Credit Guarantee & Investment Facility
An Asian Bond Markets Initiative

BEYOND BORDERS

ANNUAL REPORT 2019

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ABOUT THE COVER:

"Beyond Borders"

This year's cover design illustrates CGIF's inclusive work. With its expansive and ever-growing reach, CGIF aims to support more guarantee issuances, especially for frontier countries, and is working to create more guarantee products that magnify its developmental role in the region.

CGIF works beyond borders to blur boundaries in economic growth—for all markets in the region.

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ABBREVIATIONS

ABMI	-	Asian Bond Markets Initiative
AC	-	Audit Committee
ADB	-	Asian Development Bank
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 Procedure Manual
CAR	-	Capital Adequacy Ratio
CGIF	-	Credit Guarantee and Investment Facility
CIP	-	Capital Increase Proposal
EIA	-	Environmental Impact Assessment
ESS	-	Environmental and Social Safeguards
ESMS	-	Environmental and Social Management Systems
EXIM	-	Export-Import Bank
FAL	-	Formal Application Letter
FM	-	Facilities Management
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
ISDA	-	International Swaps and Derivatives Association
JBIC	-	Japan Bank for International Cooperation
LCY	-	Local Currency
MBS	-	Medium-term Business Strategy
MGC	-	Maximum Guarantee Capacity
MOC	-	Meeting of Contributors

MOF	-	Ministry of Finance
NRC	-	Nomination and Remuneration Committee
OHS	-	Occupational Health and Safety
OP	-	Operational Policies
PIPs	-	Preliminary Information Packs
PRC	-	People's Republic of China
RCSAs	-	Risk and Control Self-Assessments
RMD	-	Risk Management Department
RMF	-	Risk Management Framework
SAA	-	Strategic Assets Allocation
S&P	-	Standard & Poor's
UST	-	US Treasuries

CURRENCY UNITS

IDR	-	Indonesian Rupiah
JPY	-	Japanese Yen
KHR	-	Cambodian Riel
LAK	-	Lao Kip
MYR	-	Malaysian Ringgit
PHP	-	Philippine Peso
CNY	-	Chinese Yuan Renminbi
SGD	-	Singapore Dollar
THB	-	Thai Baht
USD	-	United States Dollar
VND	-	Vietnamese Dong

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


Subdivision 3
Product placement in different regions
Main company
Subdivision 2

CGIF AT A GLANCE

SUMMARY

BACKGROUND

The Credit Guarantee and Investment Facility (CGIF) was established by the ASEAN+3[1] , 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.

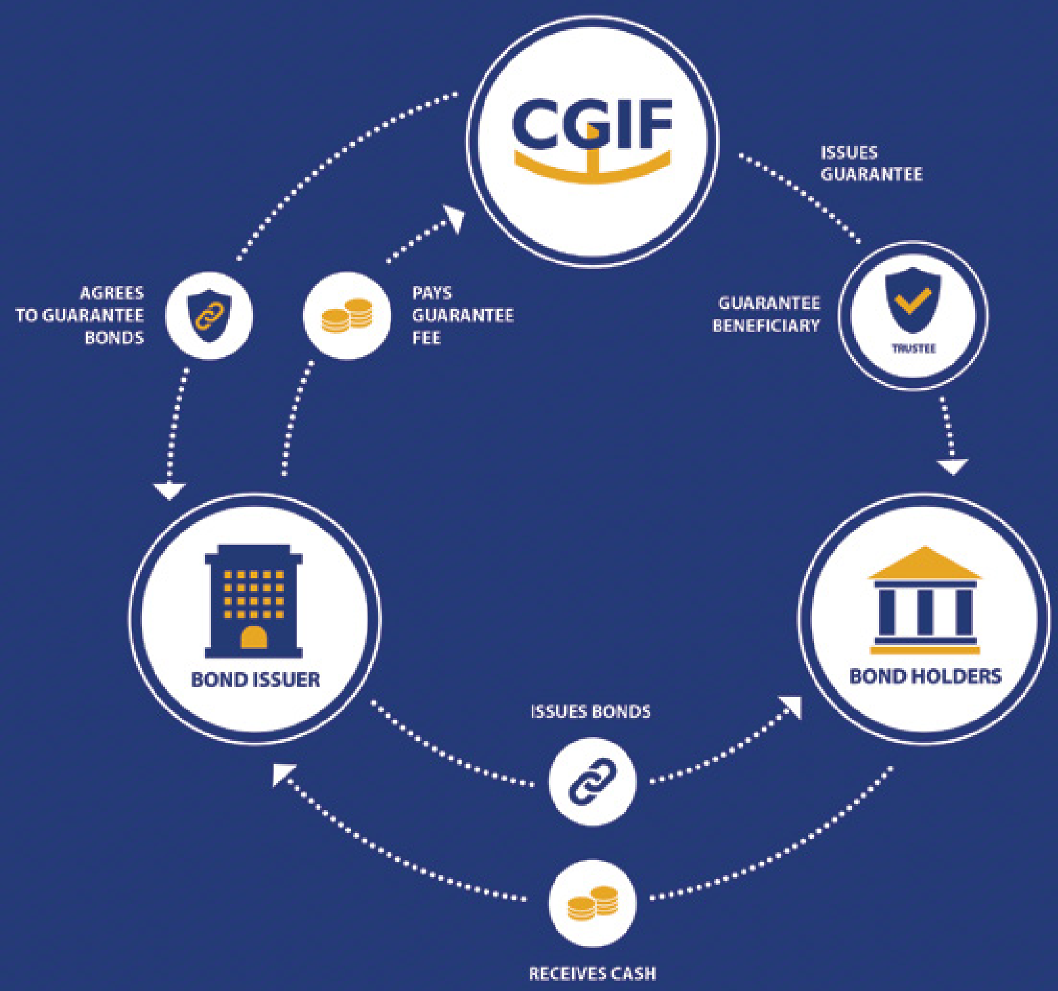
ADB is the trustee of CGIF and as such, in line with the provisions of the Articles of Agreement, it holds in trust and manages all CGIF funds and other properties. In accordance with Article 10.3.2 of the Articles of Agreement, ADB, as the trustee of CGIF, has delegated the trustee's powers to the Meeting 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 2019.

[1] The Association of Southeast Asian Nations (ASEAN) is composed of Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Republic of the Union of Myanmar, 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, 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 capital base from $700 million to $1.2 billion. The Contributors have until 2023 to fully pay the new subscription.

As of 31 December 2019, the paid-in capital of CGIF is $1,077.6 million, divided into 10,776 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: 2019 SHAREHOLDING STRUCTURE

CGIF Contributors	Initial Paid-in Capital ($)	Additional Paid-in Capital as of 31 December 2019 ($)	Total Capital Contribution as of 31 December 2019 ($)	Percentage of Shareholdings
People's Republic of China	200,000,000	142,800,000	342,800,000	31.81%
Japan (Japan Bank for International Cooperation)	200,000,000	142,800,000	342,800,000	31.81%
Republic of Korea	100,000,000	23,800,000	123,800,000	11.49%
Brunei Darussalam	5,600,000		5,600,000	0.52%
Cambodia	100,000	100,000	200,000	0.02%
Indonesia	12,600,000		12,600,000	1.17%
Lao People's Democratic Republic	100,000	100,000	200,000	0.02%
Malaysia	12,600,000		12,600,000	1.17%
Republic of the Union of Myanmar	100,000		100,000	0.01%
Philippines	12,600,000	9,000,000	21,600,000	2.00%
Singapore	12,600,000	9,000,000	21,600,000	2.00%
Thailand	12,600,000		12,600,000	1.17%
Viet Nam	1,100,000		1,100,000	0.10%
Asian Development Bank	130,000,000	50,000,000	180,000,000	16.70%
Total	**700,000,000**	**377,600,000**	**1,077,600,000**	**100.00%**

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

CGIF CREDIT RATINGS

As a credit guarantor, CGIF unconditionally and irrevocably assumes the liability of its guaranteed-bond issuers that default on obligations to their guaranteed bond investors. The higher its credit rating, the more CGIF enhances bond issuers' credit. Its guaranteed-bond investors are also more secure and there are more guarantee business opportunities.

The credit strength of a credit guarantor is determined by conditions such as the size and adequacy of its capital relative to outstanding and prospective credit exposures; cashflows and liquidity; the likelihood of the guarantor to remain as a going concern; the credit strength and commitment of the guarantor's principals; the soundness of a guarantor's risk management system and governance structure; and the experience of the guarantor's management.

The credit rating of a guarantor is a composite assessment of the aforementioned factors. 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 has the highest possible rating, seaAAA, by RAM. In the national ratings scales, CGIF has the highest possible rating given by RAM, MARC, TRIS, Fitch (Indonesia), and Pefindo. 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	26 February 2020
RAM Ratings (Malaysia)	Global ASEAN National	gAAA seaAAA AAA	Stable	30 January 2020
MARC (Malaysia)	National	AAA	Stable	17 December 2019
TRIS Ratings (Thailand)	National	AAA	Stable	15 October 2019
Fitch Ratings (Indonesia)	National	AAA	Stable	10 December 2019
Pefindo	National	idAAA	Stable	30 August 2019

MILESTONES

2010

- **CGIF was established on 12 November**
  - Articles of Agreement were effectuated
  - Operational Policies were adopted
- **Mr. Iwan Azis acted as the interim Chair of the BOD**

2011

- **Mr. Philip Erquiaga was elected as interim Chair of the BOD**
- **Mr. Kiyoshi Nishimura joined as the Chief Executive Officer**
- **Development of Business Plan and Risk Management Framework began**
- **Institutional infrastructure was set**
- **Staff recruitment commenced**
- **The office was initially opened**

2012

- **Mr. Xinqiang Zhu was elected as the first Chairperson of the BOD**
- **CGIF's initial capital of $700 million was fully paid-in**
- **Guarantee Operations commenced in May**
  - Business Plan and Risk Management Framework were approved by CGIF's Board of Directors (BOD)
  - CGIF started receiving Preliminary Information Packs from potential clients
- **CGIF issued its first guarantee offer**

2013

- **Mr. Liu Lange became the new Chair of the BOD**
- **CGIF successfully issued its first and second guarantees**
  - To the bonds issued by:
    - **Noble**, an HK-based commodities supply chain manager
    - **BCAF**, an auto finance company in Indonesia
- **The scaling-up proposal and the amendments to the Articles of Agreement and the Operating Procedures were approved in the Meeting of Contributors (MOC)**

2014

- **Five guarantees issued**
  - To the bonds issued by:
    - **BCAF**, an auto finance company in Indonesia
    - **Kolao**, an automobile and motorcycle distributor in Lao PDR
    - **Protelindo**, the largest independent owner and operator of towers for wireless operators in Indonesia
    - **Masan**, one of Viet Nam's largest private sector companies
    - **ASF**, a leading auto finance company in Indonesia

2015

- **Mr. Jian Li became the new Chair of the BOD**
- **CGIF guaranteed the SGD 10-year bonds issued by IVL, a global leader in polyester**

2016

- **Construction Period Guarantee (CPG) was launched to mitigate construction risks of greenfield infrastructure projects**
- **First Reinsurance Treaty was signed with a panel of world leading private reinsurers**
  - The treaty has since been renewed annually to cover all guarantees issued until 2020
- **Seven guarantees issued[1]**
  - To the bonds issued by:
    - **Vingroup**, Viet Nam's largest real estate company
    - **MPMF**, a multi-finance company in Indonesia
    - **APRI**, a geothermal power company in the Philippines
    - **Fullerton**, a provider of corporate healthcare solutions across Asia Pacific
    - **KNM**, a Malaysia-based leading global manufacturer of process equipment and processing units

2018

- **Mr. Yuchuan Feng became the new Chair of the BOD**
- **Paid-in Capital Increase**
  - CGIF's paid-in capital was increased to $859.2 million as of 31 December after receiving payment for subscription of new shares from Japan, Singapore, Philippines, and Cambodia
- **Nine guarantees issued[1]**
  - To the bonds issued by:
    - **ASA**, a leading microfinance organization in the Philippines
    - **Siam Gas**, a leading trader of LPG in Thailand
    - **PAN Group**, a fast-growing food and agriculture company in Viet Nam
    - **Hoan My**, the largest private healthcare provider in Viet Nam
    - **AEON PH**, a leading consumer credit provider in the Philippines
    - **Boonthavorn**, a leading large-scale home decorating retailer company in Thailand

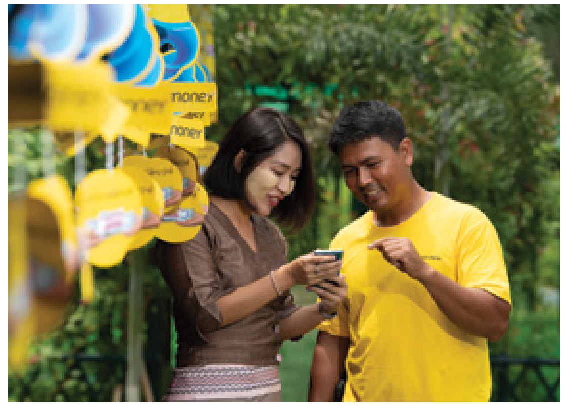
2017

- **Capital Increase Approval**
  - The authorized capital of CGIF was increased to $1.2 billion, as approved by Super Majority of the existing Contributors
- **Three guarantees issued[1]**
  - To the bonds issued by:
    - **ASA**, a leading microfinance organization in the Philippines
    - **Mobile World**, one of the leading retail groups in Viet Nam

2019

- **Paid-in Capital Increase**
  - CGIF completed the first round of capital increase, with 4,490 shares subscribed out of the allocated 4,999 shares of Share Subscription Quota
  - CGIF's paid-in capital was further increased to $1.078 billion as of 31 December after receiving payment for subscription of new shares from PRC, ADB, Korea, Philippines, and Lao PDR
- **Changes in BOD Chair and Key Management**
  - Mr. Kenichi Aso became the new Chair of the BOD
  - Ms. Guiying Sun joined as the new Chief Executive Officer
  - Mr. Mitsuhiro Yamawaki joined as the new Deputy CEO / Chief Risk Officer
- **Environmental and Social Safeguards Policy and Integrity Policy were implemented**
- **Seven guarantees issued[1]**
  - To bonds issued by:
    - **Yoma Strategic**, a leading Myanmar-focused business corporation with a diversified business portfolio
    - **REE**, a diversified business group in Viet Nam operating in M&E engineering services, air-conditioner manufacturing, real estate, and power and water utility
    - **CJLA**, a Singaporean subsidiary of a leading logistics company in Korea with strong regional operations in ASEAN
    - **NISS**, the ASEAN flagship institution of Malaysia-based private education group, Taylor's Education Group
    - **HP1**, a large-scale solar PV power project in Viet Nam
    - **GELEX**, a diversified business group in Viet Nam operating in industrial production and infrastructure

[1]Includes guarantees issued to bonds with multi-tranche issuance



YOMA STRATEGIC HOLDINGS LTD.

Yoma Strategic Holdings Ltd. ("Yoma Strategic") is a leading business corporation with a diversified portfolio of businesses in Myanmar's real estate, consumer, automotive and heavy equipment, and financial services sectors, alongside a portfolio of strategic investments.

On 25 January 2019, CGIF supported Yoma Strategic's 5-year THB-denominated bonds—CGIF's first guarantee for a Myanmar-focused company. This not only marked the first time a Myanmar-based corporate sold international bonds; it was also the first time a CGIF-guaranteed THB bond was subscribed by Thai government-related entities.

The bond paves the way for future issuers from Cambodia, Lao PDR, Myanmar, and Viet Nam ("CLMV") to tap into the Thai capital markets as a regional financing hub. It also fulfills CGIF's aspirations to increase intra-ASEAN cross-border flows to finance growth sectors.

The transaction's achievements in the development of the bond markets were widely recognized, with three international capital markets awards as follows: Best Local Currency Bond 2019 from GlobalCapital Asia (Asia Capital Markets Awards)[1]; Best Bond – Myanmar from The Asset Triple A (Country Awards 2019)[2]; and Country Deal Award – Myanmar from FinanceAsia (Achievement Awards 2019)[3].

In its award write-up, GlobalCapital Asia said that "…the deal was exemplary for its ability to open a new market, cracking through the walls that have kept Myanmar's growing corporations restricted to their home base" and that "…its momentous position in being the first Myanmar credit to break through borders should not go unnoticed."

