



Credit Guarantee &
Investment Facility

An Asian Bond Markets Initiative



**REALIZING
POTENTIAL**

**ANNUAL
REPORT
2018**





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ABOUT THE COVER:

“Realizing Potential”

The image shows a paper crane defying the odds and daring to fly—like the real birds—into the sunrise. In many ways, CGIF is that paper crane. CGIF, with the help of our stakeholders, partners, and clients, is committed to developing the ASEAN local currency bond market. We dare to fly and realize potential for limitless possibilities and a brighter future.

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ABBREVIATIONS

ABMI	- Asian Bond Markets Initiative
ADB	- Asian Development Bank
AFS	- Available for Sale
AMBIF	- ASEAN+3 Multi-Currency Bond Issuance Framework
AoA	- Articles of Agreement
ASEAN	- Association of Southeast Asian Nations
ASEAN+3	- ASEAN plus the People's Republic of China, Japan and the Republic of Korea
BCLM	- Brunei Darussalam, Cambodia, Lao PDR and Myanmar
BOD	- Board of Directors
BPM	- Budgeting Procedures Manual
CAR	- Capital Adequacy Ratio
CGIF	- Credit Guarantee and Investment Facility
CIP	- Capital Increase Proposal
DD-CRA	- Due Diligence – Credit Risk Assessment
DOD	- Deal Operations Department
EAAS	- External Auditor Affiliates
EAP	- External Advisory Panel
ECL	- Expected Credit Loss
ERMF	- Enterprise Risk Management Framework
ESS	- Environmental and Social Safeguards
ESMS	- Environmental and Social Management Systems
ESG	- Environmental, Social and Governance
EXIM	- Export-Import Bank
FAL	- Formal Application Letter
FMCG	- Fast-Moving Consumer Goods
FVTOCI	- Fair Value Through Other Comprehensive Income
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
IFRS	- International Financial Reporting Standards
IIP	- Infrastructure Investor Partnership
IRR	- Internal Risk Rating

ISAs	- International Standards on Auditing
ISDA	- International Swaps and Derivatives Association
JBIC	- Japan Bank for International Cooperation
LCY	- Local Currency
M&A	- Mergers and Acquisitions
MBS	- Medium-term Business Strategy
MOC	- Meeting of Contributors
MOF	- Ministry of Finance
NRC	- Nomination and Remuneration Committee
OP	- Operational Policies
ORI	- Operating Risk Incident
PD	- Probability of Defaults
PIPs	- Preliminary Information Packs
PRC	- People's Republic of China
RCSA	- Risk and Control Self-Assessment
RMD	- Risk Management Department
SAA	- Strategic Assets Allocation
SECC	- Securities and Exchange Commission of Cambodia
SIO	- Sovereign Intervention Overlay
S&P	- Standard & Poor's
SU	- Safeguards Unit
UST	- US Treasuries

CURRENCY UNITS

IDR	- Indonesian Rupiah
KHR	- Cambodian Riel
MYR	- Malaysian Ringgit
PHP	- Philippine Peso
SGD	- Singapore Dollar
THB	- Thai Baht
USD	- United States Dollar
VND	- Vietnamese Dong

NOTE

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





CGIF AT A GLANCE

◎ SUMMARY

BACKGROUND

The Credit Guarantee and Investment Facility (CGIF) was established by the ASEAN+3¹, together with the Asian Development Bank (ADB), on 12 November 2010. The facility is 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, it helps foster economic development, build the resilience of the financial markets, and prevent disruptions to the international financial order. The efficient allocation of savings within the Asia and Pacific region is achieved by facilitating the access of creditworthy entities to local currency and regional markets and pushing the issuance of debt securities with longer-term maturities that match the gestation of investment projects.

ADB is the trustee of CGIF and as such, in line with the provisions of the Articles of Agreement (AoA), it holds in trust and manages all CGIF funds and other properties. In accordance with Article 10.3.2 of the Articles of Agreement, ADB, as the trustee of CGIF, has delegated the trustee's powers to the Meeting of Contributors (MOC), except for certain limited powers specified therein. The MOC, in turn, has delegated such powers to the Board of Directors.

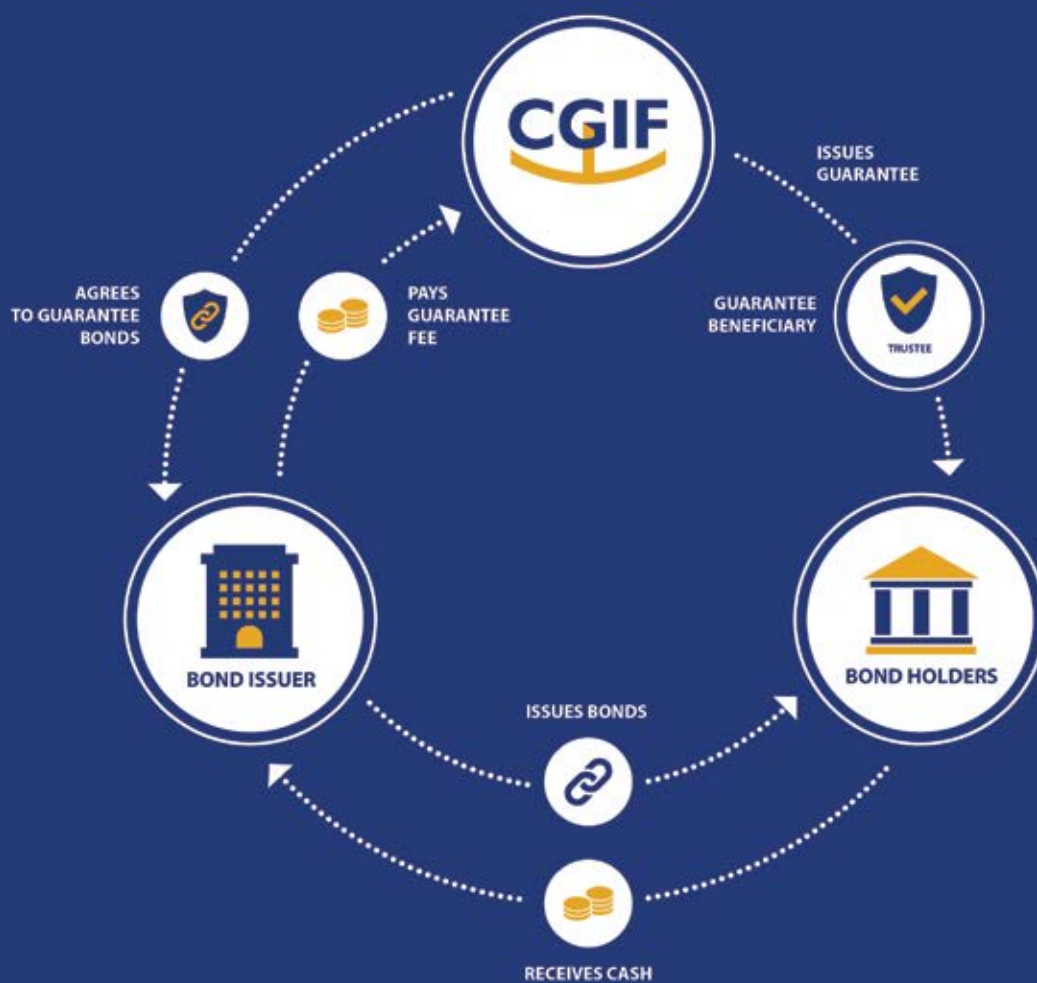
This Annual Report includes the Independent Auditor's report and the Financial Statements for 2018.

Notes:

¹The 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, Philippines, Singapore, Thailand, and Viet Nam. The ASEAN +3 is composed of the ASEAN nations plus the People's Republic of China, Japan (Japan Bank for International Cooperation), and the Republic of Korea.

OUR BUSINESS

GENERAL BOND GUARANTEE STRUCTURE*



+
*To ensure applicability of the guarantee in multiple jurisdictions in the ASEAN+3 countries, some variations to this structure may be incorporated to accommodate the established market norms. +

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 (Japan Bank for International Cooperation), and the Republic of Korea), and ADB. It was established with an initial paid-in capital of \$700 million. On 6 December 2017, the Contributors of CGIF agreed to increase its Authorized Capital from \$700 million to \$1.2 billion.

The Contributors have until end of 2023 to fully pay their subscriptions.

As of 31 December 2018 the paid-in capital of CGIF is \$859.2 million, divided into 8,592 shares, with a nominal value of \$100,000 each. Table 1 shows each Contributor's percentage of shareholdings in proportion to their capital contribution.

TABLE 1: 2018 SHAREHOLDING STRUCTURE

CGIF Contributors	Initial Paid-in Capital (\$)	Additional Paid-in Capital as of 31 December 2018 (\$)	Total Capital Contribution as of 31 December 2018 (\$)	Percentage of Shareholdings
People's Republic of China	200,000,000		200,000,000	23.28%
Japan (Japan Bank for International Cooperation)	200,000,000	142,800,000	342,800,000	39.90%
Republic of Korea	100,000,000		100,000,000	11.64%
Brunei Darussalam	5,600,000		5,600,000	0.65%
Cambodia	100,000	100,000	200,000	0.02%
Indonesia	12,600,000		12,600,000	1.47%
Lao People's Democratic Republic	100,000		100,000	0.01%
Malaysia	12,600,000		12,600,000	1.47%
Republic of the Union of Myanmar	100,000		100,000	0.01%
Philippines	12,600,000	7,300,000	19,900,000	2.32%
Singapore	12,600,000	9,000,000	21,600,000	2.51%
Thailand	12,600,000		12,600,000	1.47%
Viet Nam	1,100,000		1,100,000	0.13%
Asian Development Bank	130,000,000		130,000,000	15.13%
TOTAL	700,000,000	159,200,000	859,200,000	100.00%

Notes: (i) Numbers may not sum up precisely because of roundings.

CGIF CREDIT RATINGS

As a credit guarantor, CGIF will unconditionally and irrevocably assume the liability of its guaranteed-bond issuers should these issuers default on obligations to their guaranteed bond investors. The stronger its credit, the more capable CGIF becomes in enhancing bond issuers' credit, the more secure guaranteed-bond investors become, and the more borrowers CGIF can guarantee.

The credit strength of guarantors like CGIF is determined by conditions such as the size of its capital, the adequacy of capital relative to outstanding and prospective credit exposures, the likelihood of a guarantor to remain as a going concern, the commitment of the guarantor's principals, the soundness of a guarantor's risk management system, the experience of

a guarantor's management, the credit rating of CGIF's shareholders, and the strength of its governance structure.

The strength of a guarantor is an assessment of the aforementioned factors, among others, that is aggregated in a metric: the guarantor's credit rating. The following table summarizes CGIF's most recent credit ratings. In the global rating scale, CGIF is rated AA by Standard & Poor's (S&P) and gAAA by RAM. In the ASEAN region, CGIF is given the highest possible rating, seaAAA, by RAM. In national ratings scales, CGIF is given the highest possible rating by RAM, MARC, TRIS, and Fitch (Indonesia). In the ASEAN+3 region, only Singapore has a sovereign rating (AAA, S&P and Fitch; Aaa, Moody's) that is better than CGIF's AA global rating from S&P.

TABLE 2: CGIF CREDIT RATINGS

Credit Rating Agency	Scale	Rating	Outlook	Date Issued
Standard & Poor's	Global Long-Term Global Short-Term	AA A-1+	Stable	22 June 2018
RAM Ratings (Malaysia)	Global ASEAN National	gAAA seaAAA AAA	Stable	16 January 2019
MARC (Malaysia)	National	AAA	Stable	14 January 2019
TRIS Ratings (Thailand)	National	AAA	Stable	10 October 2018
Fitch Ratings (Indonesia)	National	AAA	Stable	15 November 2018

● MILESTONES

2010

NOVEMBER ●

CGIF was established

- Articles of Agreement were effectuated
- Operational Policies were adopted



NOVEMBER ●

- 4th guarantee issued
- SGD 10-year bonds issued by Protelindo, the largest-independent owner and operator of towers for wireless operators in Indonesia



DECEMBER ●

- 5th guarantee issued
- VND 10-year bonds issued by Masan, one of Viet Nam's largest private sector companies



2011

OCTOBER ●

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

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



AUGUST ●

- 3rd guarantee issued
- SGD three-year bonds issued by Kolao Holdings, an automobile and motorcycle distributor in Lao PDR



MARCH ●

- 2nd tranche of the 2nd guarantee issued
- 2nd tranche of IDR 3-year Medium Term Notes issued by BCAF to accommodate additional demand from a Japanese investor



DECEMBER ●

- 6th guarantee issued
- SGD three-year bonds issue by PT ASF, a leading auto finance company in Indonesia



2012

APRIL ●

CGIF initial capital of \$700M was fully paid-in



MAY ●

Guarantee operations were ready for commencement

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



DECEMBER ●

- 1st tranche of the 2nd guarantee issued
- 1st tranche of IDR 3-year Medium-Term Notes issued by BCAF, auto-finance co. in Indonesia



2013

OCTOBER ●

1st guarantee offer issued



2015

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)



APRIL ●

- 1st guarantee issued
- THB three-year bonds issued by Noble, an HK-based commodities supply chain manager



2016

APRIL

- 2nd tranche of the 10th guarantee issued
- Issuance of another IDR three-year bonds by MPMF

OCTOBER

- 7th guarantee issued
- SGD 10-year bonds issued by IVL, a global leader in polyester

JULY

- Construction Period Guarantee (CPG) launch
- CGIF launched a new guarantee product aimed to mitigate construction risks of greenfield infrastructure projects

MAY

- Cambodian Investors' Forum
- 1st event held by CGIF in Cambodia with the Ministry of Economy and Finance of Kingdom of Cambodia to spur the development of a local bond market

MARCH

- 9th guarantee issued
- PHP 10-year bonds issued by APRI, a geothermal power company in the Philippines

- 1st tranche of the 10th guarantee issued
- IDR three-year bonds issued by PT MPMF, a multi-finance company in Indonesia

FEBRUARY

- 1st and 2nd tranches of the 8th guarantee issued
- VND 5-year and 10-year bonds by Vingroup, Viet Nam's largest real estate company

JULY

- 1st and 2nd tranches of 11th guarantee issued
- SGD five-year and seven-year bonds issued by Fullerton, a provider of corporate healthcare solutions across Asia Pacific

OCTOBER

- 1st Reinsurance Treaty
- Execution of a landmark reinsurance treaty with Munich Re and other commercial reinsurers to enable their risk participation in ASEAN local currency bonds

NOVEMBER

- 12th guarantee issued
- THB five-year bonds issued by KNM Group Berhad, a Malaysian based leading global manufacturer of process equipment and processing units

2017

DECEMBER

- Capital Increase Approval
- The authorized capital of CGIF was increased to \$1.2 billion, as approved by Super Majority of the existing Contributors

Renewal of CGIF's Reinsurance Treaty

- The reinsurance treaty with commercial reinsurers led by Munich Re was renewed to cover new guarantees issued in 2018

NOVEMBER

- 14th guarantee issued
- VND five-year bonds by Mobile World, one of the leading retail groups in Viet Nam

JUNE

- 2nd tranche of the 13th guarantee issued
- Issuance of another tranche of five-year PHP bonds by ASA Philippines

FEBRUARY

- 1st tranche of the 13th guarantee issued
- PHP five-year bonds by ASA Philippines, a leading microfinance organization in the Philippines and processing units

2018

JANUARY

- 3rd tranche of the 13th guarantee issued
- Issuance of the final drawdown of five-year bonds by ASA Philippines

FEBRUARY

- 15th guarantee issued
- CGIF's 1st partial guarantee for THB 5-year bonds issued by Siam Gas, a leading trader of Liquefied Petroleum Gas (LPG) in Thailand

SEPTEMBER

- 16th guarantee issued
- VND 5-year bonds issued by PAN Group, a fast-growing food and agriculture company in Viet Nam

OCTOBER

- 1st and 2nd tranches of the 17th guarantee issued
- VND 5-year and 7-year bonds issued by Hoan My, the largest private healthcare provider in Viet Nam

DECEMBER

- 19th guarantee issued
- THB 5-year bonds follow on issuance by Siam Gas, with a lower guarantee percentage

- 20th guarantee issued
- THB 5-year bonds issued by Boonthavorn, a leading and large-scale home decorating retailer company in Thailand

Renewal of CGIF's Reinsurance Treaty

- the reinsurance treaty was renewed for the 3rd time with the same panel of reinsurers to cover new guarantees to be issued in 2019

Capital Increase Project

- CGIF's paid-in capital was increased to \$859.2 million as of 31 December 2018 after receiving subscription of new shares from JBIC, Singapore, Philippines, and Cambodia.

NOVEMBER

- 1st and 2nd tranches of the 18th guarantee issued
- PHP 3-year and 5-year AMBIF bonds issued by AEON PH to finance 3-wheelers and 4-wheelers in the Philippines

● HIGHLIGHTS



“SGP always explores new financial instruments to strengthen our financial position. With CGIF guarantee and A rated bond, SGP can access institutional investors and raise longer-term funds.”

-Mr. Supachai Weeraborwornpong, Managing Director, SGP



SIAMGAS AND PETROCHEMICALS PUBLIC COMPANY LIMITED

Siamgas and Petrochemicals Public Company Limited (“Siam Gas”) is a Thailand-based trader of Liquefied Petroleum Gas (LPG), an essential and eco-friendly source of fuel to many low to middle income consumers. The company was established in 2001 as an LPG distributor. It then progressively expanded its business by acquiring Unique Gas and Petrochemicals PCL (“Unique Gas”) as well as by selling related products. At present, Siam Gas is one of the leading LPG traders in Thailand, distributing their product in three channels: as cooking gas, automobile gas, and industrial gas. Aside from Thailand, it also has overseas operations in China, Malaysia, Myanmar, Singapore, and Viet Nam.

CGIF issued a partial guarantee to support Siam Gas in accessing long-term funds at fixed rates via the THB bond market. With such support, Siam Gas issued A-rated 5-year bonds on 28 February 2018. This marks CGIF’s first guarantee to a Thai corporate



in a THB bond issuance in addition to being the first guarantee to an LPG distributor.

Following the success of Siam Gas’ inaugural CGIF-guaranteed bond issuance, as well as its stand-alone rating upgrade, a follow-on issuance took place on 7 December 2018. This transaction gained market acceptance with a smaller guarantee coverage of 70%—compared to 85% for the first issuance arising from Siam Gas’ stronger stand-alone credit profile.

