaluation and Review Framework, and the Salary Adjustment for 2016.

*"**Since** their inception in November 2010, CGIF has been instrumental in the development of local currency capital markets in ASEAN.* ***Their dedication to supporting inaugural and landmark transactions in the respective markets is testament of their innovative and developmental approach.*** *CGIF's Guarantees have enabled large global investors to diversify their investments.* ***Their facilitation of ground breaking deals have set new milestones,*** *including providing access to investments by global insurance companies in Vietnam into Vietnamese Dong corporate bonds and by Japanese funds into Indonesian Rupiah bonds. CGIF is the catalyst for this welcome change and we look forward to further developments as they expand their mandate going forward."*

Pascal Lambert
Group Country Head, Singapore and Head of Corporate & Investment Banking, Southeast Asia

Societe Generale

APPENDIX

APPENDIX: REPORT OF THE EXTERNAL AUDITOR AND FINANCIAL STATEMENTS

Deloitte.

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A Trust Fund of the Asian Development Bank)

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
31 DECEMBER 2015 AND 2014

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A Trust Fund of the Asian Development Bank)

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
31 DECEMBER 2015 AND 2014

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A Trust Fund of the Asian Development Bank)

INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS

CONTENTS

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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 2015 and 2014 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 2015 and 2014, 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
19 April 2016

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2015 and 2014
Expressed in Thousands of United States Dollars

	NOTES	2015	2014
ASSETS			
CASH		3,183	1,905
INVESTMENTS	4	718,272	712,856
DERIVATIVE ASSETS	5	69	
ACCRUED INTEREST INCOME	4	3,430	4,150
GUARANTEE FEE RECEIVABLE	6	25,533	20,732
FURNITURES, FIXTURES AND EQUIPMENT, NET	7	207	204
INTANGIBLE ASSETS, NET	8	342	302
OTHER ASSETS	9	533	337
TOTAL ASSETS		**751,569**	**740,486**
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
GUARANTEE LIABILITY	6	27,841	22,499
UNEARNED INTEREST INCOME - GUARANTEES		89	11
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	10	382	777
OTHER LIABILITIES	11	700	700
TOTAL LIABILITIES		**29,012**	**23,987**
MEMBERS' EQUITY			
CAPITAL STOCK			
SUBSCRIBED CAPITAL	12	700,000	700,000
RETAINED EARNINGS		7,781	3,548
RESERVE	13	16,907	13,359
UNREALIZED LOSS IN FAIR VALUES OF AVAILABLE FOR SALE	4	(2,131)	(408)
TOTAL MEMBERS' EQUITY		**722,557**	**716,499**
TOTAL LIABILITIES AND MEMBERS' EQUITY		**751,569**	**740,486**

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF NET INCOME
For the years ended 31 December 2015 and 2014
Expressed in Thousands of United States Dollars

	NOTES	2015	2014
REVENUE			
GUARANTEE FEES		4,664	1,322
INTEREST INCOME	14	9,268	8,310
REALIZED GAIN FROM SECURITIES		219	487
FAIR VALUE CHANGES - DERIVATIVES		76	-
MISCELLANEOUS INCOME	15	524	13
GROSS REVENUE		**14,751**	**10,132**
EXPENSES			
ADMINISTRATIVE AND OPERATIONAL EXPENSES	16	5,807	5,787
FINANCIAL EXPENSES		50	56
MISCELLANEOUS EXPENSES	11	700	700
TOTAL EXPENSES		**6,557**	**6,543**
NET OPERATING INCOME		**8,194**	**3,589**
LOSS FROM FOREIGN EXCHANGE		(413)	(41)
NET INCOME		**7,781**	**3,548**

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF COMPREHENSIVE INCOME
For the years ended 31 December 2015 and 2014
Expressed in Thousands of United States Dollars

	NOTES	2015	2014
NET INCOME		7,781	3,548
OTHER COMPREHENSIVE INCOME			
ITEM THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME:			
UNREALIZED LOSS IN FAIR VALUES OF AVAILABLE FOR SALE		(1,723)	(2,281)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,058**	**1,267**

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the years ended 31 December 2015 and 2014
Expressed in Thousands of United States Dollars