> ***"This is a true ASEAN-wide collaboration. We see a Singapore-listed, Myanmar-focused company raising bonds in Thailand, which has been guaranteed by CGIF, an institution created to boost long-term investment in the region."***
>
> *- Mr. Melvyn Pun, Chief Executive Officer of Yoma Strategic Holdings Ltd.*

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[1] https://www.globalcapital.com/article/b1jhrb8085kt6q/globalcapital-asia-capital-markets-awards-2019-bonds
[2] https://www.theasset.com/awards/country-awards-2019-deals-south-east-asia
[3] https://www.financeasia.com/article/emfinanceasia-em-reveals-the-country-deal-awards-winners-for-2019/455790

REFRIGERATION ELECTRICAL ENGINEERING CORPORATION

CGIF guaranteed Refrigeration Electrical Engineering Corporation's ("REE's") inaugural VND2.32 trillion fixed-rate 10-year bullet bonds issued on 28 January 2019 in the Vietnamese bond market. The bond issuance targets institutional investors' suitable funding terms for property development in the affordable office leasing sector, which will ultimately spur economic activity in Viet Nam. Moreover, the successful bond issuance enabled REE to achieve fixed interest rate and bullet repayment at longer tenor to match its investment targets.

In 1977, REE was initially incorporated as a state-owned enterprise under the Ho Chi Minh City municipal government to help rebuild the country after the Viet Nam War that ended in 1977. It was later privatized in 1993 and launched its first home-grown, electrical-appliance brand, Reetech, in 1996. Eventually, REE expanded into a real estate and utility-infrastructure developer in the 2000s.

Currently, the company is a listed diversified business group in Viet Nam that ventures in mechanical and electrical engineering services, manufacturing, assembling, and sales of Reetech air-conditioner systems, real estate development and management, and power and utility infrastructure (i.e. ownership stakes in power utilities and clean water treatment plants). It is likewise among the largest companies in terms of market capitalization in the Ho Chi Minh Stock Exchange.

This transaction marks CGIF's 5th time to guarantee bonds by a first-time issuer and the 8th time to support a bond issuance in the VND corporate bond market.

"We are delighted to have CGIF onboard with us on our first bond issuance as we tap the capital markets for fixed-rate long-term funding. We see it as an important milestone as we continue to widen our funding options and sources in line with our business development and expansion needs."

- Mr. Nguyen Ngoc Thai Binh,
Chief Financial Officer of Refrigeration Electrical Engineering Corporation

CJ LOGISTICS ASIA PTE. LTD.

CJ Logistics Asia Pte. Ltd. ("CJLA") is a Singaporean subsidiary of CJ Logistics Corporation ("CJL"), a South Korea-based company incorporated in 1930 that pioneered the logistics business in Korea. Its business primarily involves contract logistics, parcel service, custom clearance, storage, international express, stevedoring, sea and air freight transportation, and project logistics.

As an established company with a strong track record and financial health, CJL has been aggressively expanding in Asia with the aim of becoming a global logistics company by 2020 as its home market matures. It currently has plans of further strengthening its operations in the ASEAN region, particularly its operations in Thailand.

To support CJLA's plans for its business operations, CGIF issued its guarantee to the maiden bond issuance of SGD-denominated 5-year bonds by CJLA on 25 March 2019 amounting to $52 million in equivalent. It helped the company contribute to the development of the logistics industry in the ASEAN region and supported the region's overall bond market system through the promotion of AMBIF.

This transaction was a remarkable milestone for CGIF due to its many landmark characteristics: the first senior unsecure bond issued under the AMBIF in the SGD bond market; the first Korean company to issue bonds with CGIF's guarantee; and the first risk-sharing collaboration with the Export-Import Bank of Korea, an export credit agency in South Korea.

"CGIF's guarantee helped CJLA achieve a strategic advantage by restructuring from short-term loan to long-term finance, which will contribute to its long-term business plan to expand its business by introducing a cutting-edge logistics system in the ASEAN region."

- Mr. Sun Gi Min, Managing Director of CJ Logistics Asia Pte. Ltd.

Taylor's Education Group

"Our valued partners at CGIF and Standard Chartered Bank developed this innovative financing structure to support the long-term success of the school."

- Mr. Karl Engkvist, President of Taylor's Education Pte. Ltd

NEXUS INTERNATIONAL SCHOOL (SINGAPORE) PTE. LTD.

Malaysia-based Taylor's Education Group ("Taylor's") is one of Southeast Asia's premier education groups, providing primary, secondary, and tertiary/university education to more than 20,000 students through its 10 institutions of learning in Malaysia, Singapore, and Viet Nam.

A cross-border ASEAN-themed transaction, CGIF facilitated the Group's debut issuance and ASEAN expansion. On 3 December 2019, Taylor's subsidiary Nexus International School (Singapore) Pte. Ltd. issued a CGIF-guaranteed 12-year SGD150 million amortizing bond. The proceeds have helped finance the development of its new 2,000-student capacity campus in Singapore.

This achievement marked CGIF's growing role and evolution as a regional guarantor. It is CGIF's longest guarantee tenor for a corporate bond to date; the first counter-guaranteed risk-sharing collaboration with an arranger; and CGIF's first guarantee for the education sector.

Notably, the bond is only one of a few SGD amortizing bonds to be issued in the past 20 years, underpinning CGIF's continuing initiative to promote under-represented bond classes in ASEAN and catalyze regional infrastructure financing. The innovative structure was driven by CGIF's solutions-based approach to simultaneously accomplish optimum structuring and bond market development.

Issued under ASEAN+3 Multi-Currency Bond Issuance Framework, the public offering attracted overwhelming demand not only from Singaporean but also international investors, delivering cost savings to the issuer via competitive fixed rate pricing of 3.15% p.a. despite its long tenor and amortizing structure.

HONG PHONG 1 ENERGY JOINT STOCK COMPANY

With CGIF's support, Hong Phong 1 Energy Joint Stock Company ("HP1"), a subsidiary of Trading Construction Works Organization ("WTO"), issued dual-tranche VND-denominated amortizing bonds on 24 December 2019 with a total issuance size of $110 million in equivalent. The bond issuance is comprised of VND400 billion and VND2.15 trillion bonds with tenors of 5 years and 15 years, respectively. This transaction significantly marks CGIF's first guarantee issuance for a VND project bond and CGIF's longest tenor to date since commencing operations in 2012. This is likewise Viet Nam's first renewable energy project bond.

The issuance of the project bond was supported by the cash flow that comes from Hong Phong 1A ("HP1A"), a 195MWp solar power project located in Bac Binh District, Binh Thuan province in South Viet Nam, owned and operated by HP1. HP1A is one of the first utility scale solar projects being developed under the government policy to promote solar power projects in Viet Nam.

Alongside 5-year and 15-year project bonds, ING Bank N.V. ("ING") Singapore Branch participates as a co-financier, providing a 7-year $30 million project finance loan.

Being the first renewable energy project bond in Viet Nam, this transaction is expected to help diversify available funding source for infrastructure projects in Viet Nam. Given the vast financing needs for infrastructure development in Viet Nam, importance of domestic institutional investors as a stable source of long-term local currency financing is expected to increase over time. In view of this, successful closing of this inaugural renewable project bond guaranteed by CGIF is expected to pave the way for the development of local currency denominated project bond market in Viet Nam.

"We are delighted that this transaction marks a further important milestone in the development of financing for such a new sector in Viet Nam like renewable energy."

- Mr. Bui Van Hieu, Chairman of Hong Phong 1 Energy Joint Stock Company

VIETNAM ELECTRICAL EQUIPMENT JOINT STOCK CORPORATION

The 11th CGIF-guaranteed VND-denominated issuance was to Vietnam Electrical Equipment Joint Stock Corporation ("GELEX"), one of Viet Nam's top 30 companies (in terms of market capitalization). It successfully issued its first 10-year fixed-rate corporate bonds with an issue size of VND1.15 trillion (approximately $50 million) on 31 December 2019, enabling GELEX to diversify its funding sources to match its long-term investment purpose.

GELEX was founded by the Ministry of Industry and Trade (MoIT) of Viet Nam in 1990, initially as a state-owned enterprise (SOE) up until it was privatized in 2015, when mutual fund and individual investors invested in GELEX through the open market bidding that took place following the decision made by MoIT to divest 100% of its shares in GELEX.

Currently operating as an investment holding company, GELEX is a listed and publicly traded diversified business group in Viet Nam operating two key business sectors: 1) industrial production and 2) infrastructure. In industrial production, GELEX's electrical equipment production and sales maintain the leading position in the Vietnamese market. For infrastructure development, GELEX has become a pioneer in the renewable energy industry with its solar and wind power projects. The company is also involved in a wide range of commercial and industrial real estate projects.

CGIF continues to fortify its role as a catalyst for strong bond market development in Viet Nam and the ASEAN region as this transaction marks the 11th bond that CGIF has guaranteed in the VND corporate bond market.

"The strong international recognition by CGIF as the guarantor for the bond has proven GELEX's good management practices and our commitments to sustainable social and environmental development."

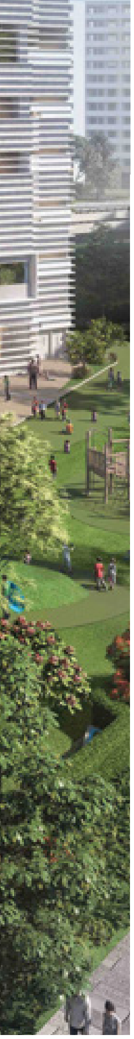
- Mr. Nguyen Van Tuan, Chairman of Vietnam Electrical Equipment Joint Stock Corporation

SAFEGUARD SPECIAL ANNOUNCEMENT

In December 2018, CGIF's Board approved the revised Environmental and Social Safeguards (ESS) Policy and Framework. The revisions enhanced CGIF's ability to promote the environmental and social sustainability of the activities financed with the support of CGIF's guarantees. Based on the Asian Development Bank's Safeguard Policy Statement 2009, CGIF's ESS requires issuers to protect the environment and indigenous peoples, while sustainably managing impacts of involuntary resettlement. While the framework proposes a different approach to the assessment of and requirements for issuers of project and corporate bonds, the overarching requirement for issuers is the integration of environmental and social risk identification and the management in their internal risk analysis. CGIF provides support to issuers by helping to strengthen their safeguard systems and develop the capacity to manage environmental and social risks.

On 1 January 2019, the ESS Framework was implemented on 26 prospective transactions of which six were guaranteed. The assessment of transactions ensured identification and effective management of environmental and social risks, while enhancing the necessary commitment and capacity for successful implementation. Based on CGIF's ESS, the guarantees issued required the development of an environmental and social management system (ESMS). An ESMS is an integrated set of processes to manage risk, which can be implemented to scale with an organization through continual improvement. As a result, the deployment of CGIF's guarantee and compliance with the ESS will help issuers to save on costs associated with non-compliances such as fines, as well as reducing accidents and costly incidents.

Outlined below is a summary of the deployment of CGIF's Safeguards Requirements for three selected guarantees issued within the reporting period, and the added value this has provided to issuers.



NEXUS INTERNATIONAL SCHOOL (SINGAPORE) PTE. LTD.

CGIF's guarantee for Nexus International School Singapore (NISS) was used to develop the new campus in Aljunied. The 12-storied campus, with a capacity for 2,000 students, comprises flexible learning spaces, a library, mega-laboratory, 700-seat theater, music recording studies, sports field, and an Olympic-sized swimming pool. While NISS had already undertaken a range of environmental assessments to meet regulatory requirements, particularly for construction-related impacts, CGIF required the school to develop an ESMS to provide a framework that facilitates integration of environmental and social risk management into NISS' operational procedures. The development of the ESMS was relatively straightforward as it drew upon existing policies and procedures of Taylor's Education Group (TEG), the holding company of NISS.

Due to the nature in which NISS has outsourced its Facilities Management (FM), the ESMS provides a consistent approach to managing key aspects such as procurement, security, traffic, and stakeholder engagement. The FM company is responsible for the majority of maintenance activities; therefore, the implementation of management programs to mitigate operational risks has been developed for their application under the supervision of NISS. Documentation ensured an agreed approach between NISS and its key contractor, while also establishing a mechanism to manage Occupational Health and Safety (OHS) risks and labor relations considering the variety of subcontractors and service providers. Close communication between NISS and the FM has also been enhanced through the establishment of an OHS committee and deployment of a stakeholder engagement plan and associated grievance mechanisms. NISS will capitalize on these arrangements through reduced operating costs and increased resource efficiency.

CJ LOGISTICS ASIA PTE. LTD.

CGIF's guarantee supported CJ Logistics Corporation's overseas subsidiaries in Southeast Asia, primarily involved in domestic parcel delivery. Based on due diligence and CJL's growth plans for the region, CJL was required to develop a comprehensive ESMS including a process for screening, categorizing, and assessing environmental and social risks for new developments or acquisitions. Due to the environmental and social impacts of the logistics industry, measures to mitigate impacts associated with pollution, land acquisition, occupational health and safety, and labor standards were captured in the ESMS to enable CJL to effectively and consistently manage risks across all Southeast Asian operations.

One of the key opportunities provided to CJL through the implementation of the ESMS was developing the required capacity and capability to manage their environmental and social impacts. Not only did this improve the company's ability to meet regulatory requirements, it also enhanced existing employees' ability to effectively identify and mitigate risks across an extensive portfolio of assets. The ESMS describes the institutional arrangements CJL has put in place, including the roles and responsibilities of the ESMS Manager and ESMS Coordinators in each country of existing operations, to ensure a systematic approach to risk management. An environmental and social training plan has been developed to build capacity and is being supported by CGIF on an ongoing basis.

"One of the key opportunities provided to CJL through the implementation of the ESMS was developing the required capacity and capability to manage their environmental and social impacts. "

HONG PHONG 1 ENERGY JOINT STOCK COMPANY

CGIF's guarantee of Hong Phong 1 Energy Joint Stock Company's project bond supported the development of the Hong Phong 1a 195MWp solar photovoltaic power plant located in Binh Thuan Province, Viet Nam. The project achieved commercial operations in June 2019, having undertaken an extensive and rigorous process of environmental and social assessment to meet relevant national regulations and CGIF's requirements for project bonds. The construction impacts of the project were assessed in the Environmental Impact Assessment (EIA), while operational impacts were captured in a comprehensive operational environmental and social management plan. The plan will be regularly updated to ensure it remains relevant to the nature and scale of ongoing operational impacts.

An assessment of land acquisition impacts, particularly of the government-led acquisition, confirmed that additional measures were to be implemented to meet CGIF's requirements. Although no physical displacement occurred as a result of the project's development, economic displacement, such as the loss of subsistence income, affected more than 100 individuals. To ensure the project only delivered positive impacts to surrounding communities, livelihood restoration programs have been developed in close consultation with affected households and local authorities. These activities will be implemented over the coming years and demonstrate the project's commitment to establish good working relationships with communities, thereby avoiding disruption of operations and lost productivity.

"To ensure the project only delivered positive impacts to surrounding communities, livelihood restoration programs have been developed in close consultation with affected households and local authorities."