The guarantee support provided by CGIF will contribute to the expansion of the Thai partial guarantee bond market that will significantly aid in the improvement of the liquidity or tradability of the partial guarantee bond. The use of partial guarantees to uplift ratings by two and three notches, respectively, has been proven with these transactions, which were well-accepted by THB bond investors. This has set a key precedent for CGIF and other guarantors to assist more issuers to tap the THB bond market.



THE PAN GROUP JOINT STOCK COMPANY

Formerly known as Pan Pacific Corporation, The PAN Group Joint Stock Company ("PAN Group") is a fast-growing company that has two main business segments: PAN Farm, its agriculture platform, and PAN Food, its food platform. It was established in 1993 and is headquartered in Long An Province, Viet Nam. They are engaged in agriculture, food products, financial investments, and related activities in Viet Nam and are focused on investments in agriculture and food through mergers and acquisitions (M&A).

With a commitment to creating sustainable value on behalf of farmers, families, and society by offering trusted and innovative agriculture and food products, PAN Group supplies high-quality agricultural produce and packaged food items to Viet Nam and global markets.

On 10 September 2018, PAN Group issued its inaugural corporate bond issuance with an issue size of VND1.135 trillion at a fixed rate and with a five-year maturity term to enable the company to diversify its funding sources and mitigate the limitation of traditional bank loans for M&A financing. The proceeds of the bonds would be used to finance the packaged food business to deliver improved food safety and hygiene to Vietnamese consumers.

This bond issuance is CGIF's first guarantee to a company operating in the agriculture business.

PAN Group is the fourth issuer tapping the VND bond market with CGIF's guarantee, reflecting the deepening of the VND capital market and increased interest among top Vietnamese corporates to issue bonds since CGIF's inaugural guarantee in 2014.

"The transaction is a significant milestone for the Company in many ways. As PAN Group's inaugural bond issuance, this transaction enables us to diversify our funding and investor base as well as to lock in attractive fixed interest rates for the long term."

– Ms. Nguyen Thi Tra My, Chief Executive Officer, PAN Group





HOAN MY MEDICAL CORPORATION

Founded in 1997, the first private healthcare facility in Viet Nam has now become the leading, largest, and most experienced private healthcare group with 14 hospitals and 6 clinics across the country. Hoan My Medical Corporation ("Hoan My") was acquired by The Clermont Group ("Clermont"), a Singapore-based international business group, in 2013. Under Clermont's stewardship and with its intensive investment, Hoan My has expanded its network rapidly, upgraded to the latest technologies, and invested in talents through education and trainings that contributed significantly to Hoan My's success.

"This issuance enables us to tap the capital markets for fixed-rate long-term funding, which better suits the nature of our business. This will allow us to grow and invest in our healthcare services across Viet Nam and further our mission of helping more people to live healthier and more prosperous lives."

-Mr. Huynh Le Duc, Group Chief Executive Officer, Hoan My



The success was recognized by community through honored awards, which include the three-consecutive year award of "Viet Nam Hospital of the Year" by Frost & Sullivan in 2016, 2017, and 2018; the prestigious "The Third Labor Medal" by the President of Viet Nam in 2017; and the Hospital Management Asia (HMA) Awards for many quality improvement projects.

With its mission to build integrated physical and digital healthcare to deliver affordable, quality healthcare with excellence, innovation, and integrity to its community, Hoan My committed to improving the healthcare quality in Viet Nam.

On 5 October 2018, with CGIF's guarantee support, Hoan My issued its maiden VND2.33 trillion dual-tranche fixed-rate bonds with five-year and seven-year tenors to further fulfill the corporation's commitment. This transaction was strongly supported and was 2.5x oversubscribed from institutional investors in Viet Nam.

This bond issuance, supported by CGIF, proved to be a milestone achievement as savings were not only successfully mobilized to match the long-term funding requirements of a first-time issuer, but also introduced a first-time issuer from a private and unlisted group in Viet Nam to the VND bond market. It proves that the VND local bond market is ready and can play an important role in funding strong private companies.



AEON CREDIT SERVICE (PHILIPPINES) INC.

The debt issue was made under the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF), the first in the Philippines, and the second in the world, by AEON Credit Service (Philippines) Inc. ("AEON PH"), a leading consumer credit provider in the Philippines. It issued dual-tranche fixed-rate corporate notes with 3-year and 5-year maturity, which were 3.25x oversubscribed from institutional investors on the back of unprecedented tight credit spreads. This successful maiden issuance has won the "Best Benchmark Bond Deal in Southeast Asia 2018" in the 12th Annual Alpha Southeast Asia Deal and Solution Awards.

The bonds, which marked CGIF's first guarantee for AMBIF bonds, were issued on 16 November 2018 and helped diversify AEON PH's funding source with the proceeds of the bond to be used primarily for the company's financial inclusion business, in particular to fund its three-wheel and four-wheel loans.

AEON PH provides loan facilities for the unbanked and non-credit card holders. They are known for offering installment plans for the purchase of consumers as well as for three-wheel and four-wheel vehicles to make them affordable to their target market of Filipinos in the lower and middle income segments. The support from CGIF for this bond is strongly aligned with the company's strategy as well as the Philippine government's efforts to increase financial inclusion for those not able to access formal forms of financing.

The company is a subsidiary of AEON Financial Service Co., Ltd. Japan ("AEON"), a company listed on the First Section of the Tokyo Stock Exchange, whose core business is the issuance of prepaid and credit cards. It is one of the leading consumer credit providers in Japan as well as in the region.



"AEON remains committed to AEON Financial Service Co., Ltd.'s (holding company) vision of building a financial platform aimed at serving more customers in more locations, thereby enabling each individual to maximize future opportunities through effective use of credit. This initiative confirms AEON's full support to the Philippine government's goal of financial inclusion."

– Mr. Takayuki Araki, Chief Executive Officer, AEON



BOONTHAVORN CERAMIC 2000 CO. LTD.

Boonthavorn Ceramic 2000 Co., Ltd. (“Boonthavorn”) is a Thai trading company that sells and distributes home improvement products like ceramic tiles, lighting, and home and kitchen furniture. It is one of the leading and large-scale home decorating retailer companies in Thailand. In terms of sales volume, the company operates as the biggest branch of the Boonthavorn Group—with ownership of the Boonthavorn Ratchadaphisek branch, which is the first and largest branch of the group by revenue. In addition, Boonthavorn has three big shopping mall-type warehouse shops in one place offering a convenient one-stop shopping experience for their customers.

The company is a first-time issuer that has relied on bank loans for funding before their debut in the THB bond market with the issuance of AA+ rated THB2 billion fixed-rate five-year bonds on 17 December 2018. The issuance was backed by Kasikorn Bank (“KBank”) and CGIF through a landmark co-guarantee (50:50) structure. With this innovation, CGIF paved the way to collaborate with Thai banks to support a wider range of issuers. It has also set the precedent of co-guarantee terms for the other Association of Southeast Asian Nations (ASEAN) bond markets combining a multilateral facility with local guarantors. This transaction is expected to contribute to the expansion of the guaranteed bond market in the region as the similar co-guarantee transactions are pursued in the future.

“With CGIF and KBank co-guarantee and AA+ rated bond, Boonthavorn can add liquidity to its business and access to institutional investors, as well as raise long-term funds. Boonthavorn is delighted to partner with CGIF and KBank in developing a new dimension of financing solutions to Thai investors.”

*-Mr. Sitthisak Tayanuwat, Vice President,
Boonthavorn Ceramic 2000 Co. Ltd.*





THE VIETNAMESE BOND MARKET AND CGIF'S CONTRIBUTION TO ITS DEVELOPMENT

Contributed by: Techcom Securities (TCBS)

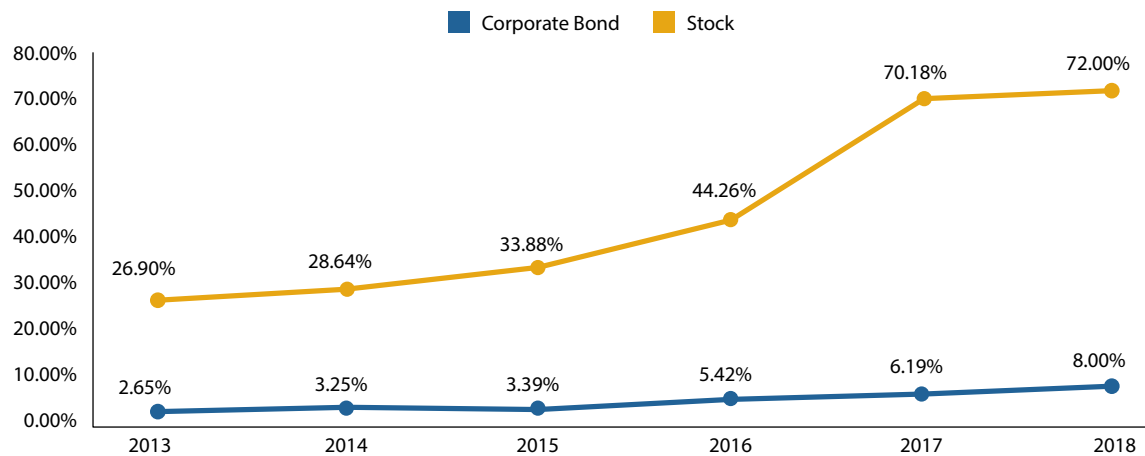
The Landscape of the Vietnamese Bond Market





After a year of researching the Vietnamese market and performing the company's due diligence in December 2014, CGIF granted the payment guarantee of \$100 million in equivalent for bonds issued by Masan Consumer Holdings, one of the top Vietnamese Fast-moving Consumer Goods (FMCG) groups. This deal marked the beginning of CGIF's participation in the development of Viet Nam's corporate bond market, which has since had an outstanding development. Over the past few years, there has been an increasing number of companies in Viet Nam reaching out to professional bond advisors to find fundraising solutions for their businesses.

The demands for funding range from increasing working capital to restructuring capital components, as well as financing medium to long-term projects. Along with breakthrough issuance volumes over the years and participation of new players, the Vietnamese market has seen different types of bonds introduced in the forms of private placement and public offering, such as unsecured, convertibles, and equity-linked. These bonds are then listed for trading in stock exchanges. The engagement of CGIF will help to create a market with diversified opportunities, with special attention to the investment tenors.

During 2016 through 2018, CGIF completed 4 more deals of guaranteed bonds, totaling at a volume of VND7.53 trillion with domestic companies.

FIGURE 1: VIET NAM'S SECURITIES MARKET CAPITALIZATION TO GDP



New bond issuances	VND22.9 trillion	VND42.8 trillion	VND129.6 trillion	VND115.4 trillion	VND198 trillion
CGIF guaranteed bonds	MCH VND2.1 trillion 10Y		VIC VND3.0 trillion 5Y & 10Y	MWG VND1.1 trillion 5Y	PAN VND1.1 trillion 5Y HOAN MY VND2.33 trillion 5Y and 7Y
					

Source: VBMA, SSC, and TCBS Estimation

The total market capitalization of corporate bonds increased from 3.25% in 2014 to around 5.5% of GDP in 2016 and then reached to about 8% in 2018. The specific total volumes of corporate bonds issued are VND22.9 trillion in 2014, VND42.8 trillion in 2015, VND129.6 trillion in 2016, VND115.4 trillion in 2017, and VND198 trillion in 2018. Although the total market volume and development in Viet Nam is still moderate in comparison with the global market, there is a significant rise in the debt capital market which supports not only companies to access more capital source but also investors to have more investment opportunities.

According to TCBS, most bond issuers are operating in real estate, mining, and construction

sectors. The participation of CGIF in the Vietnamese market during this period diversified issuers in sectors such as FMCG, technology and electronics retailing, food and beverage, and healthcare. The most popular tenor of the Vietnamese corporate bond is usually from two to five years. On the one hand, the participation of CGIF helped businesses raise more long-term capital for projects that require medium and long-term capital. In contrast, this option provides risk-averse and conservative investment opportunities that are more efficient than investing with the government bond market and bank deposits.

Regarding the investment objects as well as the liquidity of the market, if corporate bonds were

previously considered to be a market monopolized by banks, recently non-bank financial institutions such as mutual funds and insurance companies have been able to join this playground thanks to CGIF. After investing in bonds guaranteed by CGIF, these non-banking financial institutions have trusted and allocated a significant amount of capital to other corporate bonds issued by companies that have been guaranteed by CGIF with shorter terms and more attractive yields.

Additionally, companies that have been guaranteed by CGIF such as TCBS' corporate clients can also issue bonds that are without

collateral, list the bond on stock exchanges, and distribute to conservative investment funds as well as for individual investors. The attractiveness of corporate bonds has spread to individual investors, which in turn helped the market develop in a new and more diversified direction. As the leading corporate bond advisor (with more than 40% market share) and broker (with more than 80% market share) in Viet Nam, TCBS views the replacement of Decree 90 by Decree 163 regarding bond issuance in Viet Nam that is currently underway as an opportunity to increase transparency for the market and create potential for investors of all kinds.

PAN GROUP: REALIZING LONG-TERM GOALS WITH FIRST CORPORATE BOND ISSUANCE

Contributed by: The PAN Group Joint Stock Company

On 10 September 2018, PAN Group issued its inaugural corporate bond issuance with an issue size of VND1.135 trillion at a fixed-rate and with a 5-year maturity term under the guarantee of CGIF. The offering enabled us to diversify our investors base as well as our funding sources, which is critical as we are entering our next stage of business expansions through both M&A and investments in new projects.

As a result of the reputation of CGIF, together with PAN Group's vision and business performances, the bond issuance was oversubscribed by leading insurance investors, most of whom were the first-time financial partners of PAN Group. The structure and cost of funding from this issuance was suitable for PAN Group to realize our 5-year plan in a highly competitive industry such as agribusiness and food production and distribution. Hence, it helped PAN Group reinforce its financial positions while creating more suitable streams of annual cash flow through a bullet repayment under the bonds

instead of annual installments under normal bank loans. In addition to being a strong financial partner, PAN Group trusts that CGIF will continue to support PAN Group in its Environmental, Social and Governance (ESG) stewardship, due to the focus and efforts that CGIF has put into fostering sustainable growth among partners.

PAN Group is proud to be the first company with operations in agribusiness, not only in Viet Nam but across Asia's emerging markets as well, that CGIF has provided guarantee facility to. Not only does it demonstrate CGIF's confidence in Viet Nam's corporates and the potentials of financial markets, it also inspires companies in developing nations, as well as in agribusiness and food processing companies in Viet Nam, to pursue growth with integrity, transparency, and sustainability.

PAN Group is honored to partner with CGIF in their mission to building a robust bond market across Asia's emerging nations—in the same way that we are delighted to have CGIF's support in our vision to becoming a responsible leading agriculture and food company of the region, delivering food security, food safety and nutrition from Viet Nam to the world.

© FINANCIAL SUMMARY



FIGURE 2: NET INCOME

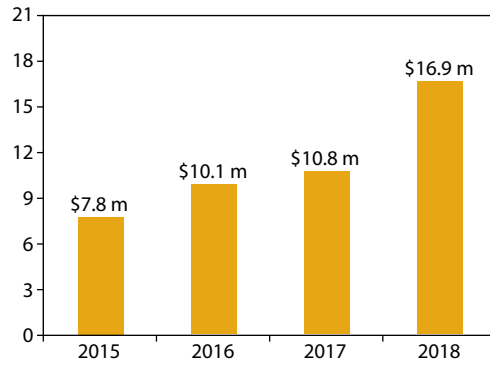


FIGURE 4: GUARANTEE INCOME

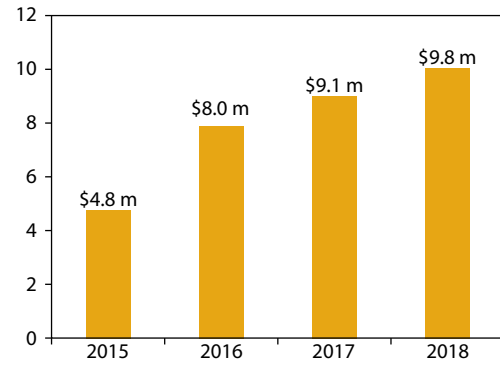


FIGURE 3: INVESTMENT INCOME

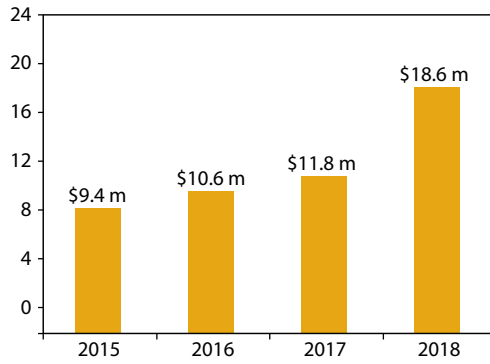


FIGURE 5: OUTSTANDING GUARANTEE ISSUED

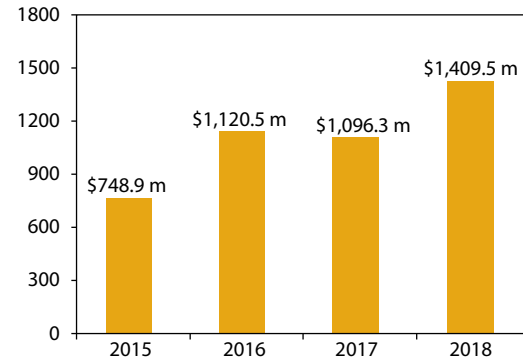
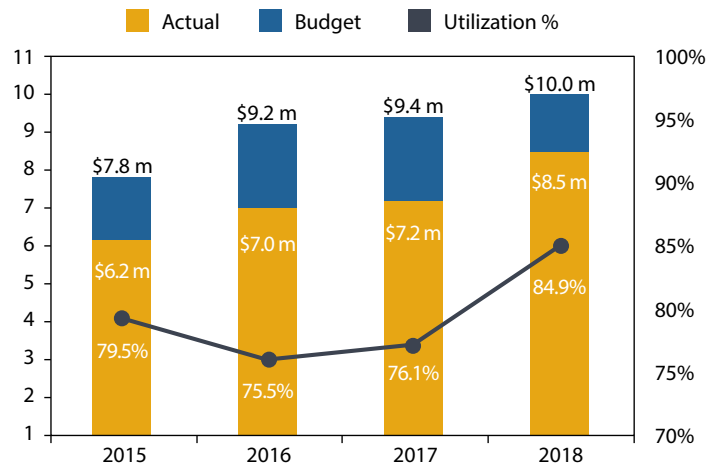


FIGURE 6: ACTUAL VS. BUDGET (OPERATING AND ADMINISTRATIVE EXPENSES)





MESSAGE FROM THE CHAIRMAN OF THE BOARD

I am very honored to assume the role of Chairman of the Board of Directors of Credit Guarantee and Investment Facility (CGIF), an organization that has demonstrated great value in the local currency and regional bond markets in the ASEAN+3 region.