	Subscribed Capital	Retained Earnings	Reserve	Unrealized Gain/Loss in Fair Value of AFS	Total Members' Equity
BALANCE, 1 JANUARY 2014	700,000	2,718	10,641	1,873	715,232
NET INCOME FOR THE YEAR	-	3,548	-	-	3,548
ALLOCATION OF PRIOR YEAR INCOME TO RESERVE	-	(2,718)	2,718	-	-
OTHER COMPREHENSIVE LOSS					
NET UNREALIZED INVESTMENT HOLDING LOSS DURING THE YEAR	-	-	-	(2,281)	(2,281)
BALANCE, 31 DECEMBER 2014	**700,000**	**3,548**	**13,359**	**(408)**	**716,499**
NET INCOME FOR THE YEAR	-	7,781	-	-	7,781
ALLOCATION OF PRIOR YEAR INCOME TO RESERVE	-	(3,548)	3,548	-	-
OTHER COMPREHENSIVE LOSS					
NET UNREALIZED INVESTMENT HOLDING LOSS DURING THE YEAR	-	-	-	(1,723)	(1,723)
BALANCE, 31 DECEMBER 2015	**700,000**	**7,781**	**16,907**	**(2,131)**	**722,557**

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF CASH FLOWS
For the years ended 31 December 2015 and 2014
Expressed in Thousands of United States Dollars

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
GUARANTEE RELATED INCOME RECEIVED	4,904	2,377
OTHER INCOME RECEIVED	324	12
ADMINISTRATIVE AND OPERATIONAL EXPENSES PAID	(6,559)	(5,535)
FINANCIAL EXPENSES PAID	(50)	(56)
NET CASH USED IN OPERATING ACTIVITIES	**(1,381)**	**(3,202)**
CASH FLOWS FROM INVESTING ACTIVITIES		
PURCHASES OF INVESTMENTS	(5,791,251)	(528,572)
SALES/MATURITIES OF INVESTMENTS	5,782,077	516,647
INTEREST RECEIVED ON INVESTMENTS	11,901	13,525
REALIZED GAIN FROM SECURITIES	219	487
REALIZED LOSS ON DERIVATIVES	7	-
PURCHASE OF FURNITURE, EQUIPMENT, AND INTANGIBLES	(290)	(27)
DISPOSAL OF FURNITURE, EQUIPMENT, AND INTANGIBLES	4	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	**2,667**	**2,060**
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**(8)**	**(6)**
NET INCREASE (DECREASE) IN CASH	**1,278**	**(1,148)**
CASH AT THE BEGINNING OF THE YEAR	1,905	3,053
CASH AT THE END OF THE YEAR	**3,183**	**1,905**

RECONCILIATION OF NET INCOME TO NET CASH USED IN OPERATING ACTIVITIES

	2015	2014
NET INCOME	7,781	3,548
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH USED IN OPERATING ACTIVITIES		
DEPRECIATION AND AMORTIZATION	241	276
INTEREST INCOME ON INVESTMENTS	(9,146)	(8,287)
REALIZED TRADING GAIN	(219)	(487)
GAIN ON DERIVATIVES	(76)	-
GAIN ON DISPOSAL OF ASSET	(1)	-
FX REVALUATION LOSS	8	7
CHANGE IN GUARANTEE FEE RECEIVABLE	(4,801)	(19,549)
CHANGE IN GUARANTEE LIABILITY	5,342	20,734
CHANGE IN UNEARNED INTEREST INCOME	78	7
CHANGE IN ACCOUNTS PAYABLE	(61)	69
CHANGE IN ACCRUED EXPENSES	(334)	449
CHANGE IN MISCELLANEOUS ASSETS	(193)	31
NET CASH USED IN OPERATING ACTIVITIES	**(1,381)**	**(3,202)**

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2015

NOTE 1—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 creditworthy corporations in the region 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 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 (1) the Trustee, (2) 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, People"s Republic of China, Japan, Republic of Korea (ASEAN+3) and ADB (see Note 12). 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.

The financial statements were approved by the Board of Directors on 19 April 2016 for presentation to the Meeting of Contributors on 31 May 2016. The financial statements are subject to approval at the Meeting of Contributors.

NOTE 2—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 stated otherwise.

These financial statements have been prepared using the historical cost basis except for certain assets and financial instruments that are measured at fair values or revalued amounts at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, CGIF takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety.

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.

Cash

Cash represents cash on hand or deposit in a bank account.

Financial Instruments

Financial assets and liabilities are recognized by CGIF once it becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss), as appropriate, on initial recognition.