FINANCIAL SUMMARY

FIGURE 1: NET INCOME

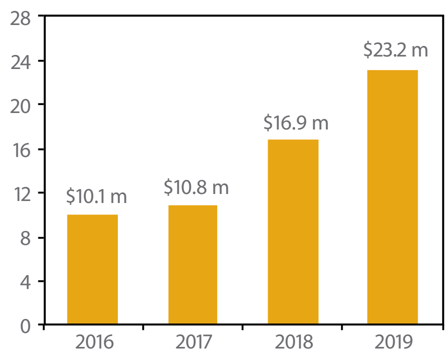


FIGURE 2: INVESTMENT INCOME

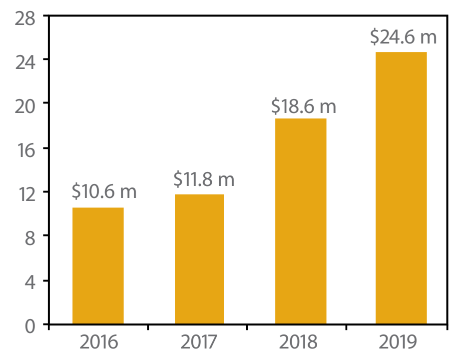


FIGURE 3: GUARANTEE INCOME

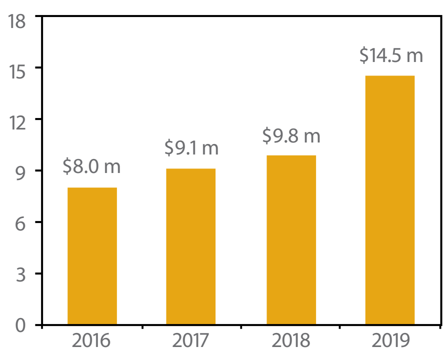


FIGURE 4: OUTSTANDING GUARANTEE ISSUED

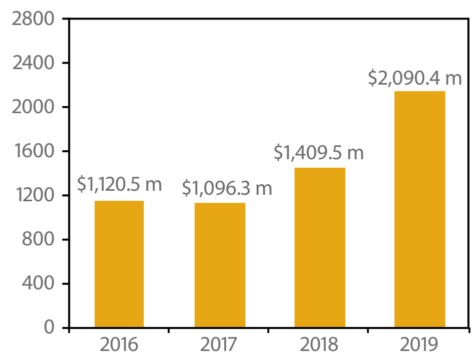
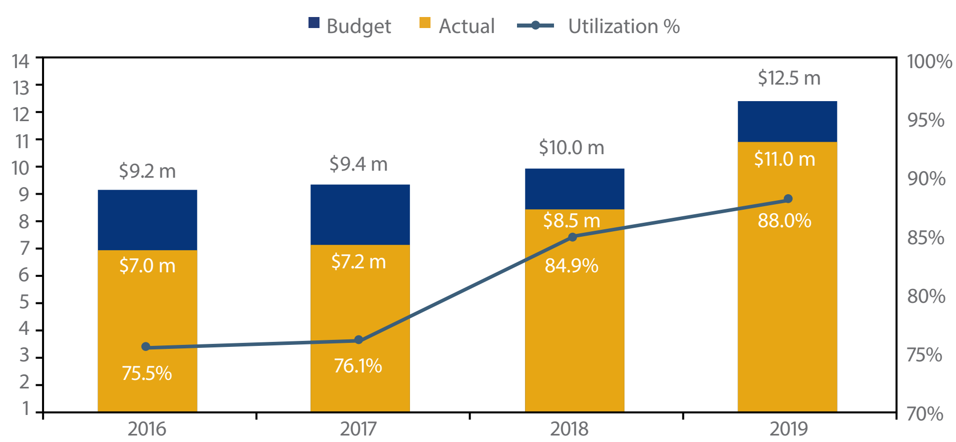


FIGURE 5: ACTUAL VS. BUDGET (OPERATING AND ADMINISTRATIVE EXPENSES)



Note: (i) Recognition of utilized amount is based on Budgeting Procedures Manual (BPM) and may not be equal to the reported expenses in the Financial Statements (ii) Budget figures are excluding contingency amounts

MESSAGE

MESSAGE FROM THE CHAIRMAN OF THE BOARD

I have served as a member of the Board of Directors of Credit Guarantee and Investment Facility (CGIF) since 2018, and it is now my privilege to serve as Chairman of the Board, a positioned I assumed in November of 2019.

My assumption of the role of Chairman was one of three major structural movements within the CGIF key management in 2019. We also have a new Chief Executive Officer, Ms. Guiying Sun, and a new Deputy CEO / Chief Risk Officer, Mr. Mitsuhiro Yamawaki, and I am pleased to be working closely with them. I am positive that with the support of the professional team that exists within the organization, Ms. Sun, Mr. Yamawaki, and I can continue the many strategic developments and great strides that CGIF has made since its inception.

Despite the many structural developments, the CGIF team worked steadfastly, even displaying higher efficiency across all departments. The major changes took effect in the second half of the year, and yet we still managed to accomplish a lot.

2019 was a challenging year for many industries and economies. But despite the year's economic slowdown, CGIF still pulled through with impressive numbers. We generated a net income of $23.2 million in 2019, a 37.3% increase from the previous year's. We issued seven new guarantees, one of which was to a Myanmar corporation, underlining our resolve to pay more focus on our frontier markets: Brunei, Cambodia, Lao PDR, and Myanmar. Our guarantee portfolio, which now has a total of 35 guarantee issuances, is growing at a robust rate.

Through the generosity of our Contributors, our paid-in capital as of end of 2019 stands at $1.08 billion. This development helps us bring our maximum guarantee capacity to a higher level and allows us to pursue and implement more deals and enlarge our developmental space. This also allows us to move forward with our Medium-term Business Strategy. Through the 10-year MBS, CGIF aims to promote financial inclusion (particularly for frontier countries); financial growth 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. It is CGIF's goal to introduce new guarantee products to widen and strengthen our reach in the market.

One of the ways we diligently put the plans under the MBS into practice is by facilitating a lot of cross-border transactions through the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF), which helps streamline bonds issuance procedures across all ASEAN+3 markets. We've also provided guarantees to more green bonds, and generated more developmental impacts in the process.

We have also worked on the strict implementation of our Safeguards. CGIF remains committed to Integrity Due Diligence (IDD) and continues to enforce the Environmental and Social Safeguards Policy and Framework, which pushes for the environmental and social sustainability of the activities financed with the support of our guarantees.

We have been conscientious, resolute, and rigorous in the implementation of the MBS—and we will continue to be so. Since 2012, CGIF has stayed on course in its mission to develop the local currency and regional bond markets of the ASEAN+3 region, and we have every intention to stay on track.

For 2020 and beyond, CGIF will continue its important work. More than ever, the CGIF Board and Management are dedicated and determined to be a key driver of economic growth in the region.

Kenichi Aso
Chairman,
Board of Directors

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

In spite of all the economic uncertainties embedded in the past year, thanks to the growth of ASEAN region, we have seen a truly eventful and fruitful year for CGIF. With this, as a newly appointed CEO, I would like to extend my sincere thanks to our Contributors and Board of Directors (BOD), for their continued support and guidance to CGIF, and to my truly professional and efficient team, for accomplishing our work plan. I also want to thank the stakeholders and partners who have been working alongside us in ensuring the successful closing of all the deals.

We are very pleased to report that CGIF generated a net income of $23.2 million in 2019. This is a 37.3% increase from that of the previous year. Apart from the investment income of $24.6 million, showing a yield of 2.34%, our guarantee income grew from $9.8 million to $14.5 million—a 48.0% increase that can be attributed to the significant number of deals closed by the end of 2019. If we continue this upward trend, we foresee a scenario where the guarantee revenue will support the administrative and operational expenses of CGIF. This implies a more sustainable development for CGIF.

With an additional six deals accomplished in 2019, CGIF has supported a total of 35 guarantee issuances (including tranches) while seven matured without guarantee calls. These issuances further diversified CGIF's guarantee portfolio and added to the list of milestones achieved—with Nexus being the first guarantee exposure to the education sector and with HP1 being the first VND project bond supported by CGIF. New AMBIF bonds were successfully launched in SGD bond market for CJL and Nexus, while the Yoma Strategic deal won the Best Local Currency Bond Award, presented by Global Capital.

The year 2019 saw some structural movements and management changes within the organization, but we've transitioned smoothly: KPIs are still consistently met; there is very low staff turnover; a lot of synergies have been achieved; and more importantly, CGIF manpower remains highly committed to efficiency and excellence.

MESSAGE

Consulting firm KPMG conducted CGIF's very first independent evaluation this year, and a total of 70 observations and suggestions have been delivered. The external review aims to generate actionable insights on improving CGIF operations and functions. We have drafted our action plan based on the findings of this evaluation, and it has been duly reported to the BOD. We are positive that we can carry out the vital improvement work afterwards.

To explore ways to catalyze private sector capital for the development of local currency (LCY) project bond market, KPMG has been engaged, since October, in an Infrastructure Demand and Feasibility Study. A working group (IWG), consisting of all the Board of Directors or their alternates as well as CGIF's Management and staff members, is directly involved in all the discussions about the study. Some work have been accomplished by the yearend.

As an organization that espouses the value of transparency in our work, we likewise solidified our Safeguards Policy and Framework in 2019 with pragmatic changes. CGIF continues to uphold our Integrity Due Diligence (IDD) and exercise the highest ethical standards in all our activities and transactions. We revised our Environmental and Social Safeguards Policy and Framework in late 2018. The policy ensures that CGIF, in its objective of promoting economic development and resilience of the financial markets in ASEAN+3, will urge the environmental and social sustainability of the activities financed with the support of our guarantees. We established a Safeguards Unit (SU) within the Risk Management Department (RMD); it focuses on the key areas of compliance with Environmental, Social, and Integrity safeguards. Not only do these safeguards help set the direction in our mission to do good, ethical work, they also attract international investors who care about the same practices too.

Almost 8 years into operation since 2012, we have built a solid reputation and unfailing track record. In all the years of CGIF's business operations, we have managed to maintain good relationships with our stakeholders, Contributors, investors, and partners, continually gaining their confidence and trust. This is encouraging for all of us, especially as we look forward to the year 2020.

With the mandate of developing the LCY bond markets in the ASEAN region and facilitating the regional economic development and integration, moving forward, we will try to build a more balanced guarantee portfolio by paying more attention to those frontier markets, like Brunei, Cambodia, Lao PDR, and Myanmar. For some countries, we need to coordinate with other international institutions and help establish a corporate bond market first. Among these, we are happy to note that two deals from Cambodia have been approved by the BOD and expected to be issued in 2020. Some Lao PDR and Myanmar deals also appear in the pipeline. These are positive signs that we are on the right track in realizing our mandate and meeting the expectations of the Contributors and Board of Directors.

To make our role more developmental and catalytic in the regional bond market, we will put more emphasis on the developmental impacts of the bonds we guarantee. Besides the normal rating cliff overcoming, tenor extension, cross-border transactions, diversification of investors, new impacts like AMBIF promotion, social bonds, and green/climate bonds, new products such as project bonds and securitization bonds are expected to be demonstrated more in our operations.

CGIF management will continue to implement its mandate, set by the Contributors and under the guidance of the BOD, and I am personally committed to the task. For the year 2020, we will do our best to make more developmental impacts happen and to sustain our catalytic role in the market.

Guiying Sun
Chief Executive Officer

BUSINESS AND OPERATIONAL REVIEW

GUARANTEE OPERATIONS

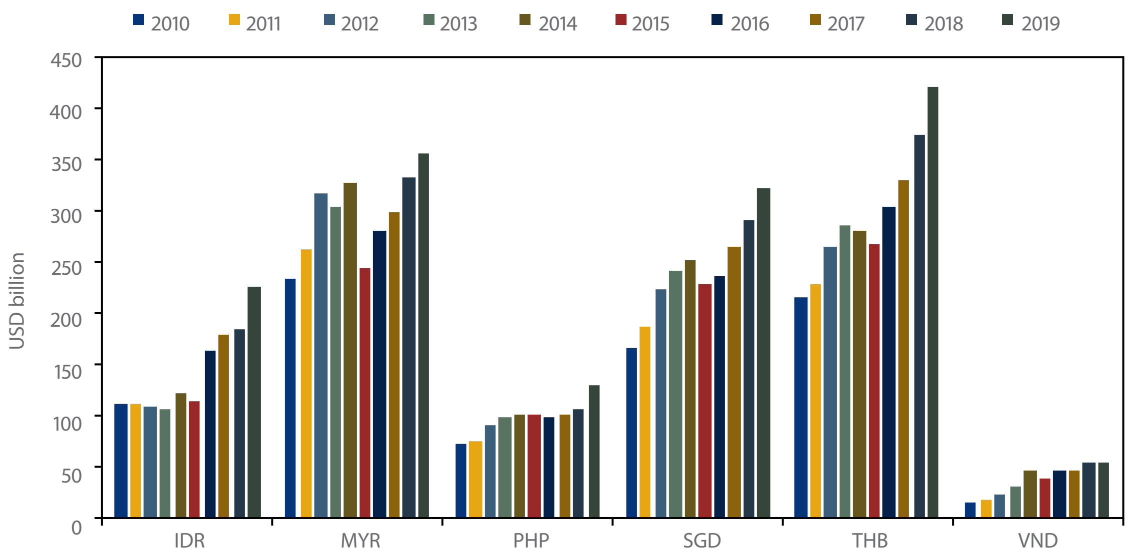
MACROECONOMIC OVERVIEW

A sluggish growth, wherein the global economy grew by 2.9%, was observed by the International Monetary Fund in 2019. The lingering trade tensions between the US and its major trading partners remained as a major risk factor for global economic activity. Monetary stimulus coupled with fiscal easing in different countries helped in balancing these headwinds.

Stronger growth rates are expected among the economies of Cambodia and Viet Nam against other countries in ASEAN. The Asian Development Bank sees growth projections of these two countries to reach 7.0% and 6.9%, respectively, in 2019. Cambodia's economy was supported by traditional sectors as well as its tourism industry. Viet Nam recorded a strong spending in private consumption and investment activity. On the other hand, the Philippines may record a lower growth rate of 6.0% than its initial target of 6.9% for 2019. Thailand's growth could be negatively affected by less export activities due to its appreciating local currency.

ASEAN 6 BOND MARKET OVERVIEW

FIGURE 6: LCY BOND MARKET SIZE



Source: AsianBondsOnline, 3Q figures for each year

Total market size of ASEAN 6 bond market reached \$1.51 trillion, as of 3Q of 2019. Comparing this over the same period in 2018, the total bond market of the region grew by 12.4%. The share of government bonds and central bank bills took up 69% of the total bond market. Another 31% of the share was taken by corporate bonds. Within this period, the share of corporate bond market to GDP in the economies of Malaysia, Singapore, Thailand, and the Philippines generally increased.

In terms of respective local currency markets, the total bond markets of ASEAN 6 experienced expansion as of 3Q of 2019, with growth rates ranging from a modest 2% to an aggressive 17% y-o-y. These growths were driven by the activities in the government bond market which dominates a bond market of each country. Over this period, the corporate bond market of the Philippines recorded a double-digit growth of 20.7%. Malaysia's corporate bond market grew by 8.3%, Thailand by 7.9%, and Singapore by 7.2%.

The overall performance of ASEAN 6's corporate bond markets may seem less active compared to the preceding year. Nevertheless, the recorded positive growths still signal a better activity towards the end of 2019. As ASEAN will face greater economic pressures, there is a greater call to further strengthen the financial markets within the region. With this, CGIF will remain as one of the catalysts in developing ASEAN's local currency bond markets.

GUARANTEE OPERATIONS

A total of seven guarantees were issued by CGIF in 2019 to support the bond issuances by six corporates. Three of these are Yoma Strategic Holdings Ltd., a Myanmar-focused conglomerate; CJ Logistics Asia Pte. Ltd., a Korean logistics company; and Nexus International School (Singapore) Pte. Ltd., a Singaporean subsidiary of a Malaysian education group. The remaining three are by Viet Nam-based companies, namely Refrigeration Electrical Engineering Corporation, Hong Phong 1 Energy Joint Stock Company, and Vietnam Electrical Equipment Joint Stock Corporation.

This is the second consecutive year that CGIF has successfully supported bond issuances by six issuers, retaining the best record since CGIF's inception. It is a testament to the increasing recognition of CGIF's pivotal role in the development of the local currency corporate bond markets.

Several key achievements were attained by CGIF in 2019. These include providing support to a Myanmar-focused issuer, a Korean-based company, and an educational services conglomerate for the first time. Moreover, it is a first for CGIF to issue a guarantee for a VND project bond, a bond with a 15-year maturity (CGIF's longest tenor to date), and the first senior unsecured AMBIF bond issued in the SGD corporate bond market.

CGIF was also able to secure approvals for 15 Guarantee Concept Papers (GCPs) from its Guarantee and Investment Committee (GIC) and for 7 Guarantee Underwriting Proposals (GUPs) from its Board of Directors (BOD) within the year.

GUARANTEE PORTFOLIO

The seven bond issuances that were guaranteed by CGIF amounted to $492 million equivalent, which is significantly higher by 63% versus 2018. By the end of 2019, the total guarantee amounts of CGIF stood at the amount of $1,907 million including redeemed bonds[1]. It is comprised of 35 guarantees issued by 25 corporate bond issuers from 9 of the 13 member countries in 5 of 6 ASEAN local currencies[2].

GEOGRAPHICAL DISTRIBUTION OF APPLICANTS AND TRANSACTIONS FOR 2019

Total Preliminary Information Packs (PIPs) received in 2019 was 38. These were received from corporates based or operating in 9 of the 13 member countries. These PIPs largely originated from applicants in Singapore, Indonesia, Philippines, and Thailand while companies in Viet Nam, Cambodia, Lao PDR, Myanmar, and China also submitted PIPs.