On behalf of the whole CGIF Board of Directors, I send my gratitude and best wishes to our previous Chairman, Jian Li. I plan on continuing the great work he has done in strengthening the institutional framework within CGIF, allowing us to deliver the results we've mapped out in our 10-year Medium-term Business Strategy.

In 2017, CGIF, through the generous support of our Contributors, received additional capital that enabled us to move forward with our Medium-term Business Strategy. 2018 began with the aggressive implementation of our plans, and it is my goal to make certain that CGIF continues to promote financial inclusion, deepening, integration, and innovation in the ASEAN+3 region.

MESSAGE

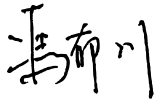
The Board has been steadfast in guiding the CGIF management team and, in the process, has helped strengthen our organization in key areas. First, CGIF revised its Environmental and Social Safeguards Policy and Framework in December. This Policy ensures that CGIF encourages the environmental and social sustainability of the activities financed with the support of CGIF's guarantees, when CGIF pursues its objective of promoting economic development and resilience of the financial markets in ASEAN+3.

On the first day of 2019, CGIF also began implementing comprehensive internal procedures that conform with the principles and requirements embodied in the Policy. Under this same Policy, CGIF will work with companies and projects supported by its guarantees, ensuring effective management of environmental and social risks and promoting activities that provide environmental and social benefits.

Part of our Medium-term Business Strategy is to pay greater attention to our frontier markets: Brunei, Cambodia, Laos, and Myanmar. CGIF is working to strengthen the new risk management framework for operating in these countries. As CGIF has also begun providing guarantees to new types of bond instruments—project bonds, green bonds, and securitization—guidelines on these transactions have been developed. The Board has been instrumental in fortifying our management framework for dealing with these challenging scenarios—and it will continue to discuss how to further strengthen our management structure.

The Board also continues to show their support to CGIF by approving the largest number of transactions to date. In 2018, CGIF guaranteed nine bond issuances, a record since we started operations in 2012. The total cumulative guarantee issuances by end 2018 since CGIF's inaugural guarantee in 2013 reached 28 guarantees to support bonds issuances by 19 companies from 8 countries. Other key milestones include supporting the first bond issued under the ASEAN+3 Multi Currency Bond Issuance Framework (AMBIF) in the Philippines for AEON PH's bonds and a landmark co-guarantee with a local bank for the bonds issued by Boonthavorn in Thailand.

I am privileged to be working with a team that is assiduous in its commitment to the organization and the region. A strong collaborative environment is critical to the success of CGIF and rest assured, the Board and Management will remain committed to providing guidance and support. I, for one, am personally dedicated to CGIF's important mission and pivotal role in the local currency and regional bond markets of the ASEAN+3 region.



Yuchuan Feng

Chairman,
Board of Directors

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

In 2018, Credit Guarantee and Investment Facility (CGIF) vigorously implemented its Medium-term Business Strategy (MBS), which is the basis for its operations in the next 10 years. Through MBS, CGIF aims to promote financial inclusion, especially for frontier countries; financial deepening to expand the issuer and investor bases and extend out the tenors; financial integration to promote cross border fundraising and mobilize surplus savings in the ASEAN+3 region; and financial innovation, providing guarantees to new types of bond instruments such as project bonds, green bonds, and securitization deals and introducing new guarantee products to enhance CGIF's developmental role. To deliver the results expected of the strategy, CGIF received additional capital from our Contributors. To date, our paid-in capital has increased to \$859.2 million—proof that CGIF has earned the high regard and confidence of our stakeholders in its relatively short existence.

As a result of all these dynamic movements within CGIF, I am very pleased to announce that we have achieved a record number in terms of guarantee approvals and issuances in 2018. We now have a total of 23 guarantee issuances (excluding matured transactions)—nine of which were issued in 2018 alone. This is a monumental achievement for CGIF, and we are only more motivated to secure higher numbers and create a more diverse guarantee portfolio in the coming years.

MESSAGE



We are proud not only of the numbers we've set. In a qualitative way, these guarantees contributed to the development of the bond market in the region. One example is CGIF's guarantee of AEON Credit Service Inc.'s inaugural PHP1 billion dual-tranche fixed rate corporate notes issuance. It was our first debt issue under the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) guaranteed by CGIF and the first AMBIF issue in the Philippines, in collaboration with ADB under the Asian Bond Markets Initiative (ABMI). CGIF also guaranteed 50% of Boonthavorn Ceramic 2000 Co. Ltd.'s THB2 billion 5-year bonds, with the remaining 50% guaranteed by KASIKORNBANK Public Company Limited. This transaction established market-accepted terms for CGIF's co-guarantees in Thailand, paving the way for other CGIF co-guarantee transactions in the country in the future and setting a precedent for CGIF's co-guarantee terms in the other ASEAN bond markets. CGIF also continues to deliver a number of transactions in Viet Nam, which was the largest recipient of CGIF guarantee support in 2018.

Last, but surely not the least, in 2018, CGIF posted a net income of \$16.9 million, \$6.0 million or 55.6% higher than the previous year's earnings, and our highest recorded net income to date. This accomplishment only encourages us to do better this new year.

This 2019, following the strong record of 2018, we will continue to deliver the expected results under the Medium-term Business Strategy by aiming at issuing more guarantees and continuing the extensive work we have started in the frontier markets. We are likewise expecting to substantially increase our human resources, so that we can implement the goals of the MBS.

More recently, CGIF has started work on creating a new facility, the Infrastructure Investors Partnership (IIP), which will capitalize and build on our track record and operational platform to provide credit enhancement for infrastructure projects by utilizing the domestic savings in emerging economies to provide long-term local currency finance for infrastructure financing. We plan to finalize this new concept of the IIP this year and turn it into a more concrete and propitious proposal. Financially, we are also expecting to receive additional capital under the capital increase plan, which will give more opportunities for CGIF to deliver on all our goals for the year, and the years to follow.

CGIF has built a strong foundation since the beginning, and we have come a long way since October 2011. We are now widely recognized in the market as an important player contributing to the development of the regional bond market. In all its years, we have set an exemplary track record: CGIF has maintained a high credit rating and since our first guarantee issuance in April 2013, there have been no setbacks. We have maintained a robust and burgeoning guarantee portfolio from day one. CGIF Contributors and the ASEAN+3 remain confident in our developmental roles, our capabilities to deliver expected results under the Medium-term Business Strategy, and our earnest intention to strengthen local currency and regional bond markets in the region.

It has been the collective achievement of everybody—our stakeholders, Board members, CGIF staff and employees, Contributors, and our partners. On behalf of the Executive team, I extend my sincerest gratitude to everyone who has been instrumental in CGIF's success and who continues to trust and support us in all our initiatives. And as CGIF moves onward and upward this 2019, let us remember to stay resolute in achieving our shared vision and goals.

西村 潔

Kiyoshi Nishimura
Chief Executive Officer



BUSINESS AND OPERATIONAL REVIEW

GUARANTEE OPERATIONS

MACROECONOMIC OVERVIEW

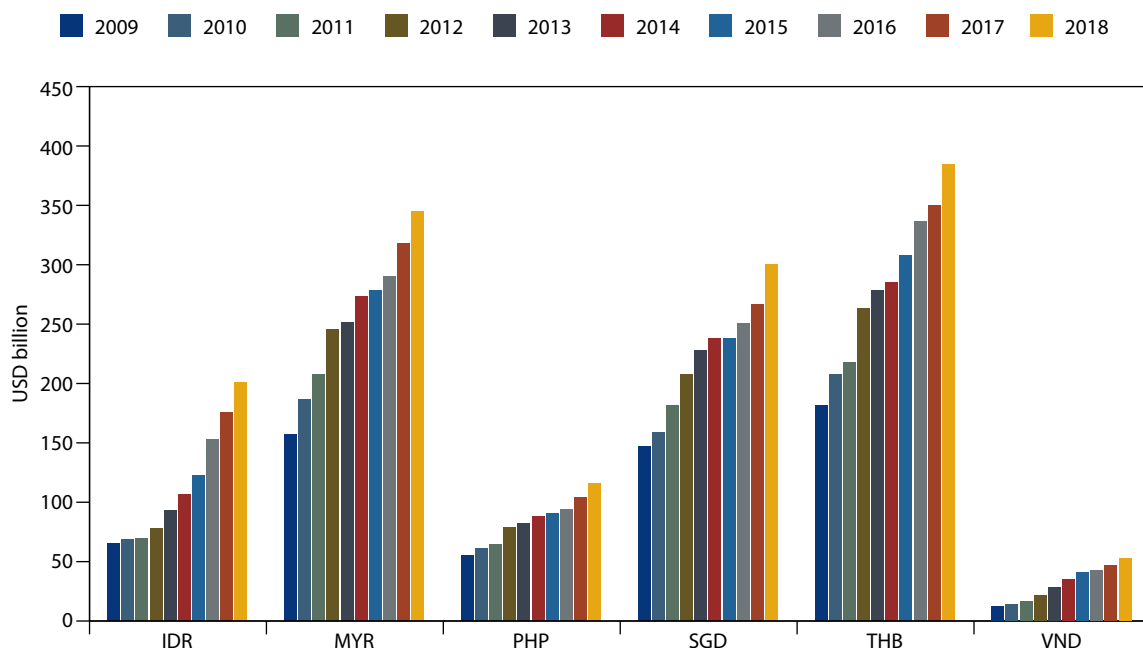
Contrary to the past two years, the global economy has been slowing down. During the beginning of 2018, the global economy was expected to grow by 3.9%, but growth had only reached 3.7%, based on International Monetary Fund's estimates. Escalating trade tensions between US and China and the tightening of financial markets, particularly in advanced economies, contributed to a slower global growth. Despite these externalities, ASEAN 5 is still among the fastest growing regions, with an expected growth of 5.2% in 2018.

Within ASEAN, Viet Nam was the top performing country, recording a 7.1% growth in 2018. Following this, Cambodia was projected to grow by 7.0% in 2018 based on ADB's estimates. Viet Nam's growth was driven by strong activity in the manufacturing sector, while Cambodia's growth was brought about by its domestic consumption and exports. The Philippines also managed to expand by 6.2% amidst experiencing high inflation.

ASEAN must continue to prove its macroeconomic fundamentals from potential shocks arising from a global slowdown. The region still relies on domestic consumption and infrastructure spending, which calls for resilient financial markets to help buoy its real economy.

ASEAN 6 BOND MARKET OVERVIEW

FIGURE 7: LCY BOND MARKET SIZE



ASEAN 6's overall bond market grew by 10.6% year-over-year, reaching about \$1.4 trillion in 2018. The region's corporate bond market grew by 11.2%, ahead of its government bond market's growth of 10.4%. Government bonds continued to have a larger share at 68% of ASEAN 6's total bond market size, while corporate bonds took the remaining 32%. As a share of GDP, corporate bond market generally increased, propelled by the markets of Singapore, Thailand, Philippines, Malaysia, and Viet Nam.

Focusing on LCY terms, bond markets of each country in ASEAN 6 have all expanded in 2018, with growths ranging from 9.3% to 13.7% year-over-year. Corporate bond market growth rates in four countries outpaced those of their respective government bond markets. Compared to growth of government bonds, Viet Nam's corporate bonds recorded the highest growth in ASEAN 6, at 29.4%. This is followed by the Philippines

(28.9%), Singapore (12.3%), and Thailand (12.2%). Malaysia's and Indonesia's corporate bond markets had single-digit growth rates of 8.0% and 6.3%, respectively. These figures indicate the momentum of bond market development in ASEAN 6, especially on corporate bonds. Each country has built up on previous years' successes and initiated changes for improved access to their respective bond markets.

Still, ASEAN's LCY bond market remains small, and the characteristics of bond markets across the region vary from one another. Further growth in ASEAN's bond market calls for more continual efforts in addressing prevailing issues such as broadening the investor base, providing support to diversified issuers, and introducing new bond products, among others. With this, CGIF remains committed in helping ASEAN develop its LCY bond market and achieve financial stability in the region.

GUARANTEE OPERATIONS

In 2018, CGIF guaranteed nine bond issuances, a record since commencing operations in 2012. The bonds supported were issued by two Thai companies, Siamgas and Petrochemicals Public Company Limited (“Siam Gas”) and Boonthavorn Ceramic 2000 Co. Ltd. (“Boonthavorn”); two Vietnamese companies, The PAN Group Joint Stock Company (“PAN Group”) and Hoan My Medical Corporation (“Hoan-My”); and two Philippine-based companies, ASA Philippines Foundation Incorporated (“ASA PH”) and AEON Credit Service (Philippines) Incorporated (“AEON PH”).

Key milestones achieved included supporting the first bond issued under the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) in the Philippines for AEON PH’s bonds and a landmark co-guarantee with a local bank for the bonds issued by Boonthavorn in Thailand.

The Operations team also accomplished record numbers of 15 Guarantee Concept Papers (GCPs) and 9 Guarantee Underwriting Proposals (GUPs) approved during the year, a testament to the increased recognition of CGIF’s role as a guarantor.

GUARANTEE PORTFOLIO

The nine guarantees in 2018 of \$302.5 million in equivalent further expanded CGIF’s guarantee portfolio to reach a total outstanding amount of \$1,157 million¹ by the end of 2018. The guarantee portfolio now comprises of 23 bond issuances¹ by 15 companies from 6 countries. Significant efforts to support companies from other countries as well as developing new local currency (LCY) bond markets that commenced in 2018 will further add to CGIF’s reach and diversification of the guarantee portfolio moving forward.

GEOGRAPHICAL DISTRIBUTION OF APPLICANTS AND TRANSACTIONS FOR 2018

A sizable number of 32 Preliminary Information Packs (PIPs) has been received in 2018. These originated from 10 out of the 13 member countries of the ASEAN+3, reflecting CGIF’s increased reach across the region. The most number of PIPs came from Thailand, followed closely by Viet Nam.

In 2018, CGIF approved two transactions involving companies from Cambodia looking to issue bonds in Cambodia under its new corporate bond regulations—setting the stage to create a new LCY bond market in ASEAN and further expand CGIF’s reach to cover companies from more countries in the region.

Note:

¹ Excluding matured transactions.

TABLE 3: GUARANTEE PORTFOLIO AS OF 31 DECEMBER 2018
(EXCLUDING MATURED/REDEEMED ISSUANCES)

Issue Date	Issuer	Country of Origin (Issuer)	Bond Issuance Venue (Bond Market)
17-Dec-18	Boonthavorn Ceramic 2000 Co. Ltd.	 Thailand	 Thailand
07-Dec-18	Siamgas and Petrochemicals Public Company Limited	 Thailand	 Thailand
16-Nov-18	AEON Credit Service (Philippines) Inc.	 Philippines	 Philippines
16-Nov-18	AEON Credit Service (Philippines) Inc.	 Philippines	 Philippines
05-Oct-18	Hoan My Medical Corporation	 Viet Nam	 Viet Nam
05-Oct-18	Hoan My Medical Corporation	 Viet Nam	 Viet Nam
10-Sep-18	The PAN Group Joint Stock Company	 Viet Nam	 Viet Nam
28-Feb-18	Siamgas and Petrochemicals Public Company Limited	 Thailand	 Thailand
10-Jan-18	ASA Philippines Foundation, Inc.	 Philippines	 Philippines

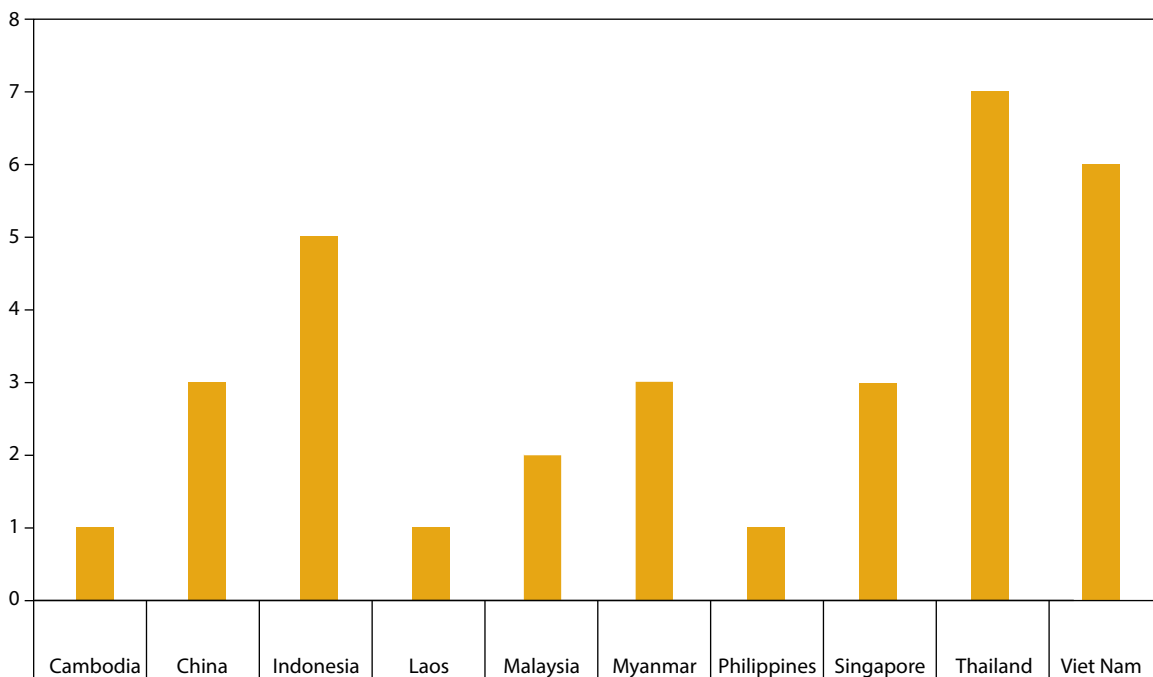
	Issue Size (LCY)	Issue Size (USD Equivalent)	Percentage Guaranteed by CGIF	Issue Rating (Agency)	Tenor
	THB2.0 billion	\$61 million	50%	AA+ (TRIS Rating)	5 years
	THB2.0 billion	\$61 million	70%	A (TRIS Rating)	5 years
	PHP900 million	\$17 million	100%	Unrated	3 years
	PHP100 million	\$2.0 million	100%	Unrated	5 years
	VND1.4 trillion	\$60 million	100%	Unrated	7 years
	VND930 billion	\$40 million	100%	Unrated	5 years
	VND1.1 trillion	\$50 million	100%	Unrated	5 years
	THB2.0 billion	\$64 million	85%	A (TRIS Rating)	5 years
	PHP500 million	\$10 million	75%	Unrated	5 years

Issue Date	Issuer	Country Of Origin (Issuer)	Bond Issuance Venue (Bond Market)
17-Nov-17	Mobile World Investment Corporation	 Viet Nam	 Viet Nam
28-Jun-17	ASA Philippines Foundation, Inc.	 Philippines	 Philippines
10-Feb-17	ASA Philippines Foundation, Inc.	 Philippines	 Philippines
18-Nov-16	KNM Group Berhad	 Malaysia	 Thailand
07-Jul-16	Fullerton Healthcare Corporation	 Singapore	 Singapore
07-Jul-16	Fullerton Healthcare Corporation	 Singapore	 Singapore
28-Apr-16	PT Mitra Pinasthika Mustika	 Indonesia	 Indonesia
11-Mar-16	PT Mitra Pinasthika Mustika	 Indonesia	 Indonesia
08-Mar-16	AP Renewables, Inc.	 Philippines	 Philippines
18-Feb-16	Vingroup Joint Stock Company	 Viet Nam	 Viet Nam
18-Feb-16	Vingroup Joint Stock Company	 Viet Nam	 Viet Nam
07-Oct-15	IVL Singapore PTE. Ltd.	 Thailand	 Singapore
05-Dec-14	Masan Consumer Holdings	 Viet Nam	 Viet Nam
27-Nov-14	Protelindo Finance BV*	 Indonesia	 Singapore

* Change of issuer of the bonds from Protelindo Finance B.V. to PT Professional Telekomunikasi Indonesia effective 03 August 2016.