Financial Assets

CGIF classifies its financial assets in the following categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments (HTM) , available for sale (AFS) financial assets and loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets are acquired.

Effective Interest Method

Effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transactions costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

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 at trade dates. Except for foreign exchange gains or losses, any gain or loss arising from change in fair value are recognized directly in other comprehensive income under member"s equity.

Derivative Financial Instruments

To manage its exposure to market risks, CGIF may enter into derivative financial instruments, including foreign exchange forward contracts. Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. Changes in the fair value of any derivative instrument are recognized immediately in profit and loss unless the derivative is designated and effective as a hedging instrument.

Impairment of Financial Assets

Financial assets are assessed at the end of each reporting period for objective evidence of impairment. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

Objective evidence that financial assets are impaired could include significant financial difficulty of the issuer or counterparty, default or delinquency in interest or principal payments, indications that the borrowers or issuers will enter bankruptcy or financial re-organization, disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset‟s carrying amount and the present value of estimated future cash flows discounted at the financial asset‟s effective interest rate. Losses are recognized in profit or loss and carrying amount is reduced through the use of an allowance account. When it is considered uncollectible or there is no realistic prospects of recovery of the assets, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the profit or loss. Changes in the carrying amount of the allowance account are recognized in profit or loss.

In the case of AFS financial assets, that are considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of Financial Assets

CGIF derecognizes a financial asset when the contractual rights to receive the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

When the security is derecognized or disposed of, the unrealized gains or losses previously recognized in Member‟s Equity will be recognized in the Statement of Net Income.

Guarantee Fee Receivable

Guarantee fee receivables are initially recognized at their fair values in the Statement of Financial Position, which are estimated based on the present value of total fees expected to be received under the guarantees.

Guarantee Liability

Guarantee liabilities recorded in the Statement of Financial Position represents the unamortized balance of the total present value of the guarantee fees received or expected to be received under the terms of the guarantee. Subsequently, the guarantee liabilities 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.

Revenue Recognition for Guarantee Fee

Guarantee fees are recognized upon performance of services and is amortized over the term of the guarantee obligation in accordance with the terms and conditions of the agreement.

Furniture, Fixtures and Equipment

All furniture, fixtures and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the asset and bringing it to its working condition.

Subsequent costs incurred for the purpose of enhancement or improvement shall be added to the carrying amount of the asset when it is probable that the expenditure will cause additional future economic benefit to CGIF. Other subsequent costs like maintenance, repairs and minor betterments are charged to expense.

The estimated useful lives by asset class are as follows:

Asset Class	Useful Life
Office Furniture and Equipment	
Furniture - Imported	10 years
Furniture - Non-Imported	7 years
Other Office Equipment	4 years
IT and Communication	
Computer	4 years
Server	4 years
Network	4 years
Communication	7 years
Others	4 years
Building Improvement	Over the lease period

An item of furniture, fixture, and equipment is derecognized upon disposal. Any gain or loss arising on the disposal of an item of furniture, fixture, and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognized in Statement of Net Income.

Intangible Assets

Intangible assets are composed of acquired information system software licenses that are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These are amortized over a period of 4 years and are carried at cost less accumulated amortisation and accumulated impairment losses.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, CGIF reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of asset"s fair value less costs of disposal and the value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but only to the extent of the carrying amount of the asset had no impairment loss been recognized in prior years. A reversal of the impairment loss is recognized immediately in the profit or loss.

Offsetting Arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to either settle on a net basis or to realize the asset and settle the liability simultaneously. A right to set-off must be available at the end of the reporting period rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

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.

Segment Reporting

CGIF is a credit guarantee and investment facility established to develop and strengthen local currency and regional bond markets, so that creditworthy 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.

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.

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 creditworthy ASEAN+3 corporations in the ASEAN+3 region. 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 period, 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 unrealized foreign exchange gains or losses and are charged to operations in the Statement of Net Income.

Accounting and Reporting Developments

In December 2013, IASB issued *Annual Improvements to 2010 – 2012 Cycle and 2011 - 2013 Cycle.* These Annual Improvements include amendments to a number of IFRSs. One of which is the amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*. The amendments clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that the accumulated depreciation/amortization is the difference between the gross carrying amount and the carrying amount after taking into account the accumulated impairment losses. The purpose of the said amendments is to remove inconsistencies in the accounting for accumulated depreciation/amortization when an item is revalued.