[1] With respect to matured guarantees, seven issuances by five issuers have already been fully redeemed and no claim has been made, thus far.
[2] Excluding the currencies of Brunei, Cambodia, Lao PDR, and Myanmar ("BCLM Countries

TABLE 3: GUARANTEE PORTFOLIO AS OF 31 DECEMBER 2019
(EXCLUDING MATURED/REDEEMED ISSUANCES)

Issue Date	Issuer	Country of Origin (Issuer)	Bond Issuance Venue (Bond Market)
31-Dec-19	Vietnam Electrical Equipment Joint Stock Corporation	Viet Nam	Viet Nam
24-Dec-19	Hong Phong 1 Energy Joint Stock Company	Viet Nam	Viet Nam
24-Dec-19	Hong Phong 1 Energy Joint Stock Company	Viet Nam	Viet Nam
03-Dec-19	Nexus International School (Singapore) Pte. Ltd.	Malaysia	Singapore
25-Mar-19	CJ Logistics Asia Pte. Ltd.	Korea	Singapore
28-Jan-19	Refrigeration Electrical Engineering Corporation	Viet Nam	Viet Nam
25-Jan-19	Yoma Strategic Holdings Ltd.	Myanmar	Thailand
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

Issue Size (LCY)	Issue Size (USD Equivalent)	Percentage Guaranteed by CGIF	Issue Rating (Agency)	Tenor
VND1.15 trillion	$50 million	100%	Unrated	10 years
VND400 billion	$17 million	100%	Unrated	5 years
VND2.15 trillion	$93 million	100%	Unrated	15 years
SGD150 million	$110 million	100%	AA (S&P)	12 years
SGD70 million	$52 million	100%	AA (S&P)	5 years
VND2.32 trillion	$100 million	100%	Unrated	10 years
THB2.22 billion	$70 million	100%	AAA (TRIS Rating)	5 years
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

Issue Date	Issuer	Country Of Origin (Issuer)	Bond Issuance Venue (Bond Market)
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
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
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
	THB2.0 billion	$64 million	85%	A (TRIS Rating)	5 years
	PHP500 million	$10 million	75%	Unrated	5 years
	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
	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 7: PRELIMINARY INQUIRIES BY COUNTRY (PRELIMINARY INQUIRIES RECEIVED, YEAR 2019)

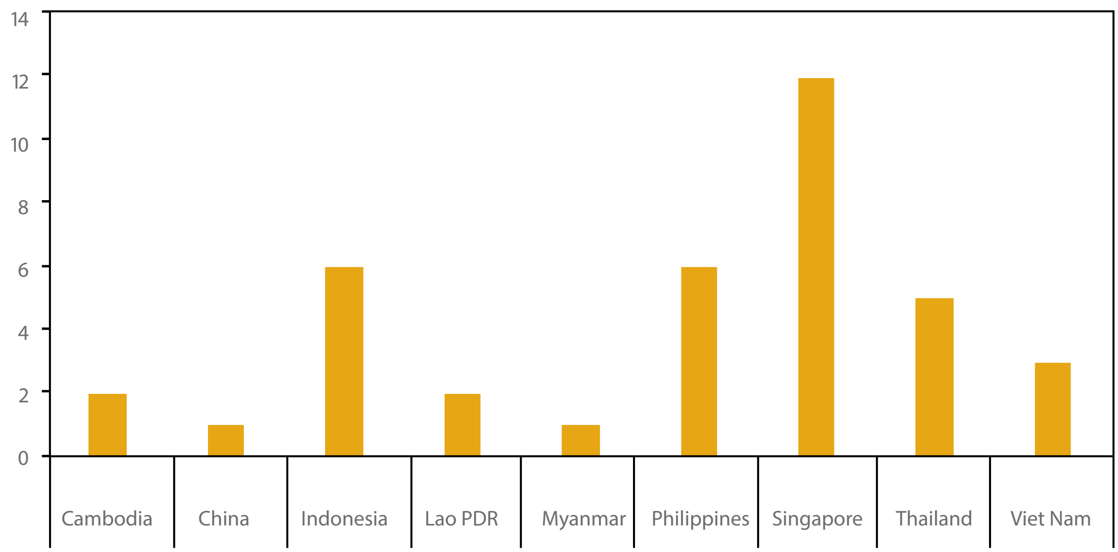
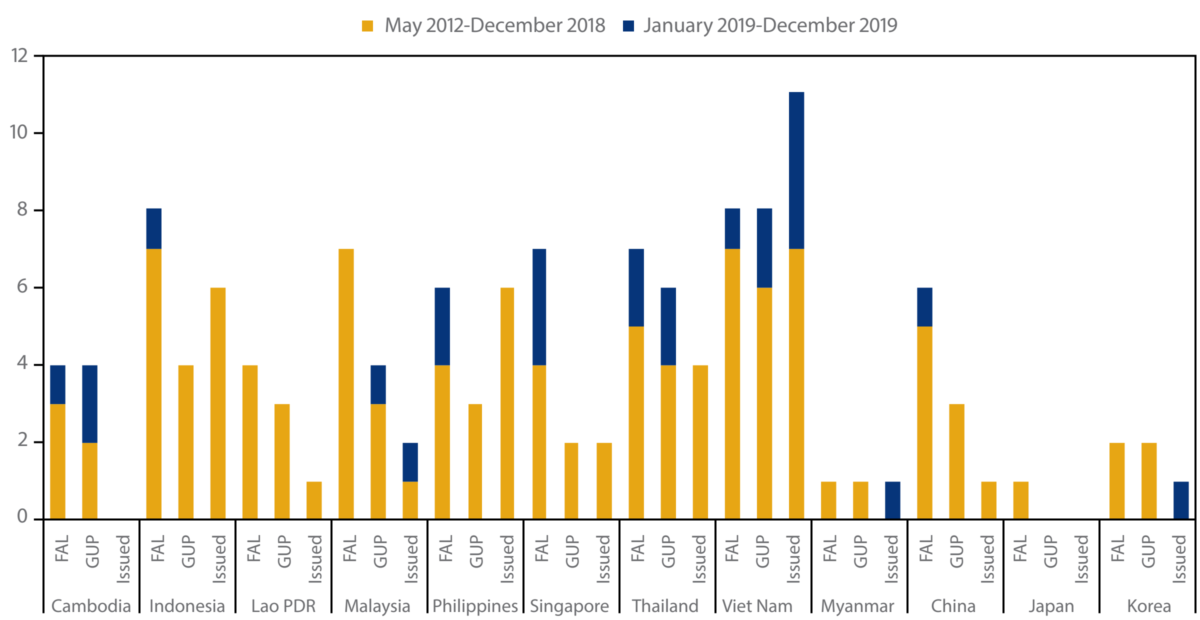
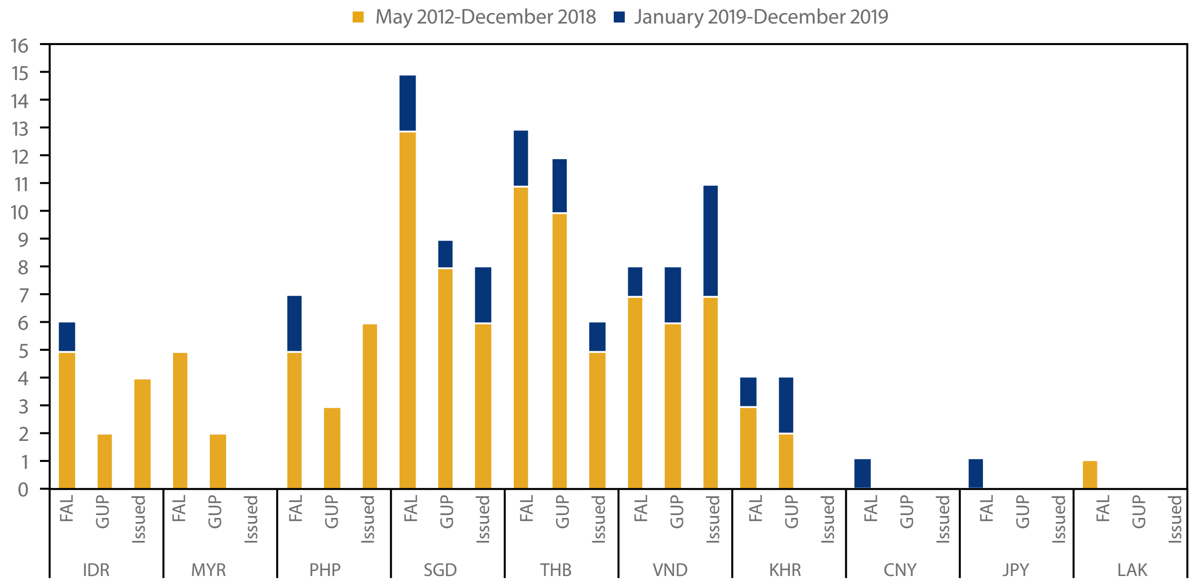


FIGURE 8: FORMAL APPLICANTS, GUARANTEE APPROVALS[1], AND GUARANTEES ISSUED[2] BY COUNTRY (2012-2019)



Notes:
[1] Refers to Guarantee Underwriting Proposals approved by the BOD.
[2] Each tranche is recorded as one issued guarantee.

FIGURE 9: FORMAL APPLICANTS, GUARANTEE APPROVALS[1], AND GUARANTEES ISSUED[2] BY CURRENCY (2012-2019)



Notes:

[1] Refers to Guarantee Underwriting Proposals approved by the BOD.

[2] Each tranche is recorded as one issued guarantee.

LOOKING AHEAD

Among its target markets, CGIF has been the most active in supporting the development of the corporate bond market in Viet Nam as it is still at the nascent stage of development when compared to the markets of Thailand and Singapore. CGIF first issued its guarantee to a Viet Nam corporate in 2014, which paved the way for more companies in Viet Nam to seek a CGIF guarantee. Since then, CGIF has issued guarantees to 10 more bond issuances by 7 companies, including the first VND project bond in Viet Nam.

To diversify the guarantee portfolio, CGIF aims to shift its focus in 2020 to other markets with high growth potential such as Indonesia and Philippines as well as Cambodia, Lao PDR, and Myanmar ("CLM countries"), where local currency (LCY) bond markets are either not as developed as other ASEAN6[3] countries or are still at the nascent stage. With this strategy, CGIF will be able to greatly aid in the growth of the less developed bond markets and balance out its portfolio while guarantee capacity for some countries is being exhausted.

In 2020, CGIF expects to issue its first guarantee to a KHR-denominated bond issued by a Cambodian corporate. The success of this first issuance will catalyze the development of the bond markets in the CLM countries, developing the market infrastructures which will ease the succeeding bond issuances.

Moreover, origination efforts in the CLM countries will be expanded to find more potential issuers in the respective countries.

CGIF also aims to revisit supporting issuances from companies in the developed markets of Singapore, Malaysia, Japan, Korea, and China especially those that are pursuing innovative products like project finance, securitization, and green bonds.

CGIF will also continuously put its fervent effort to increase bond market awareness in the region by conducting workshops to educate the market participants on the benefits of corporate bonds and how CGIF can assist in corporate bond issuance.

[3] Refers to the countries of Singapore, Thailand, Malaysia, Philippines, Viet Nam, and Cambodia.

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 updated and enhanced along with the evolution of CGIF's operations.

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 3 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 $1,077.6 million as of end of 2019 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 2017	14%	12%	58%	15%	2.85
31 December 2018	22%	5%	53%	20%	2.61
31 December 2019	16%	4%	64%	16%	3.08

*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 Strategic Assets Allocation (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 10, 11, 12, and 13 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 10: EVOLUTION OF INVESTMENT PORTFOLIO I

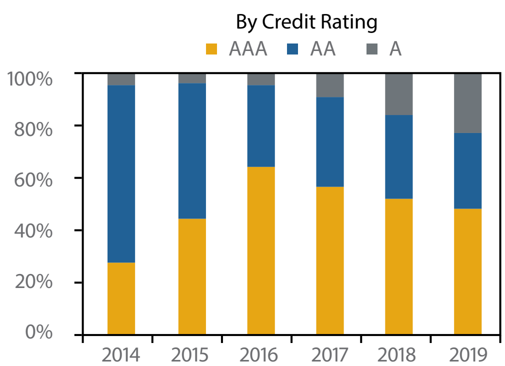


FIGURE 11: EVOLUTION OF INVESTMENT PORTFOLIO II

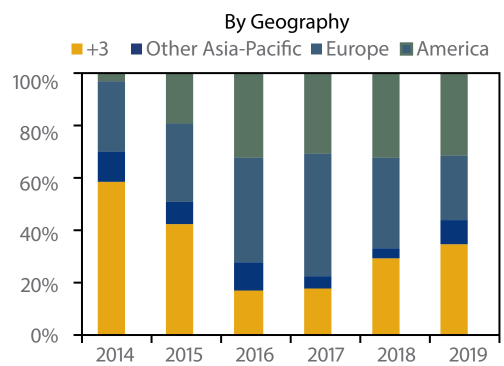


FIGURE 12: EVOLUTION OF INVESTMENT PORTFOLIO III

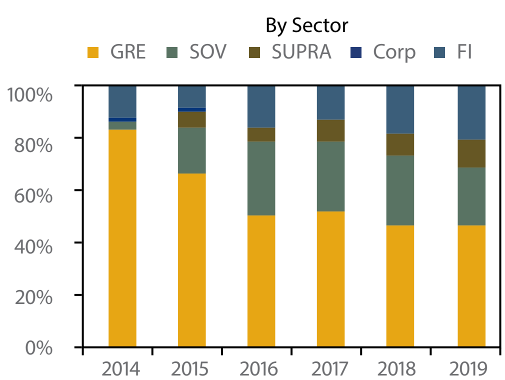
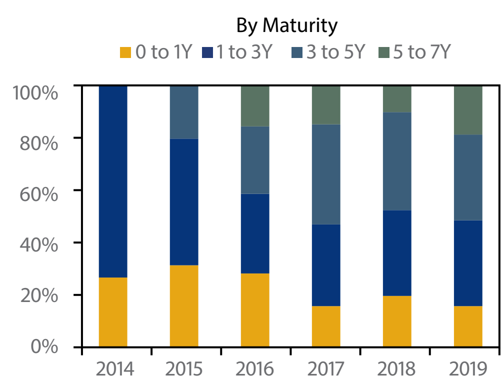


FIGURE 13: EVOLUTION OF INVESTMENT PORTFOLIO IV



INVESTMENT INCOME IN 2019

Realized investment income for 2019 was $24.6 million, representing a yield of 2.34% without the effect of change in fair value. It is higher than the yield achieved in 2018 (2.07%) and the original target of 2019 (2.30%). Table 5 provides a quarterly breakdown for investment income for the year 2019, as well as annual income of 2018 and 2019. ADB suggested a target yield for 2020 at 2.20% in consideration of the decreased US interest rate environment.

TABLE 5: 2018-2019 INVESTMENT INCOME

Investment Income ($'000)	2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019
Debt Securities	16,695	4,827	5,179	5,731	6,023	21,760
Certificates of Deposits	0	0	0	72	267	339
Time Deposits	1,927	546	971	572	384	2,473
Total	**18,622**	**5,373**	**6,150**	**6,375**	**6,674**	**24,572**

FX TRANSACTIONS

As CGIF's functional currency is USD, CGIF converts to USD whenever it receives guarantee fees or other payments in LCY. Future LCY receivables can be fixed in USD by FX derivative transactions when such are considered hedging transactions and deemed practically appropriate. CGIF has three counterparties which executed the International Swaps and Derivatives Association (ISDA) master agreement so that it can enter into derivative transactions when necessary. Under the agreement between CGIF and ADB, derivative transactions are executed by CGIF and then processed and settled by ADB. As of end of 2019, CGIF has no outstanding FX derivative position. For FX transactions, CGIF confirms local FX regulations and provides supporting documents if required.

ASEAN CORPORATE BOND MARKET RESEARCH

CGIF's Finance Department continues its effort to provide research on ASEAN corporate bond market through interactions with market players and desktop studies based on available information.

In 2019, CGIF published the research papers on corporate bond markets in Indonesia and Vietnam on its website. In 2020, CGIF will publish papers on Thailand and Philippines. Researches on Cambodia, Lao PDR, and Myanmar will also commence.

RISK MANAGEMENT

GOVERNANCE

The BOD 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 BOD 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 BOD approves only sound guarantee and investment proposals (OP 117). The Chief Risk Officer (CRO), 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. At the management level, proposed credit guarantees are approved and endorsed to the BOD for final approval by the Guarantee and Investment Committee (GIC) that is chaired by the CRO.