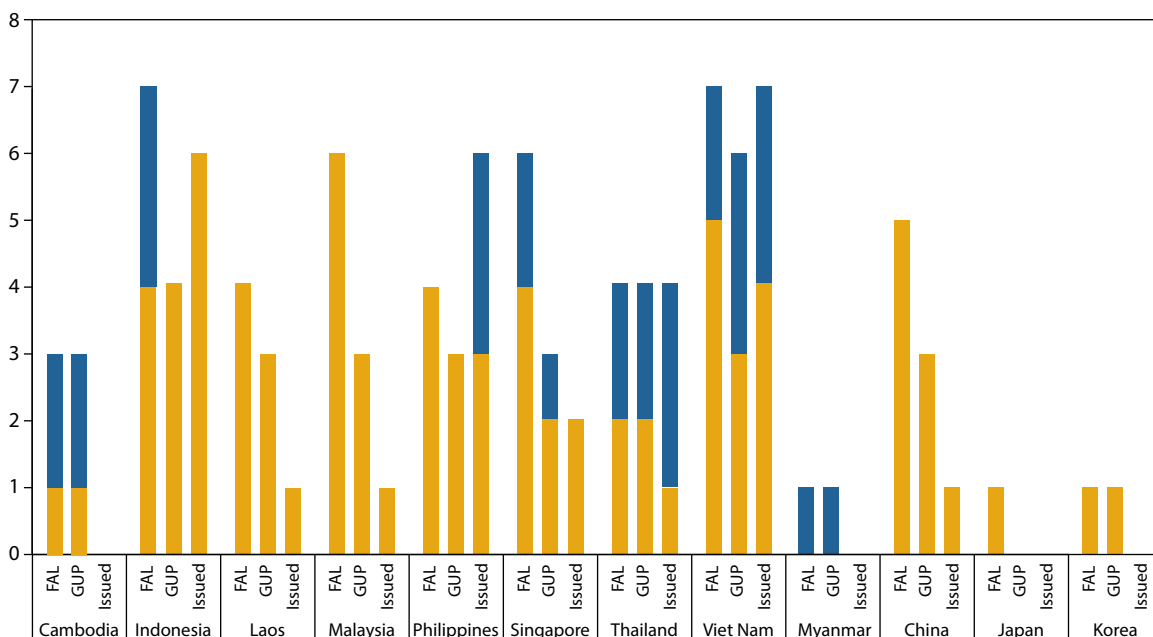
	Issue Size (LCY)	Issue Size (USD Equivalent)	Percentage Guaranteed By CGIF	Issue Rating (Agency)	Tenor
	VND1.1 trillion	\$50 million	100%	Unrated	5 Years
	PHP500 million	\$10 million	75%	Unrated	5 Years
	PHP1.0 billion	\$20 million	75%	Unrated	5 Years
	THB2.78 billion	\$78 million	100%	AAA (TRIS Rating)	5 Years
	SGD50 million	\$37 million	100%	AA (S&P)	5 Years
	SGD50 million	\$37 million	100%	AA (S&P)	7 Years
	IDR160 billion	\$12 million	100%	Unrated	3 Years
	IDR140 billion	\$11 million	100%	Unrated	3 Years
	PHP10.7 billion	\$100 million	Up To PHP4.7 billion Risk Sharing With ADB	Unrated	10 Years
	VND2.0 trillion	\$87 million	100%	Unrated	5 Years
	VND1.0 trillion	\$47 million	100%	Unrated	10 Years
	SGD195 million	\$137 million	100%	AA (S&P)	10 Years
	VND2.1 trillion	\$98 million	100%	Unrated	10 Years
	SGD180 million	\$138 million	100%	AA (S&P)	10 Years

**FIGURE 8: PRELIMINARY INQUIRIES BY COUNTRY
(PRELIMINARY INQUIRIES RECEIVED, YEAR 2018)**



**FIGURE 9: FORMAL APPLICANTS, GUARANTEE APPROVALS¹, AND GUARANTEES
ISSUED² BY COUNTRY (2012-2018)**

■ May 2012 - December 2017 ■ January 2018 - December 2018

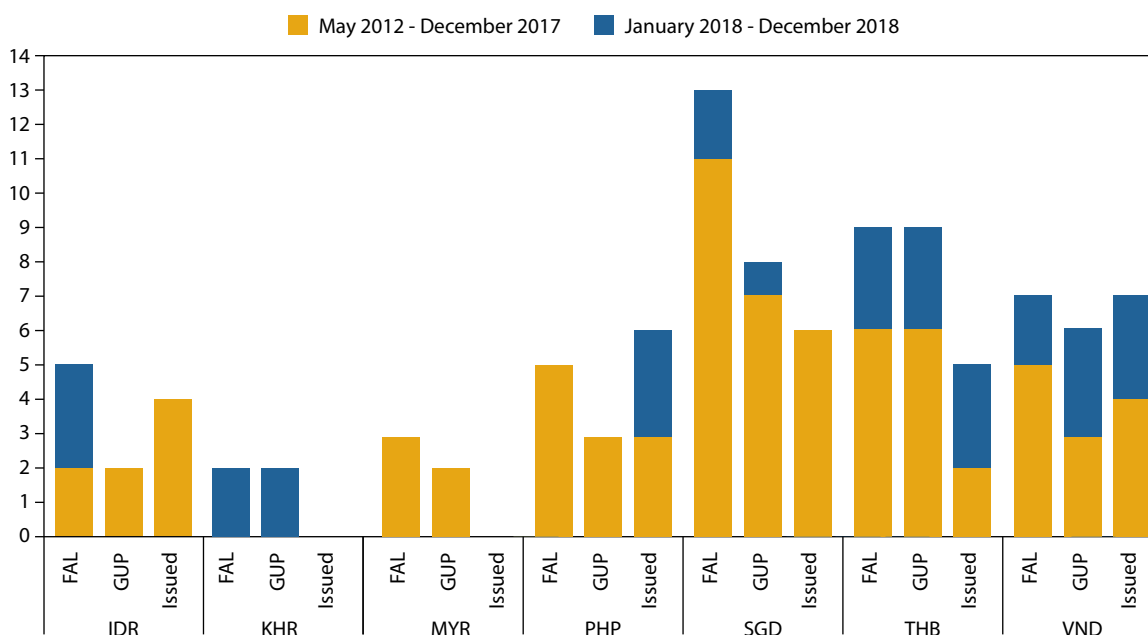


Notes:

¹ Refers to Guarantee Underwriting Proposals approved by the BOD.

² Each tranche is recorded as one issued guarantee.

FIGURE 10: FORMAL APPLICANTS, GUARANTEE APPROVALS¹, AND GUARANTEES ISSUED² BY CURRENCY (2012-2018)



Notes:

¹ Refers to Guarantee Underwriting Proposals approved by the BOD.

² Each tranche is recorded as one issued guarantee.

LOOKING AHEAD

The importance of a guarantor in developing nascent bond markets is now clearly evidenced by CGIF's accomplishments in Viet Nam. Since 2014, CGIF has supported seven bond issuances from five companies on the back of increased participation among VND investors. Acquainting them with new instruments like project bonds, mortgage-backed securities, and other long-term asset-backed securities will be next.

Proliferating the success of the VND bond market to Cambodia, Laos, and Myanmar will be a priority moving forward. After supporting the Securities and Exchange Commission of Cambodia (SECC) in establishing their regulations for corporate bonds in Cambodia, the first KHR bond was issued towards the end of 2018. CGIF anticipates that the first CGIF-guaranteed KHR bond, when issued, will start to develop the necessary investor base required for a vibrant market to emerge.

Efforts to increase bond market awareness by CGIF were undertaken throughout 2018. The

most notable was the Corporate Bond Workshop in Laos that was arranged to further educate the Laos corporate sector on the benefits of corporate bonds and how CGIF can assist in conjunction with CGIF's annual Meeting of Contributors (MOC) in May.

Concurrently, CGIF will continue to encourage ASEAN+3 corporates to tap the LCY bond markets in Indonesia, Malaysia, Philippines, Singapore, Thailand, and Viet Nam to broaden the issuer base and lengthen tenors available in the bond markets to match the companies' long-term investments. Particular emphasis will be placed on companies unable to issue bonds on their own and for CGIF to enable access to the respective bond markets.

CGIF is also working to encourage the use of ASEAN LCY bond markets for the issuances of green bonds and project bonds for project financing. CGIF's accomplishments and capabilities today squarely meet the aspirations of the region's stakeholders under the Asian Bond Market Initiative as the ASEAN+3 region powers ahead towards a bright future.

FINANCE

FINANCIAL CONTROL

Financial Control supports CGIF's business in terms of recording all guarantees, investments, and other transactions in its financial books, processing payments and receipts, monitoring assets, and maintaining its general ledger system. In line with the growth of CGIF's operations, the number of transactions to be processed and to be recorded in its book has been increasing. Financial Control's function also includes preparation of regular financial reports, including the Monthly Management Report, quarterly and annual financial reports, and coordination with the external auditor for the exercise of annual audit.

While it still relies on the Treasury Department of the Asian Development Bank (ADB) for the provision of accounting data for investments and external treasury transactions, CGIF fully manages other financial control functions. CGIF also regularly reviews and analyzes the procedures and workflows from inception of accounting events to their full reflection on the books. Accordingly, the accounting manual is kept updated and enhanced along with the evolution of CGIF's operations.

In 2018, CGIF implemented the new International and Financial Reporting Standards (IFRS) 9. One of the significant impacts from this new standard is the application of the impairment model called Expected Credit Loss (ECL). This required CGIF to recognize the provisions for impairment on financial instruments in its financial statements. A task force team consisting of staff from Finance and Risk Management was formed in previous years to handle the adoption and implementation of this new standard.

TREASURY

The capital resources of CGIF are managed by ADB as trustee, under investment strategies and performance targets that have been set in agreement with CGIF. ADB also provides back office services for external transactions of CGIF, including, among others, settlement of all Foreign Exchange (FX) and derivatives transactions and valuation report for its investment portfolio and external transactions. As indicated in the Operational Policies, ADB valuation reports are cross-checked by CGIF Treasury upon delivery.

CAPITAL RESOURCES MANAGEMENT

CGIF and ADB have also agreed on the Strategic Assets Allocation (SAA), which is designed to optimize the investment allocation of capital resources of CGIF. The objective is to maximize the ratio of investment return to the combined risk of both its guarantee and investment portfolios. Upon implementation of the SAA, CGIF expects diversification of credit risk, enhanced liquidity, and stable investment income stream. The SAA recommendations for portfolio asset allocation and duration of the portfolio are presented in Table 4. The table also shows that the asset allocation and duration of the investment portfolio have been in line with the SAA for the last three years. As capital increase proposal was approved by Contributors in December 2017 and CGIF has started receiving new capital contribution, the size of the capital to be managed has grown from \$700 million to \$859.2 million as of end of 2018 and will grow to \$1.2 billion by the end of 2023.

TABLE 4: TRANSITION OF ASSET ALLOCATION OF INVESTMENT PORTFOLIO

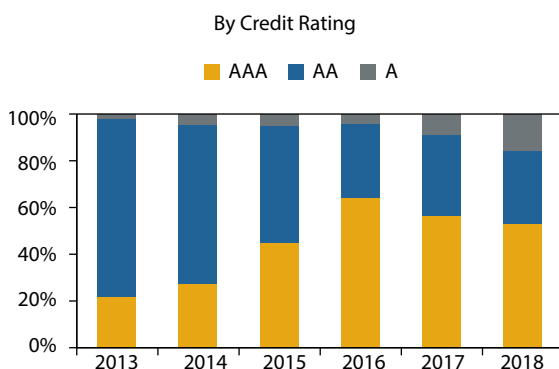
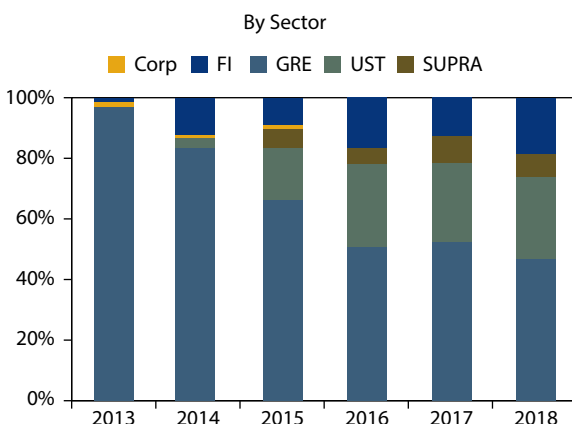
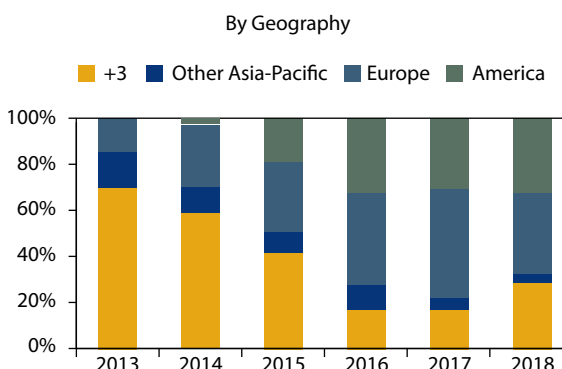
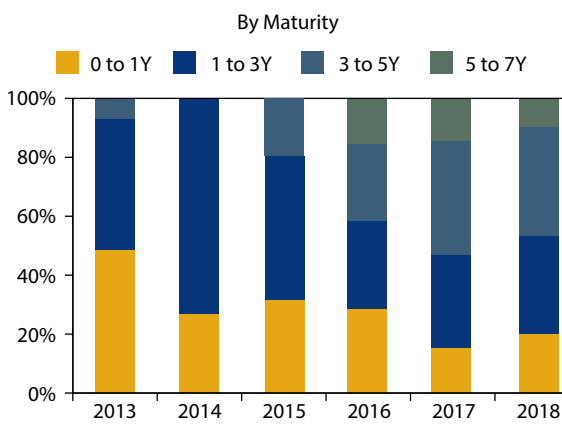
	UST 1-5Y	UST 5-10Y	A+ to AAA	A-1	Duration
SAA	0-30%	0-20%	40-80%	0-40%	2.0-4.0
31 December 2016	12%	15%	43%	29%	2.58
31 December 2017	14%	12%	58%	15%	2.85
31 December 2018	22%	5%	53%	19%	2.61

*Where, UST means US Treasuries. A+ to AAA means the bonds whose credit ratings are from A+ to AAA in terms of international rating scale with the maturities of longer than one year. A-1 means the bonds or deposits whose maturities remain one year or less. Duration means average effective duration of the investment portfolio.

EVOLUTION OF THE INVESTMENT PORTFOLIO

Table 4 shows that investment portfolio's asset allocation and duration have been in line with SAA. Some variations of the actual investment portfolio against SAA are inevitable and can be intentionally taken in consideration of market view and guarantee portfolio situations. The Board of Directors (BOD) approved the Management's

proposal to lower the minimum rating criteria in CGIF's investment guidelines to A+ for government-related issuers of CGIF contributor countries at the BOD meeting in November 2017. As a result, weight on A-rated bonds has increased since the end of 2017. Figures 11, 12, 13, and 14 show the evolution of the investment portfolio in terms of credit rating, geographical distribution of investments, distribution by sectors, and maturity distribution in past years.

FIGURE 11: EVOLUTION OF INVESTMENT PORTFOLIO I**FIGURE 13: EVOLUTION OF INVESTMENT PORTFOLIO III****FIGURE 12: EVOLUTION OF INVESTMENT PORTFOLIO II****FIGURE 14: EVOLUTION OF INVESTMENT PORTFOLIO IV**

INVESTMENT INCOME IN 2018

Realized interest income on investments for 2018 was \$18.6 million, representing a yield of 2.07% without the effect of change in fair value. It is higher than the yield achieved in 2017 (1.60%) and

the original target of 2018 (1.62%). Table 5 provides a quarterly breakdown for investment income for the year 2018, as well as annual income of 2017 and 2018. ADB suggested a target yield for 2019 at 2.30% in consideration of the increased US interest rate environment.