The Annual Improvements also includes amendment to IAS 24 *Related Party Disclosures* which clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is considered a related party of the reporting entity. Consequently, amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services should be disclosed by the reporting entity as related party transactions.

The clarification on scope of portfolio exception in IFRS 13 *Fair Value Measurement*, paragraph 52 is also included in the Annual Improvements. The amendment includes a scope of exception for measuring the fair value group of financial assets and financial liabilities on a net basis. This is referred to as the portfolio exception. The objective of said amendment is to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* or IFRS 9 *Financial Instruments*, regardless whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 *Financial Instruments: Presentation*.

These amendments are effective for annual period beginning on or after 1 July 2014. The application of these amendments do not have any impact on CGIF"s financial statements.

In November 2009, IASB issued IFRS 9 *Financial Instruments* to introduce new requirements for the classification and measurement of financial assets. It was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition and in November 2013 to include the new requirements for general hedge accounting. In July 2014, another revised version was issued to include (1) impairment requirements for financial assets and (2) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- all recognized financial assets that are within the scope of IAS 39 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cashflows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cashflows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of the subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss;

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability"s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability"s credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss;

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized; and

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an „economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity"s risk management activities have also been introduced.

This is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. CGIF is currently assessing the impact of this standard on its financial statements.

In May 2014, IASB issued a new revenue recognition standard which is IFRS 15 *Revenue from Contracts with Customers*. This standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede the majority of existing revenue recognition standard including IAS 18 *Revenue*. IFRS 15 applies to all contracts with customers except those that are within the scope of other IFRS/IAS such as leases, insurance contracts, financial instruments, certain non-monetary exchanges, and certain put options on sale and repurchase agreements. The core principle of the new revenue model is that an entity recognizes revenue to depict the transfer of the promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Far more prescriptive guidance has been added in the said standard to deal with specific scenarios. Furthermore, this new standard requires extensive disclosures. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with earlier adoption permitted. CGIF anticipate that this new standard will have no material impact on its financial statements.

In May 2014, IASB issued Amendments to IAS 16 *Property, Plant and Equipment* to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. IASB also issued Amendments to IAS 38 *Intangible Assets* to introduce a rebuttable presumption that a revenue-based amortization method for intangible assets is inappropriate. The amendments to both standards apply prospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted. Currently, CGIF uses the straight line method for depreciation of furniture, fixtures, and equipment and amortization of intangible assets. Both amendments are not expected to have any impact on CGIF"s financial statements.

In December 2014, IASB issued Amendments to IAS 1 *Presentation of Financial Statements* to give some guidance on how to apply the concept of materiality in practice (*Disclosure Initiative)*. Key highlights in the amendments are as follows: (1) an entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures; (2) an entity need not provide specific disclosure required by an IFRS if the information resulting from that disclosure is immaterial; (3) separate disclosure for the share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be and that will be reclassified subsequently to profit or loss. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. This amendment is not expected to have any impact on CGIF‟s financial statements.

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 4, 5, and 6. Since the estimates are based on judgment and available information, actual results may differ and might have a material impact on the financial statement.

NOTE 3—RISK MANAGEMENT

In CGIF, risk management and internal control go hand-in-hand, and are representations of each other. Internal control and risk management are intended to facilitate the implementation of effective and efficient operations, attainment of business objectives, management of risks, and the safeguarding of CGIF‟s Contributors‟ investment in CGIF.

Risk management in CGIF covers all perceived risk exposures, particularly exposures to credit risk, market risk, liquidity risk, and operating risk. These risks are managed pursuant to Operational Policies, and Risk Management Framework, approved by CGIF‟s Board of Directors. The Board‟s Internal Control and Risk Management Committee and Risk Management Department (RMD) cause the functional units to identify, measure, monitor, control and report risks. The Board, management‟s Guarantee and Investment Committee, and the CEO oversee and regulate both risk taking and risk management. Appetite for risk taking as expressed in operational controls and risk exposure limits emanates from the Board.

CGIF endeavors to conform to international best practices in risk management. CGIF subscribes to the idea that informed risk-taking presents opportunities. CGIF takes risks that offer commensurate rewards. Risk-taking roles are independent of risk management roles. A positive risk management culture is fostered – the system clarifies what conduct and procedures are acceptable, and which ones are not; encourages initiatives that improve the management of risks; promotes transparency, individual responsibility and accountability.