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 ICRMC Chairperson. Unless it delegates authority to the GIC, the BOD approves Guarantee Underwriting Proposals approved and endorsed by the GIC.

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, or 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 Risk Management Framework (RMF). Any proposed amendment of the OP requires BOD approval. Proposed amendments of the RMF require approval of the GIC.

CREDIT RISK MANAGEMENT

A major component of CGIF's RMF is the Credit Guarantee Process Guidelines and the Credit Portfolio Management Guidelines. These guidelines specify a continual identification, measurement, control, and reporting of credit risk. From the guarantee deal origination stage to the BOD approval stage, and up to the guarantee portfolio management stage, CGIF's Deal Operations Department (DOD) bears the principal responsibility for identifying credit risk factors of the issuers. CGIF's Risk Management Department (RMD) validates and supplements all risk assessments.

The DOD secures approval of Management's Guarantee and Investment Committee (GIC) before a borrower may be advised to formally apply for a CGIF credit guarantee. The DOD submits to the GIC a Guarantee Concept Proposal (GCP) that presents (i) a borrower's satisfactory performance in CGIF's battery of credit guarantee eligibility tests; (ii) information on the proposed guaranteed bond issuer; and (iii) a proposed guarantee transaction structure that includes, among others, the proposed use of proceeds, guarantee size, tenor, indicative pricing, financial covenants, and security. The credit rating of a borrower is determined by the RMD using a credit scoring system 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 due diligence review before a Guarantee Underwriting Proposal (GUP) is submitted to the GIC for approval and endorsement to the BOD for final approval. Part of the due diligence review is an on-site visit to the issuer. The thorough and diligent review is intended to allow for the derivation of a better-informed borrower credit risk rating, borrower credit profile, and appropriate guarantee terms and conditions. CGIF's RMD reviews all GCPs and GUPs and submits its Credit Review Notes for guidance of the DOD deal team, the GIC, and the BOD.

A proposed guarantee should not cause CGIF's leverage ratio to exceed the limit of 2.5×. Leverage ratio is the ratio of (i) total credit guarantee exposure net of reinsured exposures to (ii) CGIF equity. A proposed guarantee should likewise not cause a breach of exposure concentration limits per issuer, per country, per currency, per sector, per industry, among others. Guarantee concentration limits are reckoned on either CGIF's Maximum Guarantee Capacity (MGC) or on CGIF's paid-in capital. MGC is determined as 2.5 times CGIF paid-in capital and retained earnings less credit loss and foreign exchange loss reserves. CGIF's single issuer concentration limit is 20% of CGIF paid-in capital. CGIF's concentration limit per country, currency, sector, and per industry are 20%, 40%, 40%, and 20% of MGC, respectively.

CGIF deems that it has adequate capital to underwrite credit guarantees for as long as its capital exceeds total capital charge; alternatively, for as long as the capital-to-capital charge ratio—capital adequacy ratio (CAR)—exceeds 1.0. Providing a buffer, CGIF requires that its CAR should not fall below 1.1. A proposed guarantee should not cause its CAR to fall below 1.1. Additionally, any proposed guarantee should not cause CGIF's guarantee portfolio weighted average probability of default to fall below that corresponding to the international credit rating grade, BB-.

Each outstanding guarantee and the quality of the guarantee portfolio are reviewed periodically. Credit ratings are reviewed annually, and credit rating migrations are monitored. Credit actions are taken as appropriate and when necessary. The RMD computes expected credit losses pursuant to IFRS 9 and submits these to CGIF's Financial Control Department for consideration in loss provisioning.

CGIF is in treaty with a consortium of reinsurers. Under the treaty, 25% of guarantees with tenors of not more than 7 years and amounts that are not more than $150 million that are issued by CGIF during the treaty period are ceded to the consortium. The consortium's approval may be requested for CGIF to cede more than 25% of a guarantee amount, or for guarantees with tenor over 10 years or that have amounts that are more than $150 million.

MANAGEMENT OF MARKET RISK AND CREDIT RISK MANAGEMENT

CGIF's capital resources are managed by the ADB's Treasury Department pursuant to CGIF's OP, CGIF's Treasury Risk Management Guidelines, and to ADB's own treasury risk management 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 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.

CGIF's capital resources are invested in eligible USD-denominated fixed income securities and in bank deposits. Investments in fixed income securities are carried at 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 in Net Income but are accounted in Other Comprehensive Income in the financial statements. CGIF limits the unrealized loss of the investment portfolio to not more than 1.0% of equity. CGIF's investment portfolio's modified duration is limited to not more than 5 years. Pursuant to OP 220, CGIF's long-term investments are restricted to those securities with international ratings of AA- or better, except for investments in securities of government-related entities in CGIF Contributor countries that may be rated as low as A+. Ratings of short-term investments should not be lower than A-1.

Credit concentration of investments are controlled by policy limits on exposure per issuer, per type of issuer, and per country rating grade. CGIF controls the concentration of investment per country of issuer. The lower the country sovereign rating grade, the lower the investment concentration limit—0% of CGIF capital for countries rated A or lower; up to 30% of CGIF capital for countries rated AAA, except for the US where the investment concentration limit is 100% of CGIF capital. Investments in short-term money market instruments are excluded in reckoning country concentration against country limits.

LIQUIDITY RISK MANAGEMENT

CGIF is liquid insofar as it can 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 operating liquidity risk by estimating liquidity gaps at each of the next 3 months. This exercise is conducted quarterly. Liquidity stress tests are likewise conducted quarterly to determine CGIF's ability to raise funds required in a stress scenario defined as a service guarantee call of an amount representing the largest guaranteed accounts and of 20% of number of outstanding guarantee accounts.

FOREIGN EXCHANGE RISK MANAGEMENT

CGIF's FX risk relates to the risk of loss due to a decrease in the USD value of assets denominated in local currencies, or to an increase in USD value of liabilities, denominated in local currencies. CGIF's FX risk is mitigated by USD profile of CGIF's financial book—95% of total assets represents investments in USD securities that, in turn, represents Contributors' equity in CGIF. The CGIF BOD approved in 2017 to remove the requirement to hedge FX risk relating to guarantee fees in local currencies. Corollary to this, the BOD has removed the limit on open foreign currency exposures.

OPERATING RISK AND COMPLIANCE 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 quarterly Risk and Control Self-Assessments (RCSAs).

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 RISK MANAGEMENT

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 and its CAR should not fall below 1.0.

ENVIRONMENTAL AND SOCIAL SAFEGUARDS RISK MANAGEMENT

As a trust fund of the Asian Development Bank (ADB), CGIF complies with the requirements for Financial Intermediaries as detailed in Safeguard Requirement 4 of ADB's Safeguard Policy Statement, 2009. As such, CGIF has developed and implemented an Environmental and Social Safeguards (ESS) Policy and Framework to manage the environmental and social risks of the guarantees it issues. As part of the Operational Policies (OP), the ESS Framework outlines the procedures RMD undertakes to review, assess, monitor, and implement transactions in compliance with the policy; the extent of appraisal depends on both the transaction modality and the outcome of categorization undertaken by CGIF. Such assessment subsequently determines the measures the issuer is required to undertake to avoid or, where avoidance is not possible, to minimize and/or compensate for adverse impacts on the environment and on affected people. For corporate guarantees, this includes the development of an Environmental and Social Management System (ESMS), which helps issuers achieve sustainable development goals.

INTEGRITY RISK MANAGEMENT

CGIF's Integrity Policy and associated procedures were developed and implemented in 2019. They require CGIF to obtain reasonable assurance that its guarantees will neither be utilized for unlawful purposes, including money laundering and the financing of terrorism, nor facilitate tax secrecy, tax evasion, or tax fraud. The procedures form part of CGIF's Risk Management Framework (RMF) and comprise processes to identify, assess, manage, and monitor integrity-related issues in the course of guarantee processing, issuance, and administration. If significant integrity risks are identified, these are disclosed to CGIF's BOD and addressed, as appropriate, in legal documents.

STAFFING AND ORGANIZATION STRUCTURE

CGIF's approved staff number for 2019 is a complement of 59 staff members, excluding secondees. The updated staff complement by category as of end of December 2019 is provided in Table 6.

TABLE 6: STAFF RESOURCES BY CATEGORY

Staff Category	Head Count
Executive Staff	7
Professional Staff	11
National Staff	14
Administrative Staff	22
Total	**54**

By the end of 2019, a total of 54 positions had been filled, compared to the 46 filled positions in 2018. During 2019, 2 executive, 5 national and administrative staff members left CGIF, while 2 executive, 2 professional, and 11 national and administrative staff members joined. These new staff members were distributed between Risk Management Department, Deal Operations Department, Finance Department, Internal Audit Department, and Budget, Planning, Personnel & Management Systems Department.

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

KEY STAFF DEMOGRAPHICS

FIGURE 14: STAFF GENDER

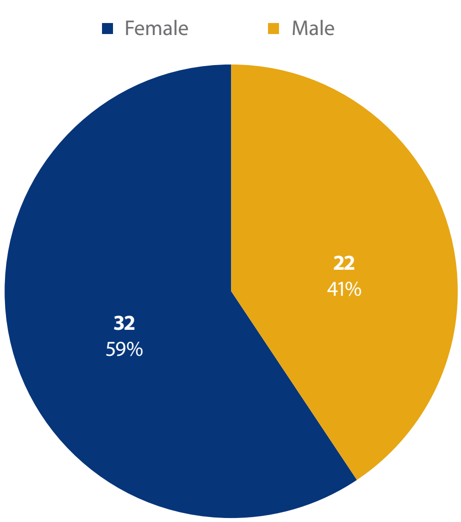
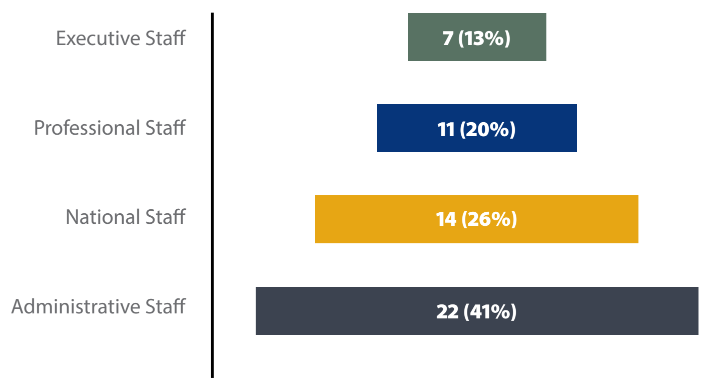


FIGURE 15: STAFF CATEGORY



INSTITUTIONAL INFRASTRUCTURE

The institutional infrastructure in 2019 focused on the following key areas:

1. **Implementation of Medium-term Business Strategy (MBS).** CGIF Management continues to pursue the plans laid out in the MBS approved in August 2017. The MBS provides guidance on CGIF's roles, operational focus, country-specific business strategies, and growth path until 2026.

2. **Execution of Capital Increase.** Following the MOC's approval of CGIF's Capital Increase Proposal (CIP) in December 2017, CGIF continues to follow up the CIP plan in accordance with the agreed timelines in close coordination with the BOD and the Contributors. As of 31 December 2019, CGIF's Capital Contribution stands at $1,077.6 million. The additional paid-in capital in 2019 came from People's Republic of China ($142.8 million), Asian Development Bank ($50 million), Republic of Korea ($23.8 million), Philippines ($1.7 million), and Lao PDR ($100,000).

3. **Independent Evaluation.** The Management engaged KPMG Services Pte. Ltd. (Singapore) on February 2019 to conduct an Independent Evaluation. The evaluation aimed to provide the BOD and Management the achievements and value of CGIF Operations and to capture lessons learned from the past operations. The evaluation's findings and recommendations were presented to BOD in September 2019.

4. **Infrastructure Investor Partnership (IIP).** CGIF Management tabled a draft concept paper on IIP to the BOD in September 2018. 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. Under the direction of the BOD, Management has engaged KPMG Services Pte. Ltd. (Singapore) to undertake a market assessment and feasibility study. A kickoff meeting between KPMG, Management, and the BOD was held in October 2019.

5. **Human Resource Information System.** In 2018, HR embarked on a multi-year work program to build the foundation for an electronic database of employee details. In 2019, under HRIS Phase 2, two new modules were introduced. These modules aimed to automate the workflows of leave applications and their approvals as well as provide staff direct access to and management of their personal data in the system. The system also allowed the staff to view and print documents online, including pay slips and the certification of employment.

BUDGET

Budget utilization ratio (before contingency) for 2019 is 88% (or $10.99 million). It increased from 85% in 2018 (or $8.48 million). CGIF's expenses comprise mainly of expenses related to the BOD and the annual Meeting of Contributors, staff salaries and benefits, staff consultants, financial services, legal services, business travel, and other administrative expenses.

The BOD, in its November 2019 meeting, approved the 2020 budget of $13.39 million, committing the necessary resources to support the 2020 Work Program.

FINANCIAL HIGHLIGHTS

CGIF generated a net income of $23.2 million in 2019. This is $6.3 million or 37.3% higher than the previous year's. The increase was realized through the $13.5 million increase in total revenues and was offset by the $7.2 million increase in total expenses. Of the total revenue of $42.4 million, $24.6 million was contributed from investment income and $14.5 million from guarantee income. The growth of gross revenue was driven by the 48.0% increase in income from guarantees—from $9.8 million to $14.5 million. This significant increase is attributed to a number of deals closed towards the end of 2018 and early 2019. Continuous growth of investment income in 2019 is attributed to the increased investment yield as well as the additional capital infusion that was placed in investment securities. The total expenses ended at $19.3 million, 60.1% higher than previous year's due to increased reinsurance expenses, increased operational costs, and additional provision for impairment. Additional provision for impairment based on the expected credit losses in 2019 reached $2.8 million to account for a guarantee that dropped to stage 2.

Outstanding guarantee issued as of the end of 2019 increased to $2,090 million or by 48.3%—from $1,410 million in 2018. Recognized guarantee fee receivables and guarantee liability recorded $65.7 million and $73.2 million, which mark increases of 64.3% and 65.0% from 2018, respectively.

Total Member's Equity increased to $1,178.4 million in 2019, 29.4% increase from last year's $911.0 million. Retained Earnings for 2019 was $23.2 million. CGIF's Reserve, which is the accumulation of allocated retained earnings since its establishment, stood at $62.3 million.