TABLE 5: 2017-2018 INVESTMENT INCOME

Investment Income (\$'000)	2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018
Debt Securities	11,661	3,673	4,025	4,361	4,636	16,695
Time Deposits	173	374	595	511	447	1,927
Total	11,834	4,047	4,621	4,872	5,083	18,622

FX TRANSACTIONS

CGIF receives the guarantee fees either in USD or LCY fees. LCY fees received are converted soonest to USD. Under the new hedging policy adopted by the BOD in November 2017, CGIF hedges its exposure to FX risk arising from guarantee fee receivable in LCYs only when such hedging is deemed appropriate, instead of more compulsory hedging under the old policy. Under the agreement between CGIF and ADB, these derivative transactions are executed by CGIF initially and then processed and settled by ADB. As of end of 2018, CGIF has no outstanding FX derivative position. For the FX transactions, CGIF analyzed and confirmed local FX regulations that govern financial activities in each jurisdiction of the immediate target markets of CGIF. CGIF is extending this exercise to the economies of Brunei Darussalam, Cambodia, Lao PDR, and Myanmar that is also collectively known as the BCLM countries.

COUNTERPARTY RELATIONSHIP

CGIF has continued its efforts in establishing relationships with potential counterparties with

negotiations for the documents these relationships require. CGIF executed the International Swaps and Derivatives Association (ISDA) master agreement with major global names, including a European bank and a Japanese bank, on top of a multilateral organization. CGIF may expand its counterparty relationship with major local names in the target local markets subject to the necessity.

ASEAN CORPORATE BOND MARKET RESEARCH

ASEAN corporate bond market research has been conducted under the Finance Department since the second half of 2016. This research is expected to show the characteristics of each market more clearly so that it can help CGIF properly set its operational strategy for each target market in pursuit of its mandate. This research is carried out through field trips to the markets and interviews with local experts, as well as desktop study based on the collectible data and information. Indonesia and Viet Nam corporate bond market research reports are planned to be published in the CGIF website in 2019.

STAFFING AND ORGANIZATION STRUCTURE

CGIF's approved staff number for 2018 is a complement of 47 staff members, excluding secondees. The updated staff complement by category as of end of December 2018 is provided in Table 6.

TABLE 6: STAFF RESOURCES BY CATEGORY

Staff Category	Head Count
Executive Staff	7
Professional Staff	9
National Staff	13
Administrative Staff	17
TOTAL	46

By the end of 2018, a total of 46 positions had been filled, compared to the 40 filled positions in 2017. During 2018, two professional and three national staff members resigned from CGIF, while five professional, three national, and two administrative staff members joined Risk Management Department, Deal Operations Department, Research Department, Internal Audit Department and Budget, Planning, Personnel, and Management Systems Department.

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

KEY STAFF DEMOGRAPHICS

FIGURE 15: STAFF GENDER

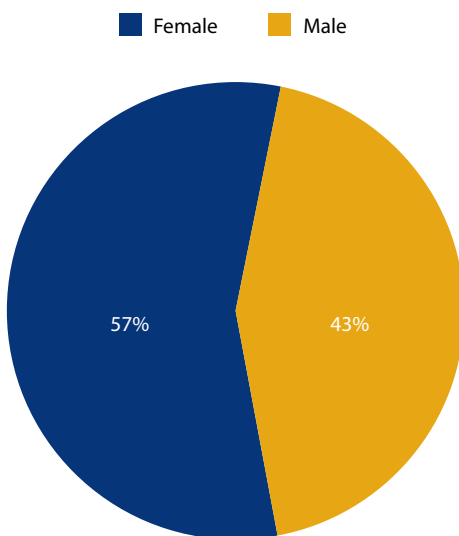
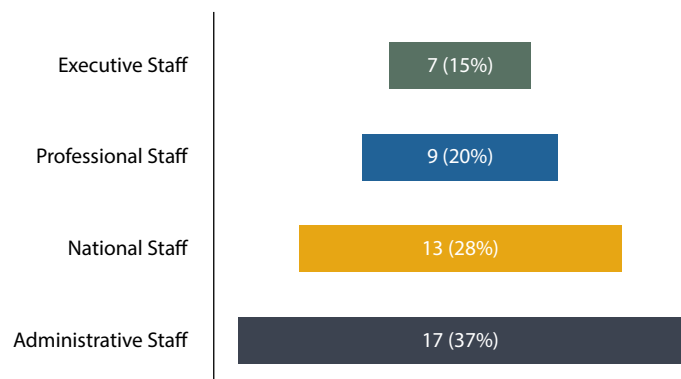


FIGURE 16: STAFF CATEGORY



INSTITUTIONAL INFRASTRUCTURE

The highlights of 2018's institutional infrastructure focused on the following key areas:

1. **Implementation of Medium-term Business Strategy (MBS).** Following the approval of MBS in 2017, CGIF Management continued its implementation in 2018. The MBS provides guidance on CGIF's roles, operational focus, country-specific business strategies and growth path.
2. **Enhancing Safeguards Capacity.** As part of the MBS and organization capacity development and following the recommendations of ADB's compliance audit of CGIF's Environmental and Social Review Procedures, CGIF established a Safeguards Unit (SU) within Risk Management Department (RMD) in 2018 that focuses on the key areas of compliance with (i) Environmental, (ii) Social and (iii) Integrity safeguards.
3. **Execution of Capital increase.** Following the Meeting of Contributors' (MOC) approval of CGIF's Capital Increase Proposal (CIP) in December 2017, CGIF continued to follow up the CIP plan in accordance with the agreed timelines in close coordination with the BOD and the Contributors.
4. **Infrastructure Investor Partnership (IIP).** In September 2018, CGIF Management tabled a draft concept paper on IIP to the Board of Directors (BOD). The IIP paper intended to explore a new concept of public-private sector collaboration to utilize funds from institutional investors of developed countries for infrastructure investments in developing countries.
5. **Human Resource Information System.** In 2018, the HRA completed a work program to build the foundation for an electronic database of employee details. This has been successfully implemented and is in use.
6. **Office 365.** In 2018, CGIF successfully migrated its email platform and office software to Office 365.

BUDGET

Budget utilization ratio (before contingency) has increased from 76.1% (or \$7.16 million) in 2017 to 85% for 2018 (or \$8.48 million) in 2018. CGIF's expenses comprise mainly of expenses related to the Board and the annual Meeting of Contributors, staff salaries and benefits, staff consultants, financial services,

and legal services, business travel, and other administrative expenses.

The Board, on its November 2018 meeting, approved the 2019 budget of \$12.87 million, committing the necessary resources to support the 2019 Work Program.

FINANCIAL HIGHLIGHTS

In 2018, CGIF generated a net income of \$16.9 million, which is \$6.0 million or 55.6% higher than the previous year. This increase was realized through the \$7.7 million increase in total revenues and was partly offset by the \$1.7 million increase in total expenses. Of the total revenue of \$28.9 million, \$18.6 million was contributed from investment income and \$9.8 million from guarantee income. The growth of gross revenue was driven by the 57.4% increase in investment income—from \$11.8 million to \$18.6 million.

This significant increase is attributed to the increased investment yield as well as the additional capital infusion that were placed on investment securities. Guarantee income grew by 7.7% to \$9.8 million in 2018. The total expenses ended at \$12.1 million, 16.0% higher than the previous year due to increased reinsurance expenses, increased

operational costs, and newly introduced provision for impairment. Provision for impairment based on the expected credit losses was recognized in 2018 to comply with the new accounting standard for financial instruments (IFRS 9).

Outstanding guarantee issued as of the end of 2018 increased to \$1,410 million or by 28.6% from \$1,096 million in 2017. Recognized guarantee fee receivables and guarantee liability recorded \$40.0 million and \$44.4 million, which mark increases of 15.8% and 19.0% from 2017, respectively.

Total Member's Equity increased to \$911.0 million in 2018, 23.2% increase from last year's \$739.2 million. Retained Earnings for 2018 was \$16.7 million. CGIF's Reserve, which is the accumulation of allocated retained earnings since its establishment, stood at \$45.6 million.

FIGURE 17: REVENUE VS. EXPENSES

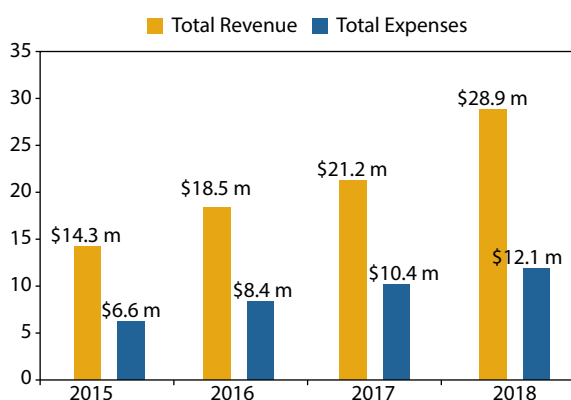


FIGURE 18: ADMINISTRATIVE AND OPERATIONAL EXPENSES

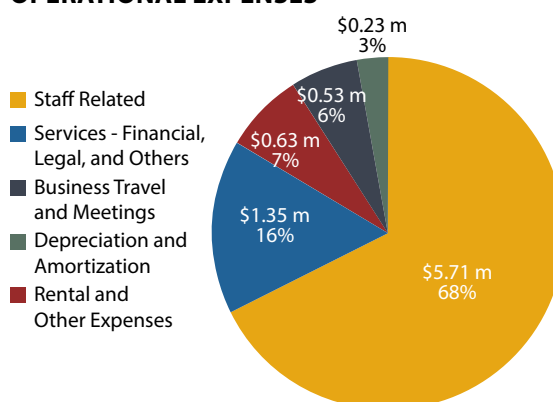


FIGURE 19: GUARANTEE LIABILITY

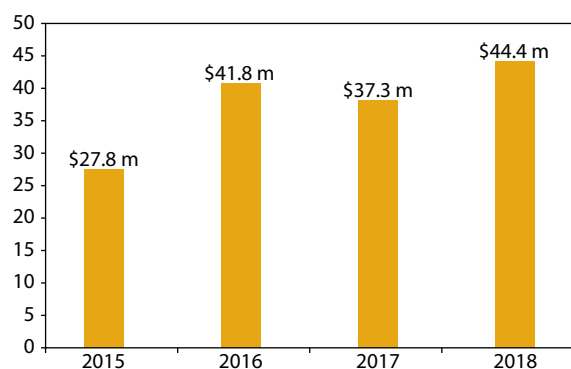
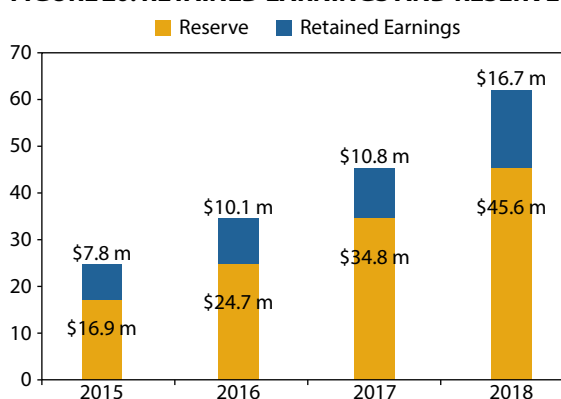


FIGURE 20: RETAINED EARNINGS AND RESERVE





OUR PEOPLE

◎ BOARD OF DIRECTORS



Chairman
Board of Directors

Mr. Yuchuan Feng

General Manager
Investment Management Department
The Export-Import Bank of China
PRC



Chairman
Nomination and Remuneration Committee

Mr. Mitsutoshi Kajikawa

Director
Regional Financial Cooperation Division,
International Bureau
Ministry of Finance Japan



Chairman
Internal Control and Risk Management
Committee

Mr. Sun-joon Jun

Director General of Financial Investment
Department
The Export-Import Bank of Korea



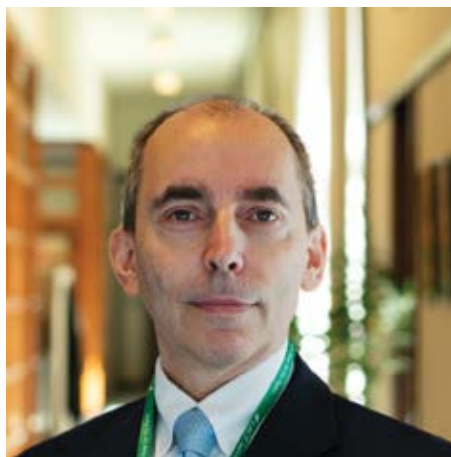
Chairman
Audit Committee

Ms. Azah Hanim Ahmad

Undersecretary
International Division
Ministry of Finance Malaysia
ASEAN Representative



Ms. Hongxia Li
Deputy Director General
International Economic Relations
Department
Ministry of Finance
PRC



Mr. Stefan Hruschka
Unit Head
Project Administration
Portfolio Management Division
Private Sector Operations Department
Asian Development Bank



Mr. Kenichi Aso
Resident Executive Officer
Regional Head for Asia and the Pacific
Japan Bank for International Cooperation



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

◎ 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 16 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. His 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 held various positions in Rating Agency Malaysia, building an almost 20-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.



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

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

Mr. Lim attended the Monash University (Clayton) Australia for his Bachelor of Commerce degree (Accounting and Finance) and the Harvard Business School's Senior Management Development Programme. More recently, he also completed a Strategic HR Management Program at the National University of Singapore. He is 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 Singapore-based Citibank Internal Audit Department for nine years, covering ASEAN+3 region, along with the India subcontinent and Australia/New Zealand. She has had over 20 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).



Dong Woo Rhee
Chief Financial Officer

Mr. Dong Woo Rhee joined CGIF first as a Treasury Specialist in 2013, and was promoted to Chief Financial Officer from Senior Treasury Specialist in June 2017. He has had extensive experience in the capital markets with primary focus on trading fixed income securities (and their derivatives), asset and liability management and risk management in Samsung Asset Management, Samsung Life, and Credit Suisse. With his good performance and reputation in the regional fixed income market, Mr. Rhee was awarded "The Most Astute G3 Bond Investor" in the 2006 Asset Benchmark Survey.

Mr. Rhee attended Sogang University for his Bachelor's degree in Business Administration, and Korea Advanced Institute of Science and Technology for his Master degree and PhD in Finance. He has published several papers associated with financial risk management and asset management, including "Strategic Asset Allocation of Credit Guarantors," which was published in the Journal of Applied Business Research. He also holds both CFA (Chartered Financial Analyst) and FRM (Financial Risk Manager) credentials.



© OUR PEOPLE





CGIF is committed to have a fair representation of the ASEAN+3 countries in our workforce. Our people come from different cultural, educational and professional backgrounds—combining decades of experience in Economics, Finance, Investments and Risk Management, Audit, Legal and Corporate Management—to help CGIF reach the full potential of our mission.

Our team is composed of individuals sharing the same passion for excellence and we work together to achieve new heights for CGIF. We value each other's individuality while recognizing the importance of teamwork. We deliver results, but we also maintain having a balanced life.

Our people is our best asset and we aim to place utmost importance in their well-being. By having benefits such as International SOS for employees going on mission and Lifeline for those who are in the PH headquarters, we ensure that our duty of care is fulfilled by providing best-quality emergency assistance, should the need arise. We also conduct regular Emergency First Response training to prepare ourselves to extend emergency assistance to our work community and at home.

While ensuring the safety and well-being of our people, we also make it our responsibility to invest in their overall development through trainings and other activities that would impart knowledge and enhance their talent. Together, these measures support our goal of having well-rounded employees who contribute to the success of CGIF.





GOVERNANCE

● GOVERNANCE

31 May 2018

Mr. Jian Li, Assistant President of the Export Import Bank of China (CEXIM), resigned as Director and Chairman of the Board of CGIF. In his place, CEXIM nominated Mr. Yuchuan Feng, General Manager of the Investment Management Department of CEXIM, to serve as new Director and the Chairman of the Board of CGIF. With the recommendation of the Meeting of the Board of Directors in May in Xiamen, PRC, the Annual Meeting of Contributors held in Vientiane, Lao PDR approved the appointment of Mr. Feng as the new Chairperson of the CGIF BOD.

9 July 2018

Mr. Yasuo Takamura, Director of Regional Financial Cooperation Division, International Bureau, the Ministry of Finance Japan (JMOF), resigned as Director of CGIF. In his place, JMOF nominated Mr. Mitsutoshi Kajikawa, Director of Regional Financial Cooperation Division, International Bureau of JMOF, to serve as new Director of CGIF.

30 July 2018

Ms. Dato' Siti Zauyah Md Desa, Deputy Secretary-General of Ministry of Finance of Malaysia (M-MOF), resigned as Director of CGIF. In her place, M-MOF nominated Ms. Azah Hanim Ahmad, Undersecretary of International Division of M-MOF, to serve as new Director of CGIF.

20 November 2018

Mr. Taisuke Saeki, Director of Division 1, New Energy and Power Finance Department II, Infrastructure and Environment Finance Group of Japan Bank for International Cooperation (JBIC), resigned as Director of CGIF. In his place, JBIC nominated Mr. Kenichi Aso, Resident Executive Officer, Regional Head for Asia and the Pacific of JBIC, to serve as new Director of CGIF.

MEETING OF CONTRIBUTORS (MOC)

The Annual Meeting of Contributors (MOC) for 2018 was held on 31 May 2018 in Vientiane, Lao PDR.

During the Annual MOC for 2018, the Contributors considered and approved the following recommendations by the Board:

1. The Annual Report for 2017 including the Audited Financial Statements
2. The allocation of the entire net income for 2017 of \$10,843,574.94 in Retained Earnings to Reserve
3. The Election of Mr. Yuchuan Feng as the New Board Chairperson
4. Amendments to the Articles of Agreement (AoA) as below.