Categories of Financial Instruments

Categories of financial instruments as of 31 December 2015 and 2014 are as follows (in $‟000):

	2015	2014
Financial assets		
Cash and bank balances	3,183	1,905
AFS	718,272	712,856
Derivatives	69	-
Guarantee Fee and Other Receivables	25,938	20,952
Financial liability		
Accounts Payable and Accrued Expenses	382	777

Credit Risk

As per 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. CGIF"s deposits are placed in banks with short-term ratings of at least A-1. Credit risk in these investments is considered low.

CGIF only considers for guarantee borrowers that hurdle a policy maximum acceptable risk rating. Acceptable borrowers undergo a stringent due diligence review. Guarantee Underwriting Proposals (GUPs) require approval of management"s Guarantee and Investment Committee, and of the Board of Directors (Board). In aid of informed decisions on GUPs, the Board is furnished with GUP reviews from CGIF"s RMD, and from an external advisor to the Board.

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 (1) CGIF"s total paid-in capital plus retained earnings, less credit loss reserves, foreign exchange loss reserves, and all illiquid investments, and (2) 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. Aggregate exposure to any single Intermediate Jurisdiction (i.e., a country outside of the ASEAN+3 where a guaranteed borrower is registered) and aggregate exposure to all Intermediate Jurisdictions are limited to 20% and 40%, respectively, of CGIF"s MGC. Aggregate exposure to any sector and to any industry may not exceed 40% and 20%, respectively, of MGC. In any country, exposure to any industry may not exceed 10% of MGC. 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.

Market Risk

Market risk represents the potential loss that could result from adverse market movements. The main components of market risk for CGIF are interest rate risk and foreign exchange risk.

Interest rate risk is primarily the exposure of income on assets to fluctuation in interest rates. An objective of interest rate risk management in CGIF is the generation of overall interest income that is not overly sensitive to changes in interest rates, but yet responsive to general market trends.

CGIF's Investment Guidelines restrict CGIF"s investment portfolio duration to no more than 5 years. As of 31 December 2015, CGIF investment portfolio was invested with maturities up to 4.5 years (3.0 years - 31 December 2014), with an average effective duration of 1.77 years (1.50 years - 31 December 2014). CGIF investments are sensitive to interest rate movements. For CGIF"s fixed income portfolio at end-December 2015, it is estimated that a 100 basis points upward parallel shift in the yield curve would cause an unrealized loss of about $12.8 million ($10.8 million - 31 December 2014).

CGIF is exposed to foreign exchange risk underlying foreign currency payables and receivables relating mostly to CGIF"s guarantee fee receivables. CGIF policy requires the hedging of foreign exchange risk relating to guarantee fee receivables to the extent possible. Subject to the availability of hedge markets, transaction costs and administrative cost, it is possible that some foreign exchange risk exposures may be left without hedge. Foreign exchange risk is managed within Board-approved limits. For CGIF"s foreign exchange exposures at 31 December 2015, it is estimated that a 10% adverse change in FX rates in the relevant foreign currency exposures will cause an instant loss of $0.1 million ($0.9 million - 31 December 2014).

The net carrying amounts of CGIF"s foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows (in „000):

	Net Assets			
	2015		2014	
Currency	Local Currency	USD Equivalent	Local Currency	USD Equivalent
PHP	1,662	35	(165)	(4)
IDR	1,574,912	115	1,574,912	127
MYR	(42)	(10)	(68)	(19)
JPY	(679)	(6)	(300)	(2)
THB	160	4	161	5
SGD	328	233	1,509	1,140
VND	(12,806,196)	(570)	169,902,847	7,944
GBP	(7)	(11)	-	-
EUR	-	-	(21)	(25)

Counterparty Risks

As CGIF may utilize derivative instruments hedge risk exposures, CGIF may be exposed to counterparty risk, i.e., the risk that counterparties to derivatives transactions 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.

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 quarterly 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. The liquidity stress test in consideration of CGIF"s guarantee portfolio as of 31 December 2015 and 2014 indicates that CGIF can generate the liquidity that that will be required to meet its payment obligations in the event of guarantee claims on CGIF.

The following table details (in $"000) the maturity profile of financial instruments. The maturity analysis is based on the remaining period from the end of the reporting date to the contractual maturity date or the expected date the financial asset will be realized and the financial liability will be settled.