FIGURE 16: REVENUE VS. EXPENSES

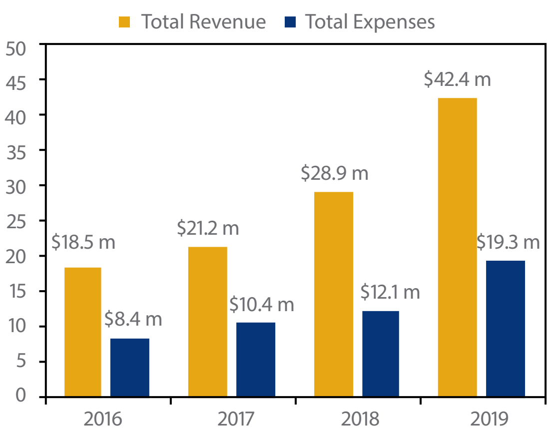


FIGURE 17: ADMINISTRATIVE AND OPERATIONAL EXPENSES

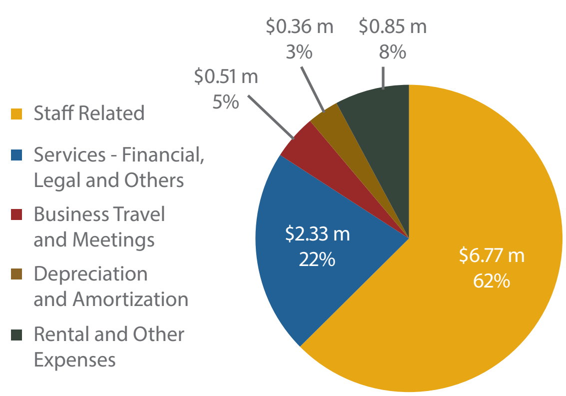


FIGURE 18: GUARANTEE LIABILITY

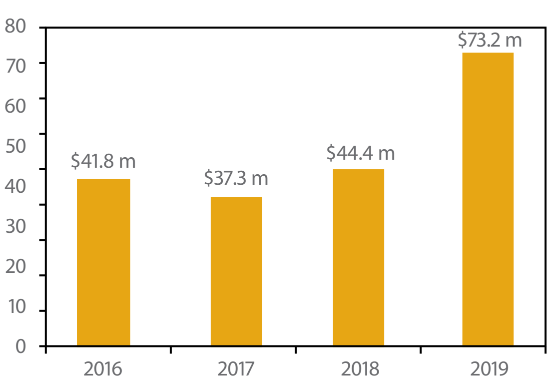
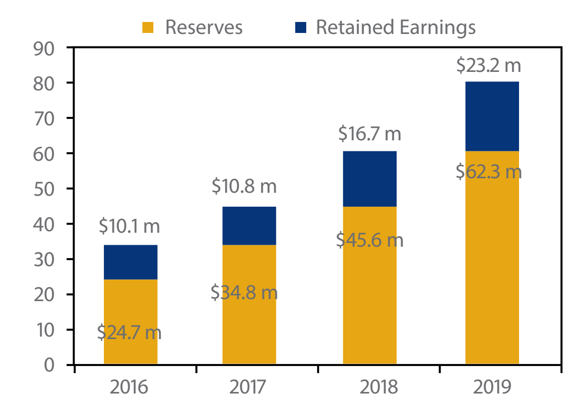


FIGURE 19: RETAINED EARNINGS AND RESERVE



OUR PEOPLE

BOARD OF DIRECTORS

Chairman
Board of Directors

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

Chairman
Nomination and Remuneration Committee

Mr. Yuchuan Feng
General Manager
Investment Management Department
The Export-Import Bank of China, PRC

Chairman
Internal Control and Risk Management Committee

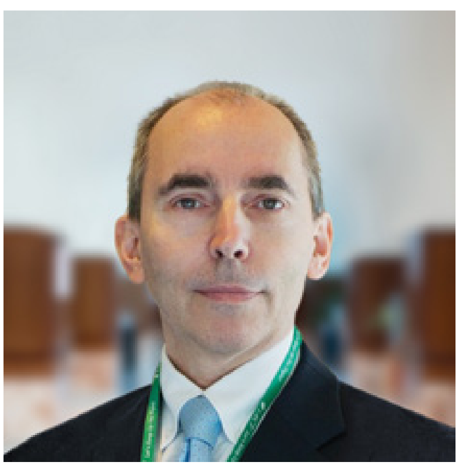
Ms. Jessica Ja Young Gu
Director
Financial Investment Department
The Export-Import Bank of Korea

Chairman
Audit Committee

Mr. Mark Dennis Y.C. Joven
Undersecretary
International Finance Group
Department of Finance Philippines

Mr. Mitsutoshi Kajikawa
Director
Regional Financial Cooperation Division
International Bureau
Ministry of Finance Japan

Mr. Zhengwei Zhang
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

Ms. Guiying Sun
Chief Executive Officer
Credit Guarantee and Investment Facility

MANAGEMENT TEAM

Guiying Sun
Chief Executive Officer

Ms. Guiying Sun is the Chief Executive Officer of Credit Guarantee and Investment Facility ("CGIF"). Prior to joining CGIF, Ms. Sun was Deputy General Manager of the Investment Management Department of the Export-Import Bank of China. Having served as a member of CGIF's Board of Directors, she has been involved in CGIF since its formative years and has contributed to the formation of its current Medium-term Business Strategy (2017-2026). She held the position of General Manager of Chongqing Export-Import Credit Guarantee Company from 2011 to 2015.

Ms. Sun holds both a Master of Science in Economics and Development Economics and Master in Finance from Nottingham University and Central University of Finance and Economics, respectively.

Mitsuhiro Yamawaki
Deputy Chief Executive Officer
/ Chief Risk Officer

Mr. Mitsuhiro Yamawaki is the Deputy Chief Executive Officer / Chief Risk Officer of CGIF. Prior to joining CGIF, Mr. Yamawaki was Senior Advisor of the Credit Risk Analysis Division of the Japan International Cooperation Agency ("JICA"). He provided advice on all credit risk issues associated with JICA's operations in developing countries and guidance on its risk appetite frameworks, risk governance, and risk policies.

He was also involved in risk assessment of ADB's investment in CGIF as Director of Credit Risk Assessment Division at Office of Risk Management (ORM) when CGIF was established. When he was promoted as ADB ORM Head, he was responsible for overseeing risk planning and assessment of all new private sector transactions, operations, and related-risk management. He also has extensive experience in investment banking, corporate banking, and project and structured finance at a commercial bank, including a C-level position as General Manager of the Investment Banking Division for the Bank of Tokyo-Mitsubishi UFJ in New York, USA, prior to his assignments at JICA and ADB. He holds a Bachelor's Degree in Political Science from Waseda University in Tokyo, Japan.

Aarne Dimanlig
Chief Credit-risk Officer

Gene Soon Park
General Counsel & Board Secretary

Mr. Aarne Dimanlig is CGIF's Chief Credit-risk Officer. Mr. Dimanlig had 16 years of risk management and investment banking experience prior to joining CGIF. His other professional experiences include appointments at Columbia University, Graduate School of Business; the International Monetary Fund; and the University of California, Santa Barbara, USA.

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.

Mr. Gene Soon Park is the General Counsel & Board Secretary of CGIF. Mr. Park started his legal career as an 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 Law School of Stanford University Master's Degree of SPILS (Stanford Program for International Legal Studies).

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

Mr. Hou Hock Lim is CGIF's Corporate Planner & Head of Budget, Planning, Personnel & 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 Touché Tohmatsu (Melbourne, Australia), doing corporate advisory work for regional mergers and acquisitions, regional restructuring, and global transaction services. He also worked at Danajamin, a bond guarantor in Malaysia overseeing the functions of Finance, Treasury, Administration and IT, and Affin Investment Bank Bhd 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 Program. More recently, he completed a Strategic HR Management Program at the National University of Singapore. He is certified with the Australian Society of CPAs and Malaysian Institute of Accountants.

Jackie Jeong-Ae Bang
Internal Auditor

Ms. Jackie Jeong-Ae Bang is the Head of Internal Audit of CGIF. She was the Senior Vice President of Singapore-based Citibank Internal Audit Department for 9 years, covering ASEAN+3 region along with India subcontinent and Australia/New Zealand. She has over 20 years of extensive banking experience 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 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 also obtained certificates for Project Management Professional (PMP) and Certified Fraud Examiner (CFE).

Dong Woo Rhee
Chief Financial Officer

Mr. Dong Woo Rhee is CGIF's Chief Financial Officer. He joined the group as its first treasury specialist and has worked for various duties associated with treasury, investment, accounting, and research. Apart from his CGIF career, Mr. Rhee has 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, he was awarded "The Most Astute G3 Bond Investor" in the 2006 Asset Benchmark Survey.

Mr. Rhee attended Sogang University for his Bachelor Degree in Business Administration and Korea Advanced Institute of Science and Technology for his Master's 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 holds both CFA (Chartered Financial Analyst) and FRM (Financial Risk Manager) credentials. He is also a certified IFRS (International Financial Reporting Standards) Manager.

Jin Yong Park
(Acting) Vice President Operations

Mr. Jin Yong "Joseph" Park is the (Acting) Vice President of Operations for CGIF. He directly engages with investment bankers and is responsible for the end-to-end execution of CGIF's bond guarantees to its potential clients. Prior to joining CGIF, he worked at Samsung Securities as a Credit Investment Specialist and was an Investment Strategist for Asia, focused on different credit investment products and emerging market sovereigns. He also worked at UBS Hana Asset Management from 2003 to 2007 as a Credit Analyst and Portfolio Manager.

Mr. Park holds a Master's Degree in Accounting and Finance from The London School of Economics and a Bachelor's Degree in Management with Economics from Royal Holloway College, University of London. He is also a certified Investment Manager and a Research Analyst, certifications of which were obtained from Korea Financial Investment Association.

OUR PEOPLE

The workforce composition of CGIF is a reflection of the organization's commitment to ensure that members of the ASEAN+3 countries are well-represented. The diversity in the cultural, educational, and professional backgrounds has given CGIF the edge to look at situations from different perspectives. The varied experiences in Economics, Finance, Investments and Risk Management, Audit, Legal, and Corporate Management, meanwhile, help CGIF reach the full potential of our mission.

CGIF will not be where it is now if not for the passion for excellence and the collaboration that its members have exhibited through the years. The individual personalities and working styles have honed CGIF staff to work better as a unit, making it easier to face the challenges in reaching our goals.

As our people are CGIF's key drivers of success, their well-being is our top priority. Apart from having a reliable global health care partner in Cigna, our continued membership with International SOS and Lifeline ensures that our staff and their dependents will be provided with the best-quality emergency assistance whether they are in-country or while on mission. We also equip our staff with skills needed to act in response to emergency situations by conducting First Aid and Emergency First Response Trainings every other year.

GOVERNANCE

29 January 2019

Mr. Sun-joon Jun, Director General for Financial Investment Department of The Export-Import Bank of Korea, resigned as Director of CGIF. In his place, KEXIM nominated Ms. Ja Young Gu, Director for Financial Investment, Innovative Growth Business Finance Group of The Export-Import Bank of Korea, to serve as new Director of CGIF. Following practice, Ms. Gu also became the new Chair of the Internal Control and Risk Management Committee (ICRMC).

4 July 2019

Ms. Hongxia Li, Deputy Director General of the Department of International Economic Relations of the Ministry of Finance of the People's Republic of China, resigned as Director of CGIF. In her place, China Ministry of Finance (CMOF) nominated Mr. Zhengwei Zhang, Deputy Director General of the Department of International Economic Relations of the Ministry of Finance of the People's Republic of China.

24 October 2019

Mr. Kenichi Aso was elected as the new Chairman of the BOD of CGIF, following the resignation of previous Chairman Mr. Yuchuan Feng.

Mr. Yuchuan Feng was elected as the new Chair of the Nomination and Remuneration Committee (NRC), following the resignation of previous Chair Mr. Mitsutoshi Kajikawa.

22 November 2019

Ms. Azah Hanim Ahmad, Undersecretary, International Division of the Ministry of Finance of Malaysia, resigned as Director of CGIF. In her place, Mr. Mark Dennis Joven, Undersecretary, International Finance Group, Department of Finance, Philippines, was nominated as the new Director of CGIF, representing ASEAN. Following practice, Mr. Joven also became the new Chair of the Audit Committee (AC).

MEETING OF CONTRIBUTORS (MOC)

The annual Meeting of Contributors (MOC) for 2019 was held on 16 May 2019 in Putrajaya, Malaysia.

During the annual MOC for 2019, Contributors considered and approved the following recommendations of the BOD:

1. Minutes of the last MOC held on 31 May 2018 in Vientiane, Lao PDR
2. Annual Report for 2018 including the Audited Financial Statements
3. Allocation of the entire net income for 2018 of $16,718,424.31 in Retained Earnings to Reserve
4. Appointment of Ms. Guiying Sun as the new Chief Executive Officer (CEO)
5. Amendments to the Articles of Agreement (AoA) pursuant to the enhancement of management structure as below

Article	Update
Schedule 3 Definitions	**"Executive Staff"** means the Chief Executive Officer, the Chief Risk Officer **(Deputy Chief Executive Officer)**, and all members of the Executive Committee as determined by the Board of Directors~~, including the vice president of operations, the chief financial officer and the general counsel;~~

6. Selection of Deloitte as external auditor for FY 2019 till FY 2023

The Contributors also discussed the Progress Report of CGIF, the update on the Capital Increase Proposal, the update on the Infrastructure Investors Partnership (IIP), and the update on CGIF tax exemption status and regulatory treatments report.

A Special MOC was called via teleconference on 24 October to approve 1) the minutes of the last MOC held on 31 May 2019 in Putrajaya, Malaysia and 2) the election of Mr. Kenichi Aso as the new Chair of the BOD and Mr. Yuchuan Feng as the new Chair of the NRC.

BOARD OF DIRECTORS (BOD)

In 2019, the BOD held a total of four meetings: one meeting in Manila, Philippines; one meeting in Penang, Malaysia; one meeting in Seoul, Korea; and one teleconference meeting. 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 2019 are summarized below:

9-10 April 2019 (Manila, Philippines)

1. Approval of the minutes of the BOD meeting held in Manila, Philippines, 27 November 2018
2. Approval of the recommendation of Ms. Guiying Sun as the new CEO of CGIF for the MOC's confirmation
3. Approval of the discussion on IIP and approval on CGIF's involvement in preparatory works, including setting up Task Force Team
4. Approval of the Annual Report for 2018
5. Approval of the allocation of the Net Income of $16,718,424.31 to Reserve
6. Approval of the Performance Evaluation of Mr. Kiyoshi Nishimura, then CEO of CGIF
7. Approval of the Extension of Appointment of Internal Auditor
8. Approval of the Capital Increase Plan
9. Approval of the Scope and Selection Process of the second member of the EAP
10. Approval of the selection of Deloitte as the External Auditor for FY 2019 till FY 2023
11. Approval of the Integrity Policy

The directors also listened to and discussed the reports of the Chairs of the AC, ICRMC, and NRC; progress report on CGIF; and progress report on Independent Evaluation (inviting consulting firm, KPMG).

28 June 2019

An ad hoc BOD meeting was held via teleconference to discuss the Guarantee Underwriting Proposal (GUP) for Hong Phong 1 Energy Joint Stock Company.

18-19 September 2019 (Penang, Malaysia)

1. Approval of the minutes of the (i) BOD meeting held in Manila, Philippines, 9-10 April 2019, (ii) joint NRC and ICRMC meeting in Manila, Philippines, 9 April 2019, (iii) special BOD meeting via teleconference, 28 June 2019
2. Approval of the proposal on IIP
3. Approval of the proposal of CRO's authority to turn down GUPs that exceed tolerance limits with a consensus not to change OP 180. However, directors requested for more clarification on OP 6 and OP 225 to avoid inconsistency. The CGIF BOD Secretariat was requested to circulate the new proposal electronically for approval or submit it to the next BOD meeting for the BOD's consideration.
4. Approval of the new Issuer Eligibility Criterion
5. Approval of the Amendment of Operational Policies and Executive Committee Charter regarding the titles of Executive Staff as below, as well as some of the changes on CGIF Integrity Policy and Executive Committee Charter following the changes of the titles

TABLE 7: CHANGES IN EXECUTIVE STAFF TITLES

Current Job Title	Proposed Amendment
Chief Executive Officer	(unchanged)
Deputy Chief Executive Officer / Chief Risk Officer	(unchanged)
Director Guarantee Operations	Vice President Operations
Director Legal	General Counsel & Board Secretary
Director Treasury & Finance	Chief Financial Officer
Director Budget, Planning, Personnel & Management Systems	Corporate Planner & Head of Budget, Planning, Personnel & Management Systems
Director Internal Audit	Internal Auditor
Director Institutional Risk	Institutional Risk Officer
Director Credit Risk	Chief Credit-risk Officer

6. Approval of the resignation of then Chair of the BOD Mr. Yuchuan Feng and proposal to recommend Mr. Kenichi Aso as the new Chair of the BOD to MOC for election

The directors also listened to and discussed the reports of the Chairs of the AC, ICRMC, and NRC; progress report on CGIF, Tenor Eligibility Criterion, New Product Concept: Guarantee by Risk Participation; update on the second round of Capital Increase Plan; and the Final Report on Independent Evaluation (inviting consulting firm, KPMG).

28-29 November 2019 (Seoul, Korea)

1. Approval of the (i) minutes of the BOD meeting held in Penang, Malaysia, 18-19 September 2019 and (ii) Circulated BOD Resolutions of (a) New Product Concept: Guarantee by Risk Participation and (b) Recommendation for the new Vice President Operations
2. Approval of the Business Plan, Work Programs, and Budget 2020
3. Approval of the proposal for amendment of RMF and OP Paragraphs regarding the Treasury Risk Management Guidelines to mitigate breaches on country exposure limit
4. Approval of the CRO's authority to turn down GUPs
5. Approval of the new Tenor Eligibility Criterion

In 2019, through electronic means, the BOD deliberated and approved guarantee-related items as follows:

1. Approval of the revised GUP for Yoma Strategic Holdings Limited on 21 January 2019
2. Approval of the GUP for Nexus International School (Singapore) Pte. Ltd. on 20 May 2019
3 Approval of the GUP for Hong Phong 1 Energy Joint Stock Company on 9 July 2019
4. Approval of the GUP for Thaifoods Group Public Company Limited on 30 September 2019
5. Approval of the GUP for RMA (Cambodia) Co. Ltd. on 25 October 2019
6. Approval of the GUP for Vietnam Electrical Equipment Joint Stock Corporation on 7 November 2019
7. Approval of the GUP for Prasac Microfinance Institution Limited on 19 November 2019
8. Approval of the GUP of an investor-procured credit guarantee (Type B Guarantee) for Energy Absolute Public Company Limited with Asian Development Bank as the Investor on 26 December 2019

One of the key items that the BOD discussed and approved in 2019 is the Proposal of Infrastructure Investors Partnership (IIP). After that, an internal working group (IWG) was established, consisting of all the directors or their alternates as well as CGIF's Management and staff members. KPMG was appointed to undertake the Infrastructure Demand and Feasibility Study. The IWG held frequent meetings to listen to the KPMG progress report and discussed key matters regarding IIP.