Original Article	Revised Article
<p>8.6 Voting</p> <p>Every matter submitted to the Board of Directors shall be decided by the simple majority of the votes cast by Directors present at the meeting or, in the case of written consent in lieu of a meeting pursuant to Article 8.7, by all Directors, where each Director shall be entitled to cast one vote. In the case of a tie in the number of votes cast on any issue, the chairperson shall have an additional casting vote. Notwithstanding any other provision in these Articles of Agreement, any matter relating to the powers expressly reserved to the Trustee shall require the affirmative vote of the Director representing the Trustee.</p>	<p>8.6 Voting</p> <p>Every matter submitted to the Board of Directors shall be decided by the a simple majority of the votes cast by Directors present at the meeting or, in the case of written consent in lieu of a meeting pursuant to Article 8.7, by <u>a simple majority in number of all members of the Board of</u> Directors, where each Director shall be entitled to cast one vote. In the case of a tie in the number of votes cast on any issue, the chairperson shall have an additional casting vote. Notwithstanding any other provision in these Articles of Agreement, any matter relating to the powers expressly reserved to the Trustee shall require the affirmative vote of the Director representing the Trustee.</p>
<p>8.7 Action by Written Consent in Lieu of Meeting</p> <p>Action required or permitted to be taken by the Board of Directors may be taken without a meeting if a consent in writing, setting out the action intended to be taken has been signed in one or more counterparts by all the members of the Board of Directors entitled to vote.</p>	<p>8.7 Action by Written Consent in Lieu of Meeting</p> <p>Action required or permitted to be taken by the Board of Directors may be taken without a meeting if a consent in writing, setting out the action intended to be taken has been signed in one or more counterparts <u>approved in writing by a simple majority in number of</u> all the members of the Board of Directors entitled to vote, <u>provided that, all members of the Board of Directors shall have first consented in writing to such action being decided without a meeting.</u></p>

BOARD OF DIRECTORS (BOD)

In 2018, the BOD held a total of three meetings respectively in Xiamen, PRC, Putrajaya, Malaysia, and Manila, Philippines. In all BOD meetings, the BOD provided oversight and supervision of CGIF's Management and operations. This ensured the BOD's compliance with its key responsibilities in the governance of CGIF.

The key items discussed and approved by the BOD in 2018 are summarized below:

15 May 2018 (Xiamen, PRC)

1. Recommendation to the Meeting of Contributors for the Appointment of Mr. Yuchuan Feng as the New Chairperson of the CGIF BOD
2. Performance Evaluation Review of Chief Executive Officer
3. Proposal for Enhancing Internal Risk Rating System
4. Proposal to Amend Articles 8.6 and 8.7 of the Articles of Agreement

20-21 August 2018 (Putrajaya, Malaysia)

1. External Auditor's Changes in Engagement Terms for 2018 Financial Statement Audit
2. Enhancement of Management Structure
3. Selection Process for Chief Executive Officer
4. The Extension of the EAP

27 November 2018 (Manila, Philippines)

1. Business Plan, Work Program and Budget 2019
2. Environmental and Social Safeguards Policy and Framework, Environmental and Social Management System
3. Proposal to Update Operational Policies (OP) and Articles of Agreement (AoA) Pursuant to the Enhancement of Management Structure
4. Renewal of Appointment of 1st Member of the External Advisory Panel (EAP) – Mr. Wong

Fook Wah and Discussion on Possible Scope of 2nd Member of the EAP

5. Treasury Risk Management Guidelines (Consolidated Investment Guidelines, Treasury Guidelines, Liquidity Stress Test Guidelines, Bank Accounts Opening and Maintenance Guidelines)
6. Concept Paper on Infrastructure Investment Partnership (IIP)
7. MARR Eligibility Test

In 2018, through electronic means, the BOD also deliberated and approved other important matters as follows:

1. 2017 Annual Report of CGIF
2. Allocation of Net Income for 2017 of \$10,843,574.94 in Retained Earnings to Reserve
3. The Environmental and Social Safeguards Policy and Framework, Environmental and Social Management System
4. Approval of the GUP for Cambodia Post Bank Plc. on 13 April 2018
5. Approval of the GUP for Hattha Kaksekar Limited on 29 May 2018
6. Approval of the GUP for Hoan My Medical Corporation on 29 May 2018
7. Approval of the GUP for The PAN Group Joint Stock Company on 17 July 2018
8. Approval of the GUP for Boonthavorn Ceramic 2000 Co. Ltd. on 11 September 2018
9. Approval of the GUP for Siamgas and Petrochemicals Public Company Limited (Tranche 2) on 26 September 2018
10. Approval of the GUP for Refrigeration Electrical Engineering Corporation on 28 September 2018
11. Approval of the GUP for CJ Logistics Asia Pte. Ltd. on 12 October 2018
12. Approval of the Resubmission of the GUP of Yoma Strategic Holdings Ltd. on 25 December 2018

AUDIT COMMITTEE (AC)

The Audit Committee is tasked by the Board of Directors (BOD) with the oversight, due diligence, and control over the financial aspects of CGIF's operations and performance.

Purpose

The Audit Committee assists the BOD in fulfilling its corporate governance and oversight responsibilities, particularly on financial reporting, and the internal and external audit functions, to ensure the integrity of financial reporting, the effectiveness of audit mechanisms, the efficient use of resources, the compliance with regulations and business procedures, the effective dialogue among the BOD, Management, and the auditors, and the culture of effective oversight and ethical standards.

Structure and Responsibilities

Three Directors representing the Association of Southeast Asian Nations (ASEAN), the People's Republic of China, and the Republic of Korea comprise the Audit Committee, with the ASEAN Director as Chairman. The Chairman and members are all appointed by the BOD.

The Audit Committee performs a critical role in assuring the integrity of CGIF's internal control environment and audit mechanism to ensure that gaps are corrected. As an important part of BOD's oversight role and to enhance accountability to the Contributors, the Audit Committee's work is communicated to the Contributors by reporting the Committee's roles and terms of reference, the member's qualifications, the number of meetings and attendance, and the report of its findings and discharge of its responsibilities.

CGIF's Operational Policies empowers the Audit Committee to monitor, review, and make recommendations to ensure:

1. Integrity of the financial statements and financial reporting,
2. Effectiveness of the internal audit function,
3. Independence, objectivity and effectiveness of the external auditor,
4. Compliance with international accounting standards, business policies and practices, applicable laws and regulations, and
5. Effective communication among the BOD, CGIF Management, and auditors.

The effectiveness of the audit mechanism and any cause for concern or scope for improvement are reviewed and reported to the BOD by the Audit Committee. Where there is disagreement between the Audit Committee and the BOD, which cannot be resolved within a reasonable time, the Audit Committee has the right to report the issue to the Meeting of 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.

Calendar Year 2018 Audit Committee Activities

The Audit Committee convened five times in 2018 with three physical meetings (on 14 May, 20 August, and 26 November) and two electronically, via email (on 4 April and 21 December). The Audit Committee discharged its independent oversight function during its periodic meetings through deliberations, which were reported to the BOD by the Chairman, and were considered and unanimously adopted by the BOD.

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. Taking into account the view of the external auditor, the Audit Committee reviewed the accounting and reporting policies adopted by CGIF, the significant estimates and judgments made, and the clarity and completeness of disclosures, in accordance with International Financial Reporting Standards (IFRS).

In its electronic meeting held on 4 April 2018, the Audit Committee approved the Audited Financial Statements. The external auditor, Deloitte & Touche, physically participated in the meeting on 14 May 2018 to present the opinion of external auditor on CGIF's Financial Statements and respond to the questions from the Audit Committee.

During the year, quarterly unaudited financial statements were reported to the Audit Committee for their review.

EXTERNAL AUDIT

The Audit Committee is responsible for overseeing the work of external auditors and in making recommendations to the BOD and the Contributors on its appointment, re-appointment, and removal. Deloitte & Touche Singapore is the external auditor selected by the Contributors for a term of five fiscal years from 2014 to 2018, as recommended by the Audit Committee and the BOD.

The engagement terms, which includes the scope of work, and the appropriateness of the audit fees given to the external auditor are reviewed and approved by the Audit Committee and the BOD.

INTERNAL AUDIT

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.

Internal Auditor activities are carried out through a systematic and disciplined audit methodology approved by the Audit Committee. The Audit Committee reviews and approves the internal audit function's remit and ensures that it has the necessary resources and the access to information it needs to fulfill its mandate. It also certifies that the internal audit function is equipped to perform in accordance with appropriate professional standards.

Results of Internal Auditor's works are reviewed by the Audit Committee through the issued audit reports and the reported quarterly audit updates for 2018. The audit report includes findings and recommendations for high and medium-risk observations, with the corresponding action plans. In 2018, the Internal Auditor completed and released three audit reports in line with the approved audit plan. The quarterly audit update includes (i) quarterly audit refresh for any change in the approved plan, (ii) internal audit activities report, (iii) corrective action plan validation and monitoring status, and (iv) coordination of external audit, as applicable.

The Audit Committee reviews and monitors Management's responsiveness to the Internal Auditor's findings and recommendations through the implementation of corrective action plans. The Internal Auditor monitors and validates the corrective action plans, which are reported to the Audit Committee and the BOD through the quarterly audit updates and the quarterly management report, respectively.

On its third physical meeting on 26 November 2018, the Audit Committee reviewed and approved the internal audit plan for 2019.

INDEPENDENT EVALUATION

During 2017 and 2018 BOD discussions on capital increase, BOD has requested to conduct the Independent Evaluation for the guarantee operations. The objective of the Independent Evaluation is to inform the BOD and the Management of the achievements and value of CGIF operations in line with Asian

Bonds Market Initiative (ABMI), and to capture lessons learned from the past operations. The Independent Evaluation's findings and recommendations will be utilized for improving CGIF's operations. Asian Development Bank's Independent Evaluation Department provided guidance on the scope and preparation of Terms of Reference. An external consultancy firm will be engaged to perform the Independent Evaluation. Internal Auditor is tasked to be responsible for this outsourcing arrangement. Lead consultant will present the progress and final reports during April and August 2019 BOD meetings, respectively.

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 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 managerial and operational levels.

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 three Directors representing Japan, the Republic of Korea, and the ASEAN. The Director representing the Republic of Korea serves as the ICRMC Chair. The MOC approves the appointment of the Chairperson. The ICRMC met three times in 2018 (14 May, 20 August, and 26 November). Policies for internal control and risk

management were deliberated upon and approved by the ICRMC at its physical meetings.

CONTROL AND RISK MANAGEMENT POLICIES

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

CREDIT RISK MANAGEMENT

The Credit Guarantee Process document of the ERMF 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 DOD is directed to identify credit risk factors of the issuers. Portfolio concentration limits and issuer credit ratings, among others, are reviewed by the DOD at the deal origination stage.

The DOD is required to secure approval of CGIF's GIC before they advise an issuer to formally apply for a guarantee. It will submit a GCP to secure the aforesaid approval from the GIC. At this stage, the GIC and RMD review the issuer's risk rating, compliance to various credit risk control limits, and initially available information, particularly financials, business, and markets of an issuer. RMD assesses the credit rating of an issuer using a credit rating tool developed by one of the major international credit rating agencies.

An issuer that applies for credit guarantee is subjected to a more thorough and in-depth credit risk assessment and a due diligence review before a GUP is submitted to the GIC for the latter's endorsement to the Board for approval. Part of the due diligence review is an on-site visit to the issuer. The thorough review covers, among others, the issuer'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 RMD reviews all GCPs and GUPs submitted for deliberation by and approval of the GIC.

In 2018, the GIC reviewed 16 GCPs, 15 of which were approved to undergo a thorough due diligence review. The GIC then approved eight GUPs and endorsed these to the Board for the latter's approval. CGIF issued nine bond guarantees in 2018. Issued guarantees in CGIF's portfolio are periodically reviewed for adverse movements in their credit quality. CGIF's risk management system includes guidelines for the management of its portfolio of guarantees.

CGIF is in treaty with a consortium of reinsurers led by Munich Re. In December 2018, the reinsurance treaty was renewed to extend to 31 December 2019. Under the treaty, 25% of guarantees issued

by CGIF during the treaty period will be ceded to the consortium. The consortium's approval is required for reinsurance of special cases. In 2018, 49% of each of two guarantees were ceded to the consortium of reinsurers under special cession.

INVESTMENT BOOK MARKET RISK AND CREDIT RISK MANAGEMENT

CGIF's capital resources are managed by the ADB, as Trustee, pursuant to CGIF's OP, Investment Guidelines and Treasury Guidelines and to 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 2018, CGIF capital resources were invested in USD-denominated fixed income securities and in bank placements. Investments in fixed income securities are carried as fair value through other comprehensive income (FVTOCI) 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 ERMF limits the 95.0% 1-month Value-at-Risk (VaR) of its investments and short term positions 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.

Pursuant to OP 220, CGIF's long-term

investments are restricted to those with international ratings of AA- or better, with the exception of investments in contributor countries' government-related securities that may be rated as low as A+. For short-term investments, international ratings should be no lower than A-1.

LIQUIDITY RISK MANAGEMENT

CGIF is liquid insofar as it has the ability to fund assets and meet obligations as they become due. As such, CGIF's liquidity redounds to the availability of resources to fund assets, and to 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 2018, all projected monthly cumulative liquidity gaps have been observed to be positive.

Liquidity stress tests, in consideration of CGIF's guarantee portfolio as of the end of each quarter in 2018 indicated that sufficient liquidity can be raised by CGIF to service contingent guarantee claims.

FOREIGN EXCHANGE RISK MANAGEMENT

FX risk is CGIF's risk of loss due to (i) a decrease in USD value of assets, or (ii) an increase in USD value of liabilities, denominated in local currencies. FX risk also pertains to the potential loss from selling assets, or paying off liabilities, when the USD-to-local currency exchange rates have moved adversely from their levels at booking date.

All CGIF FX forwards have matured in 2018. CGIF's Board approved in 2017 to remove the default requirement to hedge FX risk relating to guarantee fees in local currencies. Corollary to this, the Board has removed the limit on foreign currency exposures.

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, and operational downtime or disruptions. Guidelines for the management of CGIF's operational risks are articulated in CGIF's Operational Risk Management Manual, which includes guidelines for annual Risk and Control Self-Assessment (RCSA). Results of the RCSA for 2018 are to be reported to ICRMC not later than its first 2019 meeting.

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. 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 is composed of three Directors representing the People's Republic of China, the Asian Development Bank (ADB), and Japan, and Japan Director serves as the Chairperson. The Meeting of Contributors (MOC) approves the appointment of the Chairperson.

The NRC is responsible for determining and recommending to the Board of Directors (BOD) and the MOC the remuneration, pensions, and any other compensation to senior executives in accordance with its mandate and terms of reference.

In particular, the Committee

- makes plans for the succession for the Chairperson of the BOD and the CEO;
- makes necessary recommendations to the BOD for the continuation in service of the executive staff of CGIF; the selection and appointment of these executives;
- provides necessary information to the BOD relating to matters concerning selection of executives, to be included in CGIF's Annual Report;
- ensures that the Chairperson of the NRC attends the MOC relating to the nomination and selection of the CEO; and
- reports to the BOD at least annually on its activities and recommendations.

14 May 2018 (NRC Meeting Held in Xiamen, PRC)

The Committee deliberated on and provided feedback to the Enhancement of Management Structure proposal tabled by Management. The

enhancement was proposed as part of the plan to create a full-fledged institution envisioned under CGIF's Medium-term Business Strategy (MBS).

The committee also noted a reporting item on the salary adjustment for 2018.

20 August 2018 (NRC Meeting Held in Kuala Lumpur, Malaysia)

The Committee approved the proposed changes in the compensation and benefits scheme of CGIF effective 1 January 2019. As CGIF uses ADB's salaries and benefits as the reference for market competitiveness and in light of the changes ADB has made to its benefits since CGIF's inception, Management conducted a review of its compensation and benefits to remain competitive with the market.

The Committee also approved the Enhancement of Management Structure proposal which had taken into account the feedback from the earlier meeting.

26 November 2018 (NRC Meeting Held in Manila, Philippines)

The Committee noted the proposal made by the Korean Director on CGIF's enhancement of management structure. It was concluded that the latter shall be further discussed at the next NRC meeting.





APPENDIX

APPENDIX: REPORT OF THE EXTERNAL AUDITOR AND FINANCIAL STATEMENTS

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

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2018

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

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF CREDIT GUARANTEE AND INVESTMENT FACILITY

Opinion

We have audited the financial statements of Credit Guarantee and Investment Facility (the "Company"), which comprise the statement of financial position as at December 31, 2018 and the statement of net income, the statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Public Accountants and
Chartered Accountants
Singapore

April 9, 2019

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018
Expressed in Thousands of United States Dollars

	NOTES	2018	2017
ASSETS			
CASH		7,041	6,599
INVESTMENTS	5	904,555	733,392
ACCRUED INTEREST INCOME	5	5,124	3,466
GUARANTEE FEE RECEIVABLE, NET	7	39,944	34,526
FURNITURE, FIXTURES AND EQUIPMENT, NET	8	163	203
INTANGIBLE ASSETS, NET	9	156	303
OTHER ASSETS	10	773	620
TOTAL ASSETS		957,756	779,109
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
GUARANTEE LIABILITY	7	44,358	37,277
UNEARNED INTEREST INCOME – GUARANTEES		402	261
DERIVATIVE LIABILITIES	6	-	991
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	11	1,165	657
OTHER LIABILITIES	12	839	700
TOTAL LIABILITIES		46,764	39,885
MEMBERS' EQUITY			
CAPITAL STOCK			
PAID-IN CAPITAL	13	859,200	703,000
RETAINED EARNINGS		16,718	10,844
RESERVE	14	45,615	34,771
ACCUMULATED OTHER COMPREHENSIVE INCOME			
INVESTMENT REVALUATION RESERVE	5	(10,541)	(9,391)
TOTAL MEMBERS' EQUITY		910,992	739,224
TOTAL LIABILITIES AND MEMBERS' EQUITY		957,756	779,109

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF NET INCOME
For the year ended 31 December 2018
Expressed in Thousands of United States Dollars

	NOTES	2018	2017
REVENUE			
GUARANTEE FEES		8,735	8,397
INTEREST INCOME	15	19,742	12,545
REALIZED GAIN FROM SECURITIES		4	26
FAIR VALUE CHANGES – DERIVATIVES		70	(602)
MISCELLANEOUS INCOME	16	980	682
GROSS REVENUE		29,531	21,048
EXPENSES			
ADMINISTRATIVE AND OPERATIONAL EXPENSES	17	8,446	7,177
REINSURANCE EXPENSES	18	2,538	2,198
WRITE-OFF EXPENSE	19	123	256
FINANCIAL EXPENSES		73	59
IMPAIRMENT LOSSES	5, 7	42	-
MISCELLANEOUS EXPENSES	12	839	700
TOTAL EXPENSES		12,061	10,390
NET OPERATING INCOME		17,470	10,658
(LOSS) GAIN FROM FOREIGN EXCHANGE		(613)	186
NET INCOME		16,857	10,844

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018
Expressed in Thousands of United States Dollars

	NOTES	2018	2017
NET INCOME		16,857	10,844
OTHER COMPREHENSIVE INCOME			
ITEM THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME:			
NET UNREALIZED LOSS ON INVESTMENTS MEASURED AT FVTOCI	5	(1,161)	(2,141)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		15,696	8,703