	31 December 2015					
	Less than 1 month	1 to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	TOTAL
Financial assets						
Cash and Bank Balances	3,183	-	-	-	-	3,183
AFS	83,796	60,010	85,042	489,424	-	718,272
Derivatives	-	-	2	67	-	69
Guarantee Fee and Other Receivables	65	425	3,853	10,989	10,606	25,938
Total financial assets	87,044	60,435	88,897	500,480	10,606	747,462
Financial liabilities						
Accounts Payable and Accrued Expenses	80	31	135	136	-	382
Total financial liabilities	80	31	135	136	-	382
Total maturity gap	86,964	60,404	88,762	500,344	10,606	747,080

	31 December 2014					
	Less than 1 month	1 to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	TOTAL
Financial assets						
Cash and Bank Balances	1,905	-	-	-	-	1,905
AFS	60,506	25,100	107,344	519,906	-	712,856
Guarantee Fee and Other Receivables	203	458	3,173	9,370	7,748	20,952
Total financial assets	62,614	25,558	110,517	529,276	7,748	735,713
Financial liabilities						
Accounts Payable and Accrued Expenses	120	263	285	109	-	777
Total financial liabilities	120	263	285	109	-	777
Total maturity gap	62,494	25,295	110,232	529,167	7,748	734,936

Capital Resources

CGIF‟s capital resources comprise of capital stock, retained earnings and a reserve. The primary objective in the management of CGIF‟s capital resources is to protect the capital by maintaining a conservative exposure to market risk, credit risk and liquidity risk. CGIF strives to maximize returns on the invested asset portfolio while minimizing volatility of investment income. CGIF capital resources are placed with the Trustee, ADB.

Capital Adequacy

CGIF measures and monitors a capital adequacy ratio (CAR) that is more stringent than the Basel II CAR. CGIF"s CAR accounts for a granularity adjustment capital charge, a metric of concentration risk due to the number of accounts in a credit portfolio. As of 31 December 2015, CGIF"s CAR stood at 18.5% (28.9% - 31 December 2014). CGIF"s policy floor CAR is 8.8%.

Operating Risk

CGIF manages operating risks through annual risk and control self-assessments (RCSAs) conducted by each department in the enterprise. Through RCSAs, CGIF"s operating units are directed to identify their operating risks, and assess the significance of each of these. The significance of an identified operating risk is a function of two attributes – the likelihood and the impact of occurrence of the operating risk event. Measurable risk indicators, and corresponding control limits, are assigned to each operating risk. Results of RCSAs are reported to the CEO and to the Board"s Internal Control and Risk Management Committee.

NOTE 4—INVESTMENTS

This account is composed of the following (in $"000):

	2015	2014
Time Deposits	6,798	35,599
AFS		
Government-related-entity or government-guaranteed obligations	646,406	666,560
Corporate obligations	65,068	10,697
Total AFS	711,474	677,257
TOTAL INVESTMENT	718,272	712,856

ADB, as the Trustee, manages capital resources in accordance with CGIF"s Investment Guidelines prepared in consultation with ADB and approved by the CGIF Board of directors.

ADB 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.

The annualized rate of return on the average investments held during the year ended 31 December 2015, based on the portfolio held at the beginning and end of each month without the effect of change in fair value was 1.30% (1.23% - 31 December 2014)

The estimated fair value and amortized cost of the investments by contractual maturity as of 31 December 2015 and 2014 are as follows (in $'000):

	2015		2014	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
Due in less than one year	228,848	229,034	192,950	192,569
Due in one to five years	489,424	491,369	519,906	520,696
TOTAL	718,272	720,403	712,856	713,265

Fair Value Disclosure

The fair value of the government-related-entity or government-guaranteed obligations and corporate obligations as of 31 December 2015 and 31 December 2014 were as follows (in $'000):

		Fair Value Measurements		
	31 December 2015	Level 1	Level 2	Level 3
Government-related-entity or government-guaranteed obligations	646,406	394,676	251,730	-
Corporate obligations	65,068	65,068	-	-

		Fair Value Measurements		
	31 December 2014	Level 1	Level 2	Level 3
Government-related-entity or government-guaranteed obligations	666,560	414,724	251,836	-
Corporate obligations	10,697	10,697	-	-

If available, active market quotes are used to assign fair values to investment securities. These include government-related-entity/government-guaranteed obligations. For investments where active market quotes are not available, investments are categorized as Level 2 or Level 3, and valuation is provided by independent valuation services. Time deposits are reported at cost, which approximates fair value.