In 2019, through electronic means, the BOD also deliberated and approved other strategic items as follows:

1. New Product Concept: Guarantee by Risk Participation
2. Recommendation for the new Vice President Operations

In 2019, the Board File Access Server was established to provide access to the directors and their assistants to the important documents of CGIF to make BOD operations more efficient and effective.

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, CGIF 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 empower 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 BOD.

Calendar Year 2019 Audit Committee Activities

The Audit Committee convened four times in 2019 with three physical meetings (on 9 April, 18 September, and 28 November) and one electronically, via email (on 26 April). 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 issues and judgments 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 first physical meeting held on 9 April 2019, the Audit Committee approved the CGIF's 2018 Audited Financial Statements. The external auditor, Deloitte & Touche Singapore (Deloitte), physically participated in the meeting without CGIF Management in attendance to present the opinion of external auditor on CGIF's Financial Statements and to respond to the questions from the Audit Committee.

Three quarterly unaudited financial statements were reported to the Audit Committee for their review on 20 May, 1 August, and 20 November 2019, respectively.

EXTERNAL AUDIT

The Audit Committee is responsible for overseeing the work of external auditor and in making recommendations to the BOD and the Contributors on its appointment, re-appointment, and removal. Deloitte is the external auditor selected by the Contributors for another term of 5 fiscal years, from 2019 to 2023, as recommended by the Audit Committee and the BOD.

The engagement terms, which include the scope of work and the appropriateness of the audit fees, were 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 that 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 2019. The audit report includes findings and recommendations for high and medium-risk observations, with the corresponding action plans. In 2019, the Internal Auditor completed and released two audit reports in line with the approved audit plan. The quarterly audit update includes (i) quarterly audit refresh exercise for any change in the approved plan, (ii) internal audit activities report, (iii) corrective action plans validation and monitoring status, and (iv) coordination of external audit, as applicable.

In its third physical meeting on 28 November 2019, the Audit Committee reviewed and approved the internal audit plan for 2020.

The Audit Committee reviews and monitors the 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.

INDEPENDENT EVALUATION

During 2017 and 2018 BOD discussions on capital increase, the BOD requested to conduct the Independent Evaluation for the guarantee operations. The objective of the Independent Evaluation is to inform the BOD and CGIF Management of the achievements and value of CGIF operations in line with Asian Bonds Market Initiative, and to capture lessons learned from the past operations. The Independent Evaluation's findings and recommendations will be utilized for improving CGIF's operations. ADB's Independent Evaluation Department provided guidance on the scope and preparation of Terms of Reference. KPMG Services Pte. Ltd. Singapore (KPMG), an external consulting firm, was commissioned to conduct the Independent Evaluation, as approved by the CGIF's Executive Committee on 18 January 2019. Internal Auditor is tasked to be responsible for this outsourcing arrangement.

KPMG conducted the Independent Evaluation based on the review of CGIF's internal documents; desktop research and analysis; and structured interviews conducted with CGIF Management and staff, the BOD, and various external stakeholders (comprising of bankers, regulators, issuers in Singapore, Malaysia, Thailand, Indonesia, Philippines, Vietnam, and Cambodia).

Final results of Independent Evaluation were reported to the BOD on 18 September 2019. There were 42 high-, 20 medium-, and 8 low-impact observations and 70 recommendations identified, covering evaluation of objectives, governance, fund impact, project impact, and operational efficiencies. In response to the observations and recommendations from the Independent Evaluation, management action plans were presented in November 2019 BOD meeting. Detailed Management Action Plan (MAP) on Independent Evaluation was coordinated by Internal Auditor, which was reported electronically to BOD on 1 April 2020.

INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE (ICRMC)

The ICRMC met three times in 2019 (on 9 April, 18 September, and 28 November). Proposed policies relating to internal control and risk management were deliberated and approved by the ICRMC at its physical meetings.

Under the guidance of the ICRMC, the managerial and operational level responsibilities have been implemented by the Guarantee and Investment Committee (GIC) that is chaired by the Chief Risk Officer. In 2019, the GIC reviewed 18 GCPs, 10 GUPs, and 13 annual reviews. Of the 10 GUPs approved by the GIC, 9 were endorsed to the BOD, of which 7 were approved. Two GUPs were pending BOD approval at end-2019. One GUP was not transmitted to the BOD as the borrower could not satisfy CGIF's environmental safeguards requirements.

CGIF underwrote guarantees amounting to $496 million in 2019. Gross guarantee portfolio increased to $1,623 million in 2019 from $1,127 million in 2018. On account of capital infusions by CGIF Contributors, CGIF's maximum guarantee capacity increased to $2,881 million at end-2019 from $2,282 million at end-2018. At end-2019, CGIF's leverage ratio was at 1.14× versus 1.0× at end-2018, both well below the limit of 2.5×. CGIF's CAR at end-2019 was at 3.96×, above the limit of 1.0×, and slightly decreased from the 4.01× CAR at end-2018.

TABLE 8: GUARANTEES

In $ millions	2018	2019
Guarantees Underwritten	301	496
Guarantee Portfolio	1,127	1,623
Guarantee Portfolio, Net of Reinsurance	926	1,317

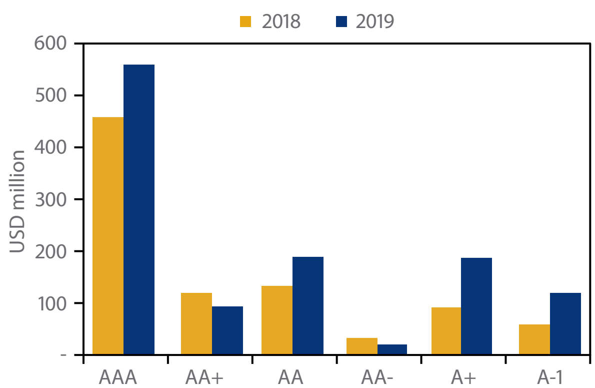
TABLE 9: CAPACITY METRICES

	2018	2019
Maximum Guarantee Capacity, $ Million	2,282	2,881
Leverage Ratio (ceiling, 2.5×)	1.01×	1.14×
Capital Adequacy Ratio (floor, 1.0×)	4.01×	3.96×

CGIF guaranteed bonds of six accounts in 2019. One guaranteed bond matured in 2019. At the end-2019, there were 20 issuers (15 at end-208) whose bonds were guaranteed by CGIF.

CGIF's investment portfolio duration at end-2019 was 3.1 years versus 2.6 years at end-2018, both within the limit of 5 years. About 50% of the CGIF's investment portfolio is rated AAA. At end-2019, 74% of the portfolio is rated AA- or better versus 83% at end-2018. No investment concentration limit has been breached in 2019 except for the breach of the country limit for countries with sovereign rating A or lower – 0% of CGIF capital. This has been rectified by the carve-out of money market instruments in the measurement of country exposures. In 2019, as in 2018, CGIF passed tests for adequacy of liquidity under normal conditions, and under stressed conditions.

FIGURE 20: INVESTMENT DISTRIBUTION BY RATING GRADE



THE NOMINATION AND REMUNERATION COMMITTEE (NRC)

The Nomination and Remuneration Committee (NRC) is composed of three members of the Board of Directors (BOD). The three directors representing the People's Republic of China, the Asian Development Bank (ADB), and Japan comprise the NRC, with China Director as the Chairperson. The Meeting of Contributors (MOC) approves the appointment of the Chairperson.

The NRC is responsible for determining and recommending to the BOD and the MOC the remuneration, pensions, and any other compensation to senior executives in line with the organization's culture, strategy, business environment, and industry best practice.

Principally, the Committee ensures:

a. having in place a succession plan for the Chairperson of the BOD and the CEO;
b. making necessary recommendations to the BOD for the continuation in service of the executive staff of CGIF and the selection and appointment of these executives;
c. providing necessary information to the BOD relating to matters concerning selection of executives, to be included in CGIF's Annual Report;
d. attendance of the NRC Chairperson in the MOC, relating to the nomination and selection of the CEO; and
e. reporting to the BOD at least annually on its activities and recommendations.

9 April 2019, NRC Meeting, Manila, Philippines

The Committee noted the two reporting items, namely the salary adjustment for 2019 and Management's responses to Korean Director's proposal on Enhancement of Management Structure, which was discussed from the previous NRC meeting in November 2018.

18 September 2019, NRC Meeting, Penang, Malaysia

The Committee at the meeting accepted and approved the resignation of the current NRC Chairperson and the recommendation of a new NRC Chairperson to BOD—and subsequently MOC—for special election in October 2019.

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 2019

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

INDPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

CONTENTS

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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, 2019 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, 2019, 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.

Deloitte.

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.

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

April 14, 2020

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2019
Expressed in Thousands of United States Dollars

	NOTES	2019	2018
ASSETS			
CASH		3,740	7,041
INVESTMENTS	5	1,176,212	904,555
ACCRUED INTEREST INCOME	5	7,192	5,124
GUARANTEE FEE RECEIVABLE, NET	6	65,647	39,944
RIGHT OF USE – LEASE ASSET, NET	7	172	-
FURNITURE, FIXTURES AND EQUIPMENT, NET	8	217	163
INTANGIBLE ASSETS, NET	9	30	156
OTHER ASSETS	10	1,857	773
TOTAL ASSETS		**1,255,067**	**957,756**
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
GUARANTEE LIABILITY	6	73,204	44,358
UNEARNED INTEREST INCOME – GUARANTEES		548	402
LEASE LIABILITY	7	167	-
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	11	1,745	1,165
OTHER LIABILITIES	12	971	839
TOTAL LIABILITIES		**76,635**	**46,764**
MEMBERS' EQUITY			
CAPITAL STOCK			
PAID-IN CAPITAL	13	1,077,600	859,200
RETAINED EARNINGS		23,162	16,718
RESERVE	14	62,333	45,615
ACCUMULATED OTHER COMPREHENSIVE INCOME			
INVESTMENT REVALUATION RESERVE	5	15,337	(10,541)
TOTAL MEMBERS' EQUITY		**1,178,432**	**910,992**
TOTAL LIABILITIES AND MEMBERS' EQUITY		**1,255,067**	**957,756**

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF NET INCOME
For the year ended 31 December 2019
Expressed in Thousands of United States Dollars

	NOTES	2019	2018
REVENUE			
GUARANTEE FEES		12,947	8,735
INTEREST INCOME	15	26,177	19,742
REALIZED GAIN FROM SECURITIES		14	4
COMMISSION - REINSURANCE	18	2,104	698
MISCELLANEOUS INCOME	16	642	352
GROSS REVENUE		**41,884**	**29,531**
EXPENSES			
ADMINISTRATIVE AND OPERATIONAL EXPENSES	17	10,822	8,446
REINSURANCE EXPENSES	18	4,568	2,538
WRITE-OFF EXPENSE	19	-	123
FINANCIAL EXPENSES		89	73
IMPAIRMENT LOSSES	5, 6	2,837	42
MISCELLANEOUS EXPENSES	12	971	839
TOTAL EXPENSES		**19,287**	**12,061**
NET OPERATING INCOME		**22,597**	**17,470**
GAIN (LOSS) FROM FOREIGN EXCHANGE		565	(613)
NET INCOME		**23,162**	**16,857**

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019
Expressed in Thousands of United States Dollars

	NOTES	2019	2018
NET INCOME		23,162	16,857
OTHER COMPREHENSIVE INCOME			
ITEM THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME:			
NET UNREALIZED GAIN (LOSS) ON INVESTMENTS MEASURED AT FVTOCI	5	25,878	(1,161)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**49,040**	**15,696**

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 2019
Expressed in Thousands of United States Dollars

	Paid-in Capital					
	Subscribed Capital	**Unpaid Subscription**	**Retained Earnings**	**Reserve**	**Investment Revaluation Reserve**	**Total Members' Equity**
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, 1 JANUARY 2019	1,098,200	(239,000)	16,718	45,615	(10,541)	910,992
ADDITIONAL SUBSCRIPTION (NOTE 13)	50,800	167,600	-	-	-	218,400
NET INCOME FOR THE YEAR	-	-	23,162	-	-	23,162
ALLOCATION OF PRIOR YEAR INCOME TO RESERVE	-	-	(16,718)	16,718	-	-
OTHER COMPREHENSIVE LOSS						
NET UNREALIZED GAIN ON INVESTMENTS MEASURED AT FVTOCI (NOTE 5)	-	-	-	-	25,878	25,878
BALANCE, 31 DECEMBER 2019	**1,149,000**	**(71,400)**	**23,162**	**62,333**	**15,337**	**1,178,432**

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2019
Expressed in Thousands of United States Dollars

	NOTES	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
GUARANTEE RELATED INCOME RECEIVED		15,415	10,867
OTHER INCOME RECEIVED		681	315
ADMINISTRATIVE AND OPERATIONAL EXPENSES PAID		(10,849)	(8,789)
REINSURANCE EXPENSES PAID		(3,258)	(1,744)
FINANCIAL EXPENSES PAID		(89)	(73)
NET CASH PROVIDED BY OPERATING ACTIVITIES		**1,900**	**576**
CASH FLOWS FROM INVESTING ACTIVITIES			
PURCHASES OF INVESTMENTS		(3,442,156)	(3,129,101)
MATURITIES OF INVESTMENTS		3,196,742	2,956,781
INTEREST RECEIVED ON INVESTMENTS		22,110	16,948
REALIZED GAIN FROM SECURITIES		13	4
REALIZED LOSS FROM DERIVATIVES		-	(920)
PURCHASE OF FURNITURE AND EQUIPMENT		(141)	(41)
NET CASH USED IN INVESTING ACTIVITIES		**(223,432)**	**(156,329)**
CASH FLOWS FROM FINANCING ACTIVITIES			
CONTRIBUTIONS RECEIVED	13	218,400	156,200
LEASE LIABILITY PAID		(155)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES		**218,245**	**156,200**
EFFECT OF EXCHANGE RATE CHANGES IN CASH		**(14)**	**(5)**
NET (DECREASE) INCREASE IN CASH		**(3,301)**	**442**
CASH AT THE BEGINNING OF THE YEAR		7,041	6,599
CASH AT THE END OF THE YEAR		**3,740**	**7,041**

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	NOTES	2019	2018
NET INCOME		23,162	16,857
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
DEPRECIATION AND AMORTIZATION – FIXED ASSETS		213	230
DEPRECIATION – ROU ASSETS		145	-
PROVISION FOR EXPECTED CREDIT LOSSES		2,837	42
INTEREST INCOME ON INVESTMENTS		(24,558)	(18,618)
REALIZED GAIN FROM SECURITIES		(14)	(4)
LOSS ON DERIVATIVES		-	(70)
GAIN ON DISPOSAL OF ASSETS		-	(1)
WRITTEN OFF EXPENSE	19	-	123
FX REVALUATION LOSS (GAIN)		19	5
CHANGE IN GUARANTEE FEE RECEIVABLE		(25,819)	(5,581)
CHANGE IN GUARANTEE LIABILITY		26,142	7,081
CHANGE IN UNEARNED INTEREST INCOME		146	141
CHANGE IN ACCOUNTS PAYABLE AND ACCRUED EXPENSES		579	508
CHANGE IN OTHER ASSETS		(1,084)	(276)
CHANGE IN OTHER LIABILITIES		132	139
NET CASH PROVIDED BY OPERATING ACTIVITIES		**1,900**	**576**

CREDIT GUARANTEE AND INVESTMENT FACILITY

(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)

NOTES TO FINANCIAL STATEMENTS
For the year ended 31 December 2019

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 2019, $1,149,000,000 are subscribed and $1,077,600,000 are paid in by the Contributors. Details are discussed in Note 13.

The financial statements were approved by the Board of Directors on 14 April 2020 for presentation to the Meeting of Contributors (MOC) scheduled on 25 May 2020. 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 2019.