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the year ended 31 December 2018
Expressed in Thousands of United States Dollars

	Paid-in Capital			Reserve	Investment Revaluation Reserve	Total Members' Equity
	Subscribed Capital	Unpaid Subscription	Retained Earnings			
BALANCE, 1 JANUARY 2017	700,000	-	10,082	24,689	(7,250)	727,521
ADDITIONAL SUBSCRIPTION	9,000	(6,000)	-	-	-	3,000
NET INCOME FOR THE YEAR	-	-	10,844	-	-	10,844
ALLOCATION OF PRIOR YEAR INCOME TO RESERVE	-	-	(10,082)	10,082	-	-
OTHER COMPREHENSIVE LOSS						
NET UNREALIZED INVESTMENT HOLDING LOSS DURING THE YEAR	-	-	-	-	(2,141)	(2,141)
BALANCE, 31 DECEMBER 2017	709,000	(6,000)	10,844	34,771	(9,391)	739,224
ADOPTION OF IFRS 9 (NOTE 2)	-	-	(139)	-	11	(128)
BALANCE, 1 JANUARY 2018	709,000	(6,000)	10,705	34,771	(9,380)	739,096
ADDITIONAL SUBSCRIPTION (NOTE 13)	389,200	(233,000)	-	-	-	156,200
NET INCOME FOR THE YEAR	-	-	16,857	-	-	16,857
ALLOCATION OF PRIOR YEAR INCOME TO RESERVE	-	-	(10,844)	10,844	-	-
OTHER COMPREHENSIVE LOSS						
NET UNREALIZED LOSS ON INVESTMENTS MEASURED AT FVTOCI (NOTE 5)	-	-	-	-	(1,161)	(1,161)
BALANCE, 31 DECEMBER 2018	1,098,200	(239,000)	16,718	45,615	(10,541)	910,992

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2018 and 2017
Expressed in Thousands of United States Dollars

	NOTES	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
GUARANTEE RELATED INCOME RECEIVED		10,867	8,792
OTHER INCOME RECEIVED		315	374
ADMINISTRATIVE AND OPERATIONAL EXPENSES PAID		(8,789)	(7,873)
REINSURANCE EXPENSES PAID		(1,744)	(1,923)
FINANCIAL EXPENSES PAID		(73)	(59)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		576	(689)
CASH FLOWS FROM INVESTING ACTIVITIES			
PURCHASES OF INVESTMENTS		(3,129,101)	(2,331,949)
MATURITIES OF INVESTMENTS		2,956,781	2,321,478
INTEREST RECEIVED ON INVESTMENTS		16,948	12,325
REALIZED GAIN FROM SECURITIES		4	26
REALIZED (LOSS)/GAIN FROM DERIVATIVES		(920)	289
PURCHASE OF FURNITURE AND EQUIPMENT		(41)	(96)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES		(156,329)	2,073
CASH FLOWS FROM FINANCING ACTIVITIES			
CONTRIBUTIONS RECEIVED	13	156,200	3,000
NET CASH PROVIDED BY FINANCING ACTIVITIES		156,200	3,000
EFFECT OF EXCHANGE RATE CHANGES IN CASH		(5)	5
NET INCREASE IN CASH		442	4,389
CASH AT THE BEGINNING OF THE YEAR		6,599	2,210
CASH AT THE END OF THE YEAR		7,041	6,599
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
NET INCOME		16,857	10,844
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:			
DEPRECIATION AND AMORTIZATION		230	289
INTEREST INCOME ON INVESTMENTS		(18,618)	(11,808)
REALIZED GAIN FROM SECURITIES		(4)	(26)
(GAIN)/LOSS ON DERIVATIVES		(70)	602
GAIN ON DISPOSAL OF ASSETS		(1)	-
WRITTEN OFF EXPENSE	19	123	256
PROVISION FOR EXPECTED CREDIT LOSSES		42	-
FX REVALUATION LOSS (GAIN)		5	(5)
CHANGE IN GUARANTEE FEE RECEIVABLE		(5,581)	4,039
CHANGE IN GUARANTEE LIABILITY		7,081	(4,527)
CHANGE IN UNEARNED INTEREST INCOME		141	94
CHANGE IN ACCOUNTS PAYABLE AND ACCRUED EXPENSES		537	(582)
CHANGE IN MISCELLANEOUS ASSETS		(276)	135
CHANGE IN MISCELLANEOUS LIABILITIES		110	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		576	(689)

CREDIT GUARANTEE AND INVESTMENT FACILITY

(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 (AoA) 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 AoA. Based on the Article 13.2 of the AoA 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. Ownership rights are in proportion to capital contributions. The authorized capital of CGIF is US\$1,200,000,000, divided into 12,000 shares with a nominal value of US\$100,000 each. As of 31 December 2018, \$1,098,200,000 are subscribed and \$859,200,000 are paid in by the Contributors. Details are discussed in Note 13.

The financial statements were approved by the Board of Directors on 09 April 2019 for presentation to the Meeting of Contributors (MOC) on 16 May 2019. The financial statements are subject to approval at the MOC.

NOTE 2—APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Amendments to IFRSs that are mandatorily effective for the current year

In the current period, CGIF has applied the following amendment to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IASB issued the new revenue recognition standard. This standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It supersedes 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. This new standard has no material impact on CGIF's financial statements.

IFRS 9 Financial Instruments

In November 2009, IASB issued IFRS 9 to introduce new requirements for the classification and measurement of financial assets. It was subsequently amended to include requirements for the classification and measurement of financial liabilities and for derecognition in October 2010 and to include the new requirements for general hedge accounting in November 2013. 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 cash flows 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 investments that are held within a business model whose objective is achieved both by collecting contractual cash flows 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 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.

The effects of adopting IFRS 9 under the modified retrospective approach are presented and explained below:

A. Classification and measurement

- The debt investments previously classified as available-for-sale (AFS) investments and measured at fair value as disclosed in Note 5 are held within a business model whose objective is achieved both by collecting contractual cash flows and selling them in the open market, and their contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, these investments are still subsequently measured at FVTOCI upon the application of IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve will continue to be subsequently reclassified to profit or loss when they are derecognized or reclassified; and
- All other financial assets and financial liabilities are measured on the same bases as they were under IAS 39.

B. Impairment

- IFRS 9 requires the expected credit loss (ECL) model to apply to, among others, financial assets measured at either amortized cost or FVTOCI and financial guarantee contracts (Note 7) to measure the impairment provisions. Investments, guarantee fee receivables and financial guarantee contracts are the financial instruments which are subject to the impairment provisions in CGIF.
- If there has been a significant increase in credit risk of the item from initial recognition, lifetime ECL is applied to the impairment provision of the item. Otherwise, 12-month ECL is applied. As of 31 December 2018, there are no financial instruments in CGIF whose credit risks have significantly increased since initial recognition.
- The application of the ECL model of IFRS 9 resulted in earlier recognition of credit losses.

C. Impact (in \$'000) on the Statement of Financial Position as at 1 January 2018 (date of initial application)

	Reported as at 31-Dec-17	Adoption of IFRS 9	Adjusted as at 1-Jan-18
Assets			
Cash	6,599		6,599
Investments	733,392		733,392
Accrued interest income	3,466		3,466
Guarantee fee receivable, net	34,526	(128)	34,398
Furnitures, fixtures and equipment, net	203		203
Intangible assets, net	303		303
Other assets	620		620
Liabilities			
Guarantee liability	37,277		37,277
Unearned interest income – guarantees	261		261
Derivative liabilities	991		991
Accounts payable and accrued expenses	657		657
Other liabilities	700		700

	Reported as at 31-Dec-17	Adoption of IFRS 9	Adjusted as at 1-Jan-18
Members' equity			
Paid-in capital	703,000		703,000
Retained earnings	10,844	(139)	10,705
Reserve	34,771		34,771
Other comprehensive income	(9,391)	11	(9,380)

- Application of IFRS 9 impairment requirements has resulted in recognition of the above loss allowance.

New and revised IFRSs in issue but not yet effective

CGIF has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 16 Leases

In January 2016, IASB issued the new standard for leases that will supersede the current lease guidance including IAS 17 Leases and the related interpretations. The standard introduces a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

This new standard distinguishes leases and service contracts based on whether an identified asset is controlled by a customer. Distinction on operating leases (off-balance sheet) and finance leases (on-balance sheet) is removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, among others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by this new standard. IFRS 16 is effective for reporting periods beginning on or after 1 January 2019 with early application permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16. Before adoption of this standard, CGIF recognizes rental expense as operating lease. Based on the analysis of existing contracts of CGIF as at 31 December 2018, CGIF has only one existing lease agreement which is the rental of office space in ADB CGIF does not expect any material impact on the financial statements with the application of this new standard.

NOTE 3—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of CGIF have been prepared in accordance with IFRS as issued by the 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 that CGIF can access at the measurement date;

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); and

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 (before 1 January 2018)

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.

Classification of 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.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortized cost using the effective interest method, less any impairment. This includes cash on hand or deposit in a bank account, time deposits, accrued interest income, guarantee fee receivables, and other receivables.

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 regularly 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 during 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 an AFS financial asset 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. They are subsequently measured at amortized cost.

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 less, when appropriate, cumulative amortization recognized in accordance with IAS 18, and the expenses required to settle any commitments which are probable and can be reliably estimated.

Financial Instruments (from 1 January 2018)

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.

Classification of Financial Assets

Financial assets are both measured and classified as amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL), on the basis of both: (i) CGIF's business model for managing the financial assets and (ii) the contractual cashflow characteristics of the financial asset.

Amortized Cost and Effective Interest Method

The amortized cost and effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, 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), excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting any loss allowance.

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.

Financial Assets at Amortized Cost

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortized cost using the effective interest method, less any impairment. This includes cash on hand or deposit in a bank account, time deposits, accrued interest income, guarantee fee receivables, and other receivables.

Investments

All investment securities are considered to be FVTOCI and are reported at fair value. Investment securities are recorded at trade dates. Changes in the carrying amount of these instruments as a result of foreign exchange gains or losses, impairment gains and losses (see below), and interest income are recognized in the profit or loss. All other changes in the carrying amount arising from change in fair value are recognized and accumulated in other comprehensive income under member's equity. Time deposits are also classified under investments and are reported at cost which is a reasonable estimate of its fair value.

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. Further details of derivative financial instruments are disclosed in note 6.

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. They are subsequently measured at amortized cost net of any loss allowance.

Impairment of Financial Assets

Financial assets that are classified and measured as amortized cost, FVTOCI, and financial guarantee contracts shall recognize loss allowance based on the expected credit loss (ECL) model. Changes in the carrying amount of the allowance account are recognized in the Statement of Net Income under impairment losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

If there has been a significant increase in credit risk of the financial instrument from initial recognition, lifetime ECL is applied to the impairment provision of the item. If the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance for that financial instrument is measured at an amount equal to 12-month ECL.

Significant Increase in Credit Risk

In assessing whether there is a significant increase in credit risk of a financial instrument, CGIF compares the risk of a default occurring on the financial instrument at the reporting date with the risk of default occurring at the date of initial recognition. In making this assessment, CGIF considers if the financial instrument has a credit risk rating of B-, or lower, but not in default or it has deteriorated by at least three notches from the issuance date to valuation date, provided that downgrades exclude those that are due to non-credit causes such as, among others, change in scorecards or in rating guidelines.

For CGIF's investments, it is assumed that the credit risk of a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have a low credit risk (see Notes 4 and 5). A financial instrument is determined to have a low credit risk if (i) it has a low risk of default, (ii) there is a strong capacity for the counterparty to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

For financial guarantee contracts, the date that CGIF becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, CGIF considers the changes in the risk that the counterparty will default on the contract.

Definition of Default

For purposes of ECL computation, financial guarantee contracts and guarantee fee receivables shall be in default if the guaranteed-debt issuer defaults on a debt servicing payment, and CGIF's guarantee has been called. An investment is in default if it has been declared by the debt capital market agents particularly the investors' trustee for the investment instrument. Technical defaults, i.e. defaults without missed payments, are not considered defaults for ECL model unless decided otherwise by the GIC.

Credit-impaired Financial Assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Write-off Policy

A financial asset is written-off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Any recoveries made on a financial asset previously written-off are recognized in profit or loss.

Measurement and Recognition of Expected Credit Losses

The measurement of expected credit losses is a function of the probability of default (PD), loss given default (LGD) and the exposure at default (EAD). CGIF generates point-in-time PDs by considering unbiased and probability weighted scenarios. The Credit Cycle Projection Overlay from S&P Global Market Intelligence (SPGMI) is used in generating these PDs. CGIF uses forecasted or forward-looking values of macroeconomic scenarios with corresponding probability weights. LGD is currently set at 50%. However, for stage 3, assumptions are revised to reflect additional information and realistic assumptions reflective of the default position. As for EAD, for financial assets, this is represented by the gross carrying amount of the assets at reporting date. For financial guarantee contracts, the exposure is the sum (i) of the nominal value of the bond (or debt instrument) guaranteed translated into USD at the reporting date's exchange rate, (ii) one coupon payment, and (iii) past due coupons and administrative cost of recovery (if in stage 3).

If the loss allowance for a financial instrument was measured at an amount equal to lifetime ECL in the previous reporting period, but is subsequently determined that the conditions for lifetime ECL is no longer met, the loss allowance for that financial instrument will be measured to an amount equal to 12-month ECL in the reporting period not earlier than 12 months from the time it was categorized in stage 2.

Derecognition of Financial Assets

CGIF derecognizes a financial asset only when the contractual rights to 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 an FVTOCI is derecognized or disposed of, the unrealized gains or losses previously recognized in accumulated other comprehensive income will be recognized in the Statement of Net Income.

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 less, when appropriate, cumulative amortization recognized in accordance with IFRS 15, and the amount of loss allowance determined in accordance with the ECL model.

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.

Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed regularly with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives by asset class are as follows:

Asset Class	Useful Life
Office Furniture and Equipment	
Furniture	7-10 years
Other Office Equipment	4 years
IT and Communication	
Computer	3-4 years
Server	4-5 years
Network	4 years
Communication	7 years
Others	4 years
Building Improvement	Over the lease period

An item of furniture, fixtures, and equipment is derecognized upon disposal. Any gain or loss arising on the disposal of an item of furniture, fixtures, 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 amortization and accumulated impairment losses.

Impairment of Tangible and Intangible Assets

On regular basis, 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. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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.

The increase in the authorized capital of CGIF pursuant to Article 4.2 of the AoA was approved by the MOC. Instrument of Subscription (IOS) submitted to the Board Secretary, who acts on behalf of the Trustee, formally confirms the Contributor's intention to subscribe the number of shares specified. The additional subscription will be effective from the date the Board Secretary notifies the subscribing Contributor that the Instrument of Subscription has been received.

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 period 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.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of CGIF's accounting policies, which are described above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Since the estimates are based on judgment and available information, actual results may differ and might have a material impact on the financial statement.

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 5, 6, and 7. This includes fair value measurements and valuation processes.

As explained in accounting policies above, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether there is a significant increase in credit risk, CGIF takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Furthermore, in calculating the loss allowance, CGIF uses the Credit Cycle Projection Overlay from SPGMI to generate the point in time probabilities of default (PIT-PD). Unbiased and probability weighted scenarios are considered in generating these PIT-PDs. For stage 3, PD will be 100%. LGD shall be set at 50% for stages 1 and 2. For stage 3, LGD shall follow the same guidelines as stage 2, but with revised assumption to reflect additional information and realistic assumptions reflective of the actual position on default.

NOTE 4—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 at gross carrying amount as of 31 December 2018 and 2017 are as follows (in \$'000):

	2018	2017
Financial assets		
FVTOCI (2018)/AFS (2017) investments	845,262	698,812
Financial assets at amortized cost	111,852	79,456
Financial liabilities		
Derivative liabilities at fair value through profit or loss	-	991
Financial liabilities at amortized cost	1,956	1,328

Credit Risk

As per Investment Guidelines, CGIF's long term investments are restricted to those with the international ratings of AA- or better, with the exception of investments in contributor countries' government-related securities that may be rated as low as the A+. For short-term investments, international ratings should be no lower than A-1. 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 credit guarantee bond issuers 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 (GIC) and of the Board of Directors (Board). However, Since April 2017 when the Alternative Guarantee Approval Process (AGAP) was introduced, the approval authority has been delegated to GIC by the Board when a guarantee transaction meets the stringent conditions stipulated in the AGAP. In aid of informed decisions on GUPs, the Board is furnished with credit review notes from CGIF's RMD and from an external advisor to the Board.

CGIF manages limits and controls concentrations of credit risk. Guarantee exposure to any country and to any currency is capped at 20% and 40%, respectively, of CGIF's Maximum Guarantee Capacity (MGC), where MGC is the product of (a) total paid-in capital of CGIF plus retained earnings, less credit loss reserves and foreign exchange loss reserves, less all illiquid investments and (b) the maximum leverage ratio of 2:5:1. CGIF's maximum leverage ratio, currently 2.5:1, is determined by the MOC on the recommendation of the CGIF Board. Aggregate guarantee 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 guarantee exposure to any sector and to any industry is limited to 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's paid-in capital. CGIF's leverage ratio and concentration ratios are reported quarterly to the CGIF Board.

The carrying amount of financial assets recorded in the financial statements and the guarantee obligations disclosed in Note 7 represent CGIF's maximum exposure to credit risk.

A reinsurance treaty whereby CGIF cedes to a consortium of reinsurers agreed portions of credit risk from bond issuers reduces CGIF's exposure to credit risk from its guarantee portfolio. Please refer to Note 18.

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. The duration of CGIF's portfolio means the market value-weighted average of effective duration of all outstanding investments. As of 31 December 2018, CGIF's investment portfolio had remaining maturities of up to 5.75 years (6.75 years - 31 December 2017), with the duration of 2.61 years (2.83 years - 31 December 2017). CGIF's investments are sensitive to interest rate movements. For CGIF's fixed income portfolio at year end 2018, it is estimated that a 100 basis points upward/downward parallel shift in the yield curve would cause an unrealized loss/gain of about \$23.7 million (\$20.3 million - 31 December 2017).