For the year ended 31 December 2015, no transfer from Level 2 to Level 1 was done (no transfer for the year ended 31 December 2014). Similarly, no transfer of financial instrument from Level 3 to Level 2 in 2015 (one financial instrument that was transferred out of Level 3 to level 2 amounting to $50,000 matured in 2014). The inter-level transfer is attributed to the availability of observable inputs.

The following tables present the changes in CGIF's Level 3 investments for the years ended 31 December 2015 and 2014 (in $"000).

	Government or government-guaranteed obligations	
	2015	2014
Balance, beginning of the year	-	50,000
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)	-	24
Purchases	-	-
Sales/ Maturities	-	-
Settlement and others	-	-
Transfers into Level 3	-	-
Transfers out of Level 3	-	(50,024)
Balance, end of the year	-	-

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	-	24

Accrued interest income from investments is further detailed as follows (in $"000):

	2015	2014
Time Deposits	-	65
Available for Sale	3,430	4,085
TOTAL	3,430	4,150

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives held by CGIF are foreign exchange forwards that are entered into to manage foreign exchange risk from guarantee fee receivables denominated in local currencies. These represent commitments to purchase or sell one currency against another at an agreed forward rates on a specified dates in the future. Settlement will be made via delivery of forward proceeds at the agreed rates.

The amounts in the Statement of Financial Position do not necessarily represent the amounts of future cash flows involved. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market prices relative to their original terms of contracts. The extent at which the instruments can become favorable or unfavorable in fair values can fluctuate significantly from time to time. As of 31 December 2015, the changes in fair value of the foreign exchange forwards held are reported in the Statement of Financial Position as asset.

The fair value of the derivatives assets were as follows (in $'000):

	31 December 2015		Fair Value Measurements		
	Nominal Amount	Fair Value	Level 1	Level 2	Level 3
FX Forwards	7,715	69	14	55	-

There were no derivative financial instruments outstanding as of 31 December 2014.

NOTE 6 – GUARANTEES

As of 31 December 2015, CGIF has issued 8 guarantee (7 guarantees – 31 December 2014) covering bonds denominated in Thai Baht, Indonesian Rupiah, Singapore Dollar and Vietnamese Dong equivalent to $833 million ($645 million – 31 December 2014) at respective issuance dates. The total outstanding amount of the guarantees issued under the related bonds was $749 million as of 31 December 2015 ($616 million – 31 December 2014). The guarantees are inclusive of coupon payments.

Below is the summary of the outstanding guarantees by currency (in '000):

31 December 2015

	Local Currency			USD Equivalent
	Principal	Coupon	Total Obligation	of Total Obligation
THB	2,850,000	50,449	2,900,449	80,383
IDR	420,000,000	38,892,000	458,892,000	33,625
SGD	535,000	132,072	667,072	474,548
VND	2,100,000,000	1,504,175,343	3,604,175,343	160,357
				748,913

31 December 2014

	Local Currency			USD Equivalent
	Principal	Coupon	Total Obligation	of Total Obligation
THB	2,850,000	151,069	3,001,069	91,174
IDR	420,000,000	73,020,000	493,020,000	39,731
SGD	340,000	68,502	408,502	308,722
VND	2,100,000,000	1,672,175,342	3,772,175,342	176,369
				615,996

As of 31 December 2015, a guarantee liability of $27.8 million ($22.5 million - 31 December 2014) was reported on the Statement of Financial Position representing the unamortized balance of sum of the received guarantee fees and the present value of total guarantee fees expected to be received under the terms of the guarantee.

The reported guarantee fee receivable of $25.5 million represents the present value of the stream of total guarantee fees expected to be received for the guarantee outstanding as of 31 December 2015 ($20.7 million – 31 December 2014).