IFRS 16 Leases

This new standard introduces new or amended requirements with respect to lease accounting. 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.

The date of initial application of IFRS 16 for the company is 1 January 2019. Before adoption of this standard, CGIF recognizes rental expense as operating lease. CGIF has made use of the practical expedient available on the transition to IFRS 16 not to reassess whether a contract is or contains a lease. As of reporting date, only ADB lease contract was affected with the application of this new standard. CGIF did no adjustment on the opening balance of the retained earnings at the date of initial application since there is a new lease agreement dated 18 January 2019. CGIF recognized beginning February 2019 (effective date of new lease agreement) in the statement of financial position the right of use – lease asset and the corresponding lease liability amounting to $317 thousand.

CGIF applies the definition of a lease and related guidance set out in the new standard to all lease contracts entered into or modified on or after 1 January 2019. The new definition does not significantly change the scope of contracts that meet the definition of a lease for CGIF.

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 deposits in a bank account. The carrying amount of these assets is approximately equal to their fair value.

Financial Instruments

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

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

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 and certificates of 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.

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).

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.

Leases

Before 1 January 2019, CGIF's lease are classified as operating lease. Effective 1 January 2019 CGIF recognizes a right of use asset and a lease liability. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred and any estimated costs of dismantling and the cost of any removal and restoration of the underlying asset, less any lease incentives received.

Right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of useful life of the asset or the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in discount rate, or if there is a change on CGIF's decision to extend or terminate the lease contract based on assessment.

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
Leasehold 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 operational risk. These risks are managed pursuant to Operational Policies, and Risk Management Framework (RMF), 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 2019 and 2018 are as follows (in $'000):

	2019	2018
Financial assets		
FVTOCI	1,055,212	845,262
Financial assets at amortized cost	199,030	111,852
Financial liabilities		
Financial liabilities at amortized cost	2,644	1,956
Lease liabilities	167	-

Credit Risk

As per CGIF's Treasury Risk Management 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 A+. Short-term investments should be rated no lower than A-1. Credit risk in these investments is considered low.

Credit concentration of investments are controlled by policy limits on exposure per issuer, per type of issuer, and per country rating grade. CGIF controls the concentration of investment per country of issuer. The lower the country sovereign rating grade, the lower the investment concentration limit – 0% of CGIF capital for countries rated A or lower; up to 30% of CGIF capital for countries rated AAA, except for the US where the investment concentration limit is 100% of CGIF capital. Investments in short-term money market instruments are excluded in reckoning country concentration against country limits.

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). 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. As of 31 December 2019, CGIF's guarantee portfolio had a weighted average risk rating of BB.

CGIF 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 6 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 Treasury Risk Management Guidelines restrict CGIF's investment portfolio duration to no more than 5 years. The duration of CGIF's portfolio is the market value-weighted average of effective duration of all outstanding investments. As of 31 December 2019, CGIF's investment portfolio had remaining maturities of up to 9.84 years (5.75 years - 31 December 2018), with duration of 3.08 years (2.61 years - 31 December 2018). CGIF's investments are sensitive to interest rate movements. For CGIF's fixed income portfolio at 31 December 2019, it is estimated that a 100 basis points upward/downward parallel shift in the yield curve would cause an unrealized loss/gain of about $36.2 million ($23.7 million - 31 December 2018).

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

2019

	Asset		Liabilities	
	Local Currency	USD Equivalent	Local Currency	USD Equivalent
VND	839,101,505	36,210	-	-
SGD	12,953	9,564	-	-
THB	91,548	3,035	683	23
PHP	155,260	3,055	13,478	265
MYR	44	11	-	-
IDR	1,281	-	-	-
LAK	539	-	-	-
TOTAL		51,875		288

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

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, some foreign exchange risk exposure were left without hedge. Since November 2017, the hedging of foreign exchange risk on guarantee fee receivables is no longer required and is done on a case-by-case basis. Accordingly, the foreign exchange exposure limit was removed. For CGIF's foreign exchange exposure at 31 December 2019, it is estimated that a 10% adverse change in FX rates in the relevant foreign currency exposure will cause an instant loss of $4.70 million ($2.81 million - 31 December 2018).

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 only with eligible counterparties pursuant to CGIF's RMF, Treasury Risk Management Guidelines.

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 that 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. A liquidity stress test conducted on CGIF's guarantee portfolio as of 31 December 2019 and 2018 indicates that CGIF can generate the liquidity that will be required to meet 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.

	2019					
	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	20,003	-	45,034	776,153	214,022	1,055,212
Financial assets at amortized cost	10,882	57,888	72,864	43,294	14,102	199,030
Total financial assets	30,885	57,888	117,898	819,447	228,124	1,254,242
Financial liabilities						
Financial liabilities at amortized cost	227	432	1,724	261	-	2,644
Lease liability	14	27	126	-	-	167
Total financial liabilities	241	459	1,850	261	-	2,811
Net maturity gap	30,644	57,429	116,048	819,186	228,124	1,251,431

	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

Capital Resources

CGIF's capital resources comprise of capital stock, retained earnings and reserves. The primary objective in the management of capital resources is to protect CGIF's 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's capital resources are placed with the Trustee, ADB.

Capital Adequacy

CGIF deems that it has adequate capital to underwrite credit guarantees for as long as its capital exceeds total capital charge; alternatively, for as long as the capital-to-capital charge ratio – capital adequacy ratio (CAR) – exceeds 1.1. CGIF's CAR at 31 December 2019 was at 3.96 (4.01 – 31 December 2018).

Operating Risk

CGIF manages operating risks through quarterly risk and control self-assessments (RCSAs) by each department of 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):

	2019	**2018**
Certificates of Deposit	45,000	-
Time Deposits	76,000	59,293
FVTOCI		
Government-related-entity or government-guaranteed obligations (GGO)	946,055	741,686
Corporate obligations	109,157	103,576
Total FVTOCI	1,055,212	845,262
Total Investment	1,176,212	904,555

ADB, as the Trustee, manages capital resources in accordance with CGIF's Treasury Risk Management 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 period ended 31 December 2019, based on the portfolio held at the beginning and end of each month without the effect of change in fair value was 2.34% (2.07% - 31 December 2018)

The estimated fair value and amortized cost of the investments by contractual maturity as of 31 December 2019 and 2018 are as follows (in $'000):

	2019		2018	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
Due in less than one year	186,036	186,132	177,046	177,499
Due in one to five years	776,153	764,089	640,214	650,149
Due more than five years	214,023	210,688	87,295	87,465
TOTAL	1,176,212	1,160,909	904,555	915,113

Fair Value Disclosure

The fair value of the investments as of 31 December 2019 and 2018 are as follows (in $'000):

	2019	Fair Value Measurements		
		Level 1	**Level 2**	**Level 3**
Certificates of Deposits	45,000	-	45,000	-
Time Deposits	76,000	-	76,000	-
Government-related-entity or GGO	946,055	916,604	29,451	-
Corporate obligations	109,157	109,157	-	-

	2018	Fair Value Measurements		
		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	-	-

If available, active market quotes are used to assign fair values to investment securities. These include government-related-entity/government-guaranteed obligations and corporate 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 and certificates of deposits are reported at cost, which approximates fair value.

There were no inter-level transfers during the years ended 31 December 2019 and 2018.

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):

	2019	**2018**
Balance at beginning of the year	17	11
Loss allowance recognized in profit or loss under impairment losses during the year on:		
Assets originated	14	7
Reversals	(2)	(1)
Change in credit risk	5	-
	17	6
Balance at end of the year	34	17

Accrued Interest Income

The details of accrued interest income from investments as of 31 December 2019 and 2018 are as follows (in $'000):

	2019	**2018**
FVTOCI	6,650	5,008
Certificates of Deposits	338	-
Time Deposits	204	116
TOTAL	7,192	5,124

NOTE 6 – GUARANTEES

As of 31 December 2019, CGIF has issued guarantees covering bonds denominated in Thai Baht, Singapore Dollar, Vietnamese Dong and Philippine Peso. The total outstanding amount of the guarantees issued under the related bonds was $2,090 million as of 31 December 2019 ($1,410 million – 31 December 2018). The guarantees are inclusive of coupon payments.

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

31 December 2019

	Local Currency			USD Equivalent
	Principal	Coupon	Total Obligation	of Total Obligation
VND	15,718,000,000	7,257,415,977	22,975,415,977	991,473
SGD	695,000	135,491	830,491	613,225
THB	9,100,000	1,031,104	10,131,104	335,912
PHP	6,600,850	1,009,670	7,610,520	149,740
				2,090,350

31 December 2018				
	Local Currency			USD Equivalent
	Principal	Coupon	Total Obligation	of 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

As of 31 December 2019, a guarantee liability of $73.2 million ($44.4 million - 31 December 2018) was reported on the Statement of Financial Position. The unamortized balance of guarantee liabilities is compared vs the required ECL on a per instrument basis. As of 31 December 2019 and 2018, and the reported liability is composed of the following (in $'000):

	2019	**2018**
Unamortized balance of present value of total guarantee fees	70,500	44,358
Additional provision for ECL	2,704	-
TOTAL	73,204	44,358

As of 31 December 2019, additional provision for ECL was provided for one account that was classified into stage 2. The total amount of loss allowance for guarantee obligations determined through ECL amounted to $7.8 million as of 31 December 2019 ($3.2 million – 31 December 2018).

The reported guarantee fee receivable of $65.6 million represents the present value of the stream of total guarantee fees expected to be received for the guarantee outstanding as of 31 December 2019 ($39.9 million – 31 December 2018) net of allowance for credit losses.

As of 31 December 2019 and 2018, all of CGIF's future guarantee fee receivables are classified as Level 3 within the fair value hierarchy.

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 2019 and 2018 were summarized below:

	Valuation Technique	**Unobservable Input**	**Range**	
			2019	**2018**
Guarantee receivable	Discounted cash flows	Discount rates	3.15% to 9.70%	3.15% to 10.02%

There were no inter-level transfers during the year ended 31 December 2019 and 2018.

Impairment Losses

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

	2019	2018
Balance at beginning of the year	164	128
Loss allowance recognized in profit or loss under impairment losses during the year on:		
Assets originated	128	48
Reversals	(31)	(20)
Additions	19	8
	116	36
Balance at end of the year	280	164

NOTE 7—LEASES

As of 31 December 2019, only CGIF's office rental contract with ADB qualifies under the new lease accounting. CGIF recognized right of use- lease asset. This is initially measured at cost and is subsequently depreciated on a straight-line basis for two years. The estimated life of the asset is based on the terms of the lease contract. The details of the amount presented in the Statement of Financial Position are as follows:

Gross amount	317
Accumulated depreciation	(145)
NET Balance at 31 December 2019	172

Depreciation – ROU Lease Asset charged for the period is reported under administrative expenses in the Statement of Net Income.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payment includes fixed payment and in-substance fixed payments for the amortization of alteration cost. The discount rate used is the latest bank average domestic lending rate (annual) published by the Central Bank of the Philippines (BSP) upon date of commencement. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Interest expense is reported under financial expenses in the Statement of Net Income.

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 2018	300	272	5	577
Additions	-	36	-	36
Disposals	(4)	(42)	-	(46)
31 December 2018	296	266	5	567
Additions	56	83	-	139
Disposals	(3)	-	-	(3)
31 December 2019	349	349	5	703
Accumulated Depreciation/Amortization				
1 January 2018	(179)	(190)	(5)	(374)
Depreciation	(37)	(39)	-	(76)
Amortization	-	-	-	-
Disposals	4	42	-	46
31 December 2018	(212)	(187)	(5)	(404)
Depreciation	(36)	(49)	-	(85)
Amortization	-	-	-	-
Disposals	3	-	-	3
31 December 2019	(245)	(236)	(5)	(486)
NET, 31 December 2019	104	113	-	217
NET, 31 December 2018	84	79	-	163

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):

	Information Systems Software
Cost	
1 January 2018	1,185
Additions	6
Disposals	(221)
31 December 2018	970
Additions	2
Disposals	-
31 December 2019	972
Accumulated Depreciation/Amortization	
1 January 2018	(882)
Amortization	(153)
Disposals	221
31 December 2018	(814)
Amortization	(128)
Disposals	-
31 December 2019	(942)
NET, 31 December 2019	30
NET, 31 December 2018	156

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

NOTE 10—OTHER ASSETS

Other assets pertain to commission receivable from reinsurance, advances made by CGIF for staff benefits, prepaid expenses, 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 $0.97 million ($0.84 million – 2018), 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 $0.97 million pertaining to ADB's administration fee for 2019 will be settled subsequently in April 2020. Key management personnel total compensation of short-term employee benefits for 2019 amounted to $2.88 million ($2.78 million – 2018).

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 2019 and 2018 are as follows (in $'000):

	2019	**2018**
Authorized capital (12,000 shares)	1,200,000	1,200,000
Subscribed	1,149,000	1,098,200
Unsubscribed	51,000	101,800
Total authorized capital	1,200,000	1,200,000
Subscribed capital comprises:		
Amounts received	1,077,600	859,200
Amounts not yet due	71,400	239,000
Total subscribed capital	1,149,000	1,098,200

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 2019 and 2018 are as follows (in $'000 except for number of shares):

	31 December 2019			
Contributor	**No. of shares**	**Subscribed**	**Amount received**	**Amount not yet received**
Asian Development Bank	1,800	180,000	180,000	-
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	200	-
Malaysia	176	17,600	12,600	5,000
Myanmar, Republic of the Union of	1	100	100	-
Philippines	216	21,600	21,600	-
Singapore	216	21,600	21,600	-
Thailand	216	21,600	12,600	9,000
Viet Nam	19	1,900	1,100	800
	1,120	112,000	88,200	23,800
Others (non-ASEAN Member Countries)				
China, People's Republic of	3,428	342,800	342,800	-
Japan Bank for International Cooperation	3,428	342,800	342,800	-
Korea, Republic of	1,714	171,400	123,800	47,600
	8,570	857,000	809,400	47,600
Total	11,490	1,149,000	1,077,600	71,400

	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

Contributor	No. of shares	Subscribed	Amount received	Amount not yet received
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

Of the $218.4 million increase in paid-in capital in 2019, $167.6 million was from the additional subscription in previous years and $50.8 million was from additional subscription in 2019.

NOTE 14— RESERVE

The allocation of 2018 net income in retained earnings to Reserve was approved by the Contributors at the 16 May 2019 Meeting of Contributors, per Resolution No. 2019-A-04.

NOTE 15— INTEREST INCOME

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

	2019	2018
FVTOCI	21,747	16,692
Time Deposits	2,473	1,927
Guarantee	1,594	1,088
Certificates of Deposits	339	-
Others	24	35
	26,177	19,742

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. Total miscellaneous income for 2018 includes Fair value changes – derivatives which was previously reported as a separate line item (none in 2019).

NOTE 17— ADMINISTRATIVE AND OPERATIONAL EXPENSE

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

	2019	2018
Staff Related Expenses	6,771	5,707
Financial and Legal Services	1,444	980
Short Term Staff Consultants	890	374
Business Travel	363	369
Recruitment Expense	335	116
Depreciation and Amortization – Fixed Assets	213	229
Depreciation – ROU Assets	145	-
MOC and BOD Expenses	185	157
Rental Expense	12	133
Others	464	381
	10,822	8,446

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 were 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 was applied to the 12-month period covering 1 January 2019 to 31 December 2019. Before end – 2019, another renewal of treaty was signed to cover the 1-year period of 2020.

Reinsurance expense includes the quota share of the premium to be ceded to the consortium of reinsurers based on the reinsurance treaty. These 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.

By the end of 2019, the commission from reinsurance reported in the statement of profit and loss represents the commission income of 27.5% for the premium ceded and profit commission on the annual profit derived from all the fees ceded under a treaty. CGIF recognized profit commission of 20% on the first treaty.

In March 2019, CGIF has entered into a risk sharing agreement with KEXIM in relation to one guarantee account. KEXIM's proportion is equal to 50% of the guaranteed amount and as such, participation fee amounting to 50% of the guarantee fees will be ceded. The participation fee is paid to KEXIM at the same day CGIF receives the guarantee fee from the account.

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. There were no accounts written-off as of 31 December 2019 ($0.12 million – 31 December 2018).

NOTE 20— SUBSEQUENT EVENTS

Based on CGIF Management's assessment, COVID-19 pandemic outbreak may adversely affect some accounts in CGIF guarantee portfolio. However, the magnitude of the financial impact will depend on how the outbreak evolves, which remains uncertain as of the date of the report.

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