The following tables presents CGIF's foreign exchange exposure of monetary assets and liabilities (in '000) as at the end of the reporting period:

	2018			
	Asset		Liabilities	
	Local Currency	USD Equivalent	Local Currency	USD Equivalent
PHP	236,739	4,469	4,415	83
MYR	44	11	42	10
CNY	-	-	14	2
THB	123,072	3,777	2,490	77
SGD	2,509	1,829	3	2
VND	422,592,072	18,160	-	-
LAK	548	-	-	-
TOTAL		28,246		174

	2017			
	Asset		Liabilities	
	Local Currency	USD Equivalent	Local Currency	USD Equivalent
PHP	241,541	4,830	3,549	71
IDR	5,443,217	401	-	-
MYR	44	11	-	-
JPY	-	-	303	3
THB	125	4	-	-
SGD	3,264	2,429	-	-
VND	260,650,017	11,478	-	-
TOTAL		19,153		74

CGIF is exposed to foreign exchange risk underlying foreign currency payables and receivables relating mostly to CGIF's guarantee operation. Until November 2017, CGIF policy required 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 was possible that some foreign exchange risk exposure might be left without hedge. However, since November 2017, the hedging of foreign exchange risk guarantee fee receivables is no longer required and is done on a case-by-case basis. Accordingly, the foreign exchange exposure limit was deleted. For CGIF's foreign exchange exposure at 31 December 2018, it is estimated that a 10% adverse change in FX rates in the relevant foreign currency exposure will cause an instant loss of \$2.81 million after the effect of FX forward hedging transactions disclosed in Note 6 are taken into account (\$0.37 million - 31 December 2017).

Counterparty Risks

As CGIF may utilize derivative instruments to hedge risk exposure, 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 its minimum credit rating standards.

In as much as offsetting arrangements are concerned, CGIF has in place a number of ISDA Master Agreements [and Global Master Repurchase Agreements] with financial institutions which are supported by industry legal opinions confirming the enforceability of the close-out netting provisions included in such agreements.

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 2018 and 2017 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.

2018						
	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						
FVTOCI	33,982	29,992	53,780	640,213	87,295	845,262
Financial assets at amortized cost	66,864	1,874	8,319	30,502	4,293	111,852
Total financial assets	100,846	31,866	62,099	670,715	91,588	957,114
Financial liabilities						
Financial liabilities at amortized cost	159	657	886	254	-	1,956
Total financial liabilities	159	657	886	254	-	1,956
Net maturity gap	100,687	31,209	61,213	670,461	91,588	955,158
2017						
	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						
AFS Investments	-	-	79,812	512,348	106,652	698,812
Derivative assets at FVTPL	-	-	-	-	-	-
Loans and receivables	41,452	1,197	6,328	24,284	6,195	79,456
Total financial assets	41,452	1,197	86,140	536,632	112,847	778,268
Financial liabilities						
Derivative liabilities at FVTPL	109	151	731	-	-	991
Financial liabilities at amortized cost	94	266	745	223	-	1,328
Total financial liabilities	203	417	1,476	223	-	2,319
Net maturity gap	41,249	780	84,664	536,409	112,847	775,949

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. 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 5—INVESTMENTS

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

	2018	2017
Time Deposits	<u>59,293</u>	<u>34,580</u>
FVTOCI (2018)/AFS Investments (2017)		
Government-related-entity or		
government-guaranteed obligations (GGO)	741,686	639,448
Corporate obligations	<u>103,576</u>	<u>59,364</u>
Total FVTOCI/AFS	<u>845,262</u>	<u>698,812</u>
Total Investment	<u>904,555</u>	<u>733,392</u>

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 2018, based on the portfolio held at the beginning and end of each month without the effect of change in fair value was 2.07% (1.60% - 31 December 2017)

The estimated fair value and amortized cost of the investments by contractual maturity as of 31 December 2018 and 2017 are as follows (in \$'000):

	2018		2017	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
Due in less than one year	177,046	177,499	114,392	114,578
Due in one to five years	640,214	650,149	512,348	519,060
Due more than five years	87,295	87,465	106,652	109,144
TOTAL	904,555	915,113	733,392	742,782

Fair Value Disclosure

The fair value of the investments as of 31 December 2018 and 2017 are as follows (in \$'000):

	Fair Value Measurements			
	2018	Level 1	Level 2	Level 3
Time Deposits	59,293	-	59,293	-
Government-related-entity or GGO	741,686	741,686	-	-
Corporate obligations	103,576	103,576	-	-

	Fair Value Measurements			
	2017	Level 1	Level 2	Level 3
Time Deposits	34,580	-	34,580	-
Government-related-entity or GGO	639,448	639,448	-	-
Corporate obligations	59,364	59,364	-	-

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.

There were no inter-level transfers during 2018 and 2017.

Impairment Losses

For purposes of impairment assessment, the FVTOCI in CGIF's portfolio are considered to have low credit risk as the counterparties of these investments have a minimum A+ credit rating for government related bonds of Contributor countries and AA- for all others. Accordingly the loss allowance for these financial instruments is measured at an amount equal to 12-month ECL.

Impairment losses do not reduce the carrying amount of the debt instruments at FVTOCI in the statement of financial position, which remains at fair value. The balance at the end of the year reflected below is included in the Accumulated other comprehensive income.

The movements in the credit loss allowance are as follows (in \$'000):

	2018
Balance at beginning of the year	-
Adoption of IFRS 9 (Note 2)	11
Balance at beginning of the year (Adjusted)	11
Loss allowance recognized in profit or loss under impairment losses during the year on:	
Assets originated	7
Reversals	-(1)
Additions	-
	6
Balance at end of the year	17

Accrued Interest Income

The details of accrued interest income from investments as of 31 December 2018 and 2017 are as follows (in \$'000):

	2018	2017
Time Deposits	116	51
FVTOCI/AFS Investments	5,008	3,415
TOTAL	5,124	3,466

NOTE 6 – 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 a local currency. These represent commitments to purchase or sell one currency against another at an agreed forward rate on a specified date in the future. Settlements of deliverable forwards will be made via delivery of forward proceeds at the agreed rates. The settlement of non-deliverable forwards (NDFs) will be the net amount between the contracted rate and the prevailing rate on an agreed notional amount.

The amounts in the Statement of Financial Position do not necessarily represent the amounts of future cash flows involved. The derivative instruments may 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 2018, there are no derivative instruments held (31 December 2017 - \$0.99 million as liability). The corresponding net gain/loss were reported in the Statement of Net Income.

Active market quotes are used to assign fair values for derivative financial instruments. For instruments where active market quotes are not available, these are categorized as Level 2 or Level 3. For instruments in Level 2, valuation is derived based on the direct quoted prices and for instruments where valuation is provided by independent valuation services, these are categorized in Level 3.

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

	2017		Fair Value Measurements		
	Nominal Amount	Fair Value	Level 1	Level 2	Level 3
FX Forwards	14,527				
Assets		-	-	-	-
Liabilities		991	-	991	-

There were no inter-level transfers during the year ended 31 December 2018 and 2017.

NOTE 7 – GUARANTEES

As of 31 December 2018, CGIF has issued guarantees covering bonds denominated in Thai Baht, Indonesian Rupiah, Singapore Dollar, Vietnamese Dong and Philippine Peso. The total outstanding amount of the guarantees issued under the related bonds was \$1,410 million as of 31 December 2018 (\$1,096 million – 31 December 2017). The guarantees are inclusive of coupon payments.

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

31 December 2018				
	Local Currency			USD Equivalent of Total Obligation
	Principal	Coupon	Total Obligation	
VND	9,700,000,000	3,720,901,251	13,420,901,251	576,747
SGD	475,000	96,597	571,597	416,585
THB	6,880,000	917,338	7,797,338	239,300
PHP	6,979,600	1,268,175	8,247,775	155,698
IDR	300,000,000	9,198,000	309,198,000	21,211
				1,409,541
31 December 2017				
	Local Currency			USD Equivalent of Total Obligation
	Principal	Coupon	Total Obligation	
SGD	475,000	112,320	587,320	437,092
VND	6,235,000,000	2,849,959,068	9,084,959,068	400,077
PHP	5,811,600	1,162,093	6,973,693	139,440
THB	2,780,000	333,828	3,113,828	95,027
IDR	300,000,000	33,558,000	333,558,000	24,610
				1,096,246

As of 31 December 2018, a guarantee liability of \$44.4 million (\$37.3 million - 31 December 2017) 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 guarantees are compared on a per instrument and as of 31 December 2018, the recorded guarantee liabilities are still higher than the amount of loss allowance determined through ECL amounting to \$3.18 million.

As of 31 December 2018, the reported guarantee fee receivable of \$39.9 million represents the present value of the stream of total guarantee fees expected to be received for the guarantee outstanding net of allowance for impairment (\$34.5 million – 31 December 2017).

All of CGIF's future guarantee fee receivables are classified as Level 3 within the fair value hierarchy as of 31 December 2018 and 2017.

The Finance Department is responsible for determining and reporting the fair value of guarantees reported in the Statement of Financial Position. Future guarantees are stated at discounted present value using significant unobservable inputs such as discount rates applicable to individual guarantee contracts that are internally determined and are classified under Level 3. The valuation technique and significant unobservable quantitative inputs for guarantee receivables classified as Level 3 as of 31 December 2018 and 2017 were summarized below:

	Valuation Technique	Unobservable Input	Range 2018	2017
Guarantee receivable	Discounted cash flows	Discount rates	3.15% to 10.02%	3.15% to 10.02%

There were no inter-level transfers during the year ended 31 December 2018 and 2017.

Impairment Losses

The movements in the credit loss allowance for guarantee fees receivable are as follows (in \$'000):

	2018
Balance at beginning of the year	-
Adoption of IFRS 9 (Note 2)	128
Balance at beginning of the year (Adjusted)	128
Loss allowance recognized in profit or loss under impairment losses during the year on:	
Assets originated	48
Reversals	(20)
Additions	8
	36
Balance at end of the year	164

NOTE 8—FURNITURE, FIXTURES AND EQUIPMENT - NET

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

	Office Furniture and Equipment	IT and Communications	Building Improvement	TOTAL
Cost				
1 January 2017	298	205	5	508
Additions	2	67	-	69
Disposals	-	-	-	-
31 December 2017	300	272	5	577
Additions	-	36	-	36
Disposals	(4)	(42)	-	(46)
31 December 2018	296	266	5	567
Accumulated Depreciation/Amortization				
1 January 2017	(142)	(158)	(4)	(304)
Depreciation	(37)	(32)	-	(69)
Amortization	-	-	(1)	(1)
31 December 2017	(179)	(190)	(5)	(374)
Depreciation	(37)	(39)	-	(76)
Amortization	-	-	-	-
Disposals	4	42	-	46
31 December 2018	(212)	(187)	(5)	(404)
NET, 31 December 2018	84	79	-	163
NET, 31 December 2017	121	82	-	203

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

NOTE 9—INTANGIBLE ASSETS - NET

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

	<u>Information Systems Software</u>
Cost	
1 January 2017	1,165
Additions	20
Disposals	<u>-</u>
31 December 2017	1,185
Additions	6
Disposals	<u>(221)</u>
31 December 2018	<u>970</u>
Accumulated Depreciation/Amortization	
1 January 2017	(663)
Amortization	(219)
Disposals	<u>-</u>
31 December 2017	(882)
Amortization	(153)
Disposals	<u>221</u>
31 December 2018	<u>(814)</u>
NET, 31 December 2018	<u>156</u>
NET, 31 December 2017	<u>303</u>

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

NOTE 10—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 11—ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of accruals for reinsurance expenses, the corresponding unamortized portion of the commission income from reinsurance, and accounts payable and accrual of administrative and operating expenses incurred but not yet paid.

NOTE 12—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.

Provision for ADB's administration fee, amounting to \$0.84 million in 2018 (\$0.70 million – 2017), recorded in other miscellaneous expense was accrued in other liabilities. ADB's administration fee is equivalent to 10 bps of contributions received. The amount of \$0.84 million pertaining to ADB's administration fee for 2018 will be settled subsequently in April 2019. Key management personnel total compensation of short-term employee benefits for 2018 amounted to \$2.78 million (\$2.67 million – 2017).

NOTE 13—PAID-IN CAPITAL

The increase in CGIF's authorized capital to 12,000 shares from 7,000 shares at \$100,000 per share was approved by the Contributors on 6 December 2017 per Resolution No. 2017-S-01. Each Contributor shall pay in full or in installments for the number of shares by the date indicated in the IOS. However, in case where payment cannot be made by a Contributor during the subscription payment period, the subscription is renounced and forfeited after one hundred and twenty (120) days following the last due date indicated in the IOS or the end of 2023, as applicable, or such later date as the Board may determine.

The authorized capital stock of CGIF as of 31 December 2018 and 2017 are as follows (in \$'000):

	2018	2017
Authorized capital (12,000 shares)	<u>1,200,000</u>	<u>1,200,000</u>
Subscribed	1,098,200	709,000
Unsubscribed	<u>101,800</u>	<u>491,000</u>
Total authorized capital	<u>1,200,000</u>	<u>1,200,000</u>
Subscribed capital comprises:		
Amounts received	859,200	703,000
Amounts not yet due	<u>239,000</u>	<u>6,000</u>
Total subscribed capital	<u>1,098,200</u>	<u>709,000</u>

The AoA prescribe that shares shall be allocated to Contributors only after full payment has been received. Therefore, only paid-in capital shall be taken into account when calculating each Contributor's voting rights.

The details of CGIF capital as of 31 December 2018 and 2017 are as follows (in \$'000 except for number of shares):

31 December 2018				
Contributor	No. of shares	Subscribed	Amount received	Amount not yet received
Asian Development Bank	1,300	130,000	130,000	-
ASEAN Member Countries				
Brunei Darussalam	56	5,600	5,600	-
Cambodia	2	200	200	-
Indonesia	216	21,600	12,600	9,000
Lao People's Democratic Republic	2	200	100	100
Malaysia	176	17,600	12,600	5,000
Myanmar, Republic of the Union of	1	100	100	-
Philippines	216	21,600	19,900	1,700
Singapore	216	21,600	21,600	-
Thailand	216	21,600	12,600	9,000
Viet Nam	11	1,100	1,100	-
	1,112	111,200	86,400	24,800
Others (non-ASEAN Member Countries)				
China, People's Republic of	3,428	342,800	200,000	142,800
Japan Bank for International Cooperation	3,428	342,800	342,800	-
Korea, Republic of	1,714	171,400	100,000	71,400
	8,570	857,000	642,800	214,200
Total	10,982	1,098,200	859,200	239,000

31 December 2017				
Contributor	No. of shares	Subscribed	Amount received	Amount not yet received
Asian Development Bank	1,300	130,000	130,000	-
ASEAN Member Countries				
Brunei Darussalam	56	5,600	5,600	-
Cambodia	1	100	100	-
Indonesia	126	12,600	12,600	-
Lao People's Democratic Republic	1	100	100	-
Malaysia	126	12,600	12,600	-
Myanmar, Republic of the Union of	1	100	100	-
Philippines	216	21,600	15,600	6,000
Singapore	126	12,600	12,600	-
Thailand	126	12,600	12,600	-
Viet Nam	11	1,100	1,100	-
	790	79,000	73,000	6,000

Contributor	No. of shares	Subscribed	Amount received	Amount not yet received
Others (non-ASEAN Member Countries)				
China, People's Republic of	2,000	200,000	200,000	-
Japan Bank for International Cooperation	2,000	200,000	200,000	-
Korea, Republic of	1,000	100,000	100,000	-
	5,000	500,000	500,000	-
Total	7,090	709,000	703,000	6,000

Of the \$156.2 million increase in paid-in capital in 2018, \$4.3 million was from the additional subscription in 2017 and \$151.9 million was from additional subscription in 2018,

NOTE 14— RESERVE

The allocation of 2017 net income in retained earnings to Reserve was approved by the Contributors at the 31 May 2018 Meeting of Contributors, per Resolution No. 2018-A-04.

NOTE 15— INTEREST INCOME

Interest income for the period is composed of (in \$'000):

	2018	2017
FVTOCI/AFS Investments	16,692	11,635
Time Deposits	1,927	173
Guarantee	1,088	720
Others	35	17
	19,742	12,545

NOTE 16— MISCELLANEOUS INCOME

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

NOTE 17— ADMINISTRATIVE AND OPERATIONAL EXPENSE

Administrative and operational expense for the period is composed of (in \$'000):

	2018	2017
Staff Related Expenses	5,707	5,104
Financial and Legal Services	980	612
Short Term Staff Consultants	374	132
Business Travel	369	288
Depreciation and Amortization	229	289
MOC and BOD Expenses	157	217
Rental Expense	133	135
Others	497	400
	<u>8,446</u>	<u>7,177</u>

NOTE 18— REINSURANCE

CGIF has entered into a quota share reinsurance treaty with a consortium of reinsurers effective 1 October 2016. Under the reinsurance treaty, CGIF's outstanding guarantees as of 1 October 2016 and new guarantees issued from then to end-2017 will be ceded to the consortium up to the agreed portion. For guaranteed bonds with long tenors, special approvals from the consortium may be required for inclusion in the treaty.

The reinsurance treaty was renewed on 7 December 2017 and shall apply to Guarantees issued during the 12-month period commencing on 1 January 2018 and expiring on 31 December 2018. It was further renewed on 3 January 2019 and shall apply to another 12-month period covering 1 January 2019 to 31 December 2019.

Reinsurance expense represents the quota share of the premium to be ceded to the consortium of reinsurers based on the reinsurance treaty. The expenses are accrued in the books over the period it covers. Quarterly statements of account (SOA) for the premium to be ceded are issued within 30 days from the end of each quarter and payments for such are due 15 days after the issuance of SOA.

NOTE 19— WRITE-OFF EXPENSE

Write-off expense represents a write-off of the withholding tax receivables that were deducted from guarantee fee payments of clients pending the clarification of tax exempt status. As management judged tax exemption was not applicable to these receivables, these accounts were directly written-off in the statement of financial position at the end of the year. As of 31 December 2018, \$0.12 million was recognized as expense in the Statement of Net Income (\$0.26 million – 31 December 2017).

NOTE 20— SUBSEQUENT EVENTS

CGIF has evaluated subsequent events after 31 December 2018 through 9 April 2019, the date these Financial Statements are available for issuance. CGIF received additional capital contributions of \$100 thousand from Lao People's Democratic Republic. Vietnam submitted its IOS for its subscription of \$800 thousand worth of shares. There are no other subsequent events, as defined, that require recognition or disclosure in the CGIF's Financial Statements as of 31 December 2018.

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