NOTE 7—FURNITURE, FIXTURES AND EQUIPMENT - NET

The details of this account are as follows (in $‟000):

	Office Furniture and Equipment	IT and Communications	Building Improvement	Work in Progress	TOTAL
Cost					
1 January 2014	178	149	348	246	921
Additions	3	4	-	-	7
Disposals	-	-	-	-	-
Transfers/ Reclassification	-	-	-	(242)	(242)
31 December 2014	181	153	348	4	686
Additions	32	43	5	-	80
Disposals	(2)	-	(348)	-	(350)
Transfers/ Reclassification	-	-	-	(4)	(4)
31 December 2015	211	196	5	-	412

	Office Furniture and Equipment	IT and Communications	Building Improvement	Work in Progress	TOTAL
Accumulated Depreciation/Amortization					
1 January 2014	(26)	(46)	(285)	-	(357)
Depreciation	(25)	(37)	-	-	(62)
Amortization	-	-	(63)	-	(63)
Disposals	-	-	-	-	-
Transfers/ Reclassification	-	-	-	-	-
31 December 2014	(51)	(83)	(348)	-	(482)
Depreciation	(28)	(42)	-	-	(70)
Amortization	-	-	(2)	-	(2)
Disposals	1	-	348	-	349
Transfers/ Reclassification	-	-	-	-	-
31 December 2015	(78)	(125)	(2)	-	(205)
NET, 31 December 2015	133	71	3	-	207
NET, 31 December 2014	130	70	-	4	204

Depreciation is reported under administrative expenses in the Statement of Net Income.

NOTE 8—INTANGIBLE ASSETS

Intangible assets are composed of Information systems software that is capitalized. The details of this account are as follows (in $'000):

	Information Systems Software
Cost	
1 January 2014	329
Additions	6
Transfers/ Reclassification	242
31 December 2014	577
Additions	209
Transfers/Reclassification	-
31 December 2015	786

	Information Systems Software
Accumulated Amortization	
1 January 2014	(124)
Amortization	(151)
Transfers/ Reclassification	-
31 December 2014	(275)
Amortization	(169)
Transfers/Reclassification	-
31 December 2015	(444)
NET, 31 December 2015	342
NET, 31 December 2014	302

The amortization is reported under administrative expenses in the Statement of Net Income.

NOTE 9—OTHER ASSETS

Other assets pertain to accounts receivables for taxes withheld, advances made by CGIF for staff benefits, prepaid office rentals, subscriptions and licenses as well as security deposit.

NOTE 10—ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses pertain to administrative and operating expenses incurred but not yet paid.

NOTE 11—RELATED PARTY TRANSACTIONS

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

Other liabilities and other miscellaneous expenses both amounting to $0.70 million pertain to the provision for ADB"s administration fee which is equivalent to 10 bps of contributions received as of 31 December 2015. The amount of $0.70 million pertaining to ADB"s administration fee for 2014 was settled subsequently in April 2015.

NOTE 12—MEMBERS' EQUITY

CGIF did not receive any additional subscription in 2015.

The subscribed capital for CGIF as of 31 December 2015 and 2014 is as follows:

Contributor	No. of Shares	Amount ($'000)
Asian Development Bank	1,300	130,000
ASEAN Member Countries		
Brunei Darussalam	56	5,600
Cambodia	1	100
Indonesia	126	12,600
Lao People's Democratic Republic	1	100
Malaysia	126	12,600
Myanmar, Republic of the Union of	1	100
Philippines	126	12,600
Singapore	126	12,600
Thailand	126	12,600
Viet Nam	11	1,100
	700	70,000
Others (non-ASEAN Member Countries)		
China, People's Republic of	2,000	200,000
Japan Bank for International Cooperation	2,000	200,000
Korea, Republic of	1,000	100,000
	5,000	500,000
Total	7,000	700,000.00

NOTE 13— RESERVE

The 2014 net income in retained earnings was allocated to Reserve as approved by the Contributors, per Resolution No. 2015-A-04, at the 27 May 2015 Meeting of Contributors.

NOTE 14— INTEREST INCOME

Interest income for the year is composed of (in $"000):

	2015	2014
Investments on Available for Sale	9,048	8,206
Guarantee	118	23
Time Deposits	98	81
Others	4	-
	9,268	8,310

NOTE 15—MISCELLANEOUS INCOME

Miscellaneous income includes reimbursements of legal and out of pocket expenses, gain/loss from disposal of fixed assets and other income which is not related to the normal operations of CGIF.

NOTE 16— ADMINISTRATIVE AND OPERATIONAL EXPENSE

Administrative and operational expense for the year is composed of (in $"000):

	2015	2014
Staff Related Expenses	4,167	3,746
Financial and Legal Services	370	863
Depreciation and Amortization	241	276
Short Term Staff Consultants	201	226
Business Travel	195	169
MOC and BOD Expenses	162	121
Rental Expense	141	118
Others	330	268
	5,807	5,787

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