



Credit Guarantee &  
Investment Facility

An Asian Bond Markets Initiative



GEARED TOWARDS A  
SUSTAINABLE  
FUTURE

ANNUAL  
REPORT  
2020







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# GEARED TOWARDS A SUSTAINABLE FUTURE

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REPORT  
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## **ABOUT THE COVER:**

### **“Geared Towards a Sustainable Future”**

Ten years after it was established, Credit Guarantee and Investment Facility (CGIF) remains committed to its pivotal role in ensuring financial stability and sustainability in the ASEAN+3 region.

Moving forward, CGIF has made it its mission to also promote sustainability by ensuring the environmental and social sustainability of all activities financed with the support of its guarantees.



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## ABBREVIATIONS

ABMI	-	Asian Bond Markets Initiative
AC	-	Audit Committee
ADB	-	Asian Development Bank
AGAP	-	Alternative Guarantee Approval Process
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
BCMS	-	Business Continuity Management System
BCP	-	Business Continuity Plan
BOD	-	Board of Directors
BPM	-	Budgeting Procedure Manual
CAR	-	Capital Adequacy Ratio
CGIF	-	Credit Guarantee and Investment Facility
CIP	-	Capital Increase Proposal
CPG	-	Construction Period Guarantee
CSX	-	Cambodia Stock Exchange
DC	-	Defined Contribution
DOD	-	Deal Operations Department
ECL	-	Expected Credit Losses
ERMF	-	Enterprise Risk Management Framework
ESDD	-	Environmental and Social Due Diligence
ESS	-	Environmental and Social Safeguards
ESMS	-	Environmental and Social Management System
EXIM	-	Export-Import Bank
FAL	-	Formal Application Letter
FVTOCI	-	Fair Value Through Other Comprehensive Income
FX	-	Foreign Exchange
GCP	-	Guarantee Concept Paper
GIC	-	Guarantee and Investment Committee
GUP	-	Guarantee Underwriting Proposal
HRAU	-	Human Resources and Administration Unit
ICRMC	-	Internal Control and Risk Management Committee
IFRS	-	International Financial Reporting Standards
IIP	-	Infrastructure Investor Partnership
IMS	-	Integrity Management System
IOS	-	Instrument of Subscription
IRG	-	Institutional Risk Group
ISDA	-	International Swaps and Derivatives Association
ISO	-	International Standards Organization
JBIC	-	Japan Bank for International Cooperation
JICA	-	Japan International Cooperation Agency
LCY	-	Local Currency

MAP	-	Management Action Plan
MBS	-	Medium-term Business Strategy
MFI	-	Micro-Finance Institutions
MOC	-	Meeting of Contributors
MOF	-	Ministry of Finance
MSMEs	-	Micro, Small, and Medium Enterprises
NBC	-	National Bank of Cambodia
NRC	-	Nomination and Remuneration Committee
OHS	-	Occupational Health and Safety
OP	-	Operational Policies
ORM	-	Office of Risk Management
PD	-	Probability of Default
PER	-	Performance Evaluation and Review
PIP	-	Preliminary Information Pack
PRC	-	People's Republic of China
RCSA	-	Risk and Control Self-Assessment
RMD	-	Risk Management Department
RMF	-	Risk Management Framework
RPA	-	Risk Participation Agreement
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









# **CGIF AT A GLANCE**



# ◎ SUMMARY

## BACKGROUND

**T**he Credit Guarantee and Investment Facility (CGIF) was established by the ASEAN+3<sup>1</sup>, together with the Asian Development Bank (ADB), on 12 November 2010. The facility is part of the Asian Bond Markets Initiative (ABMI), with a goal to develop and strengthen local currency (LCY) and regional bond markets.

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

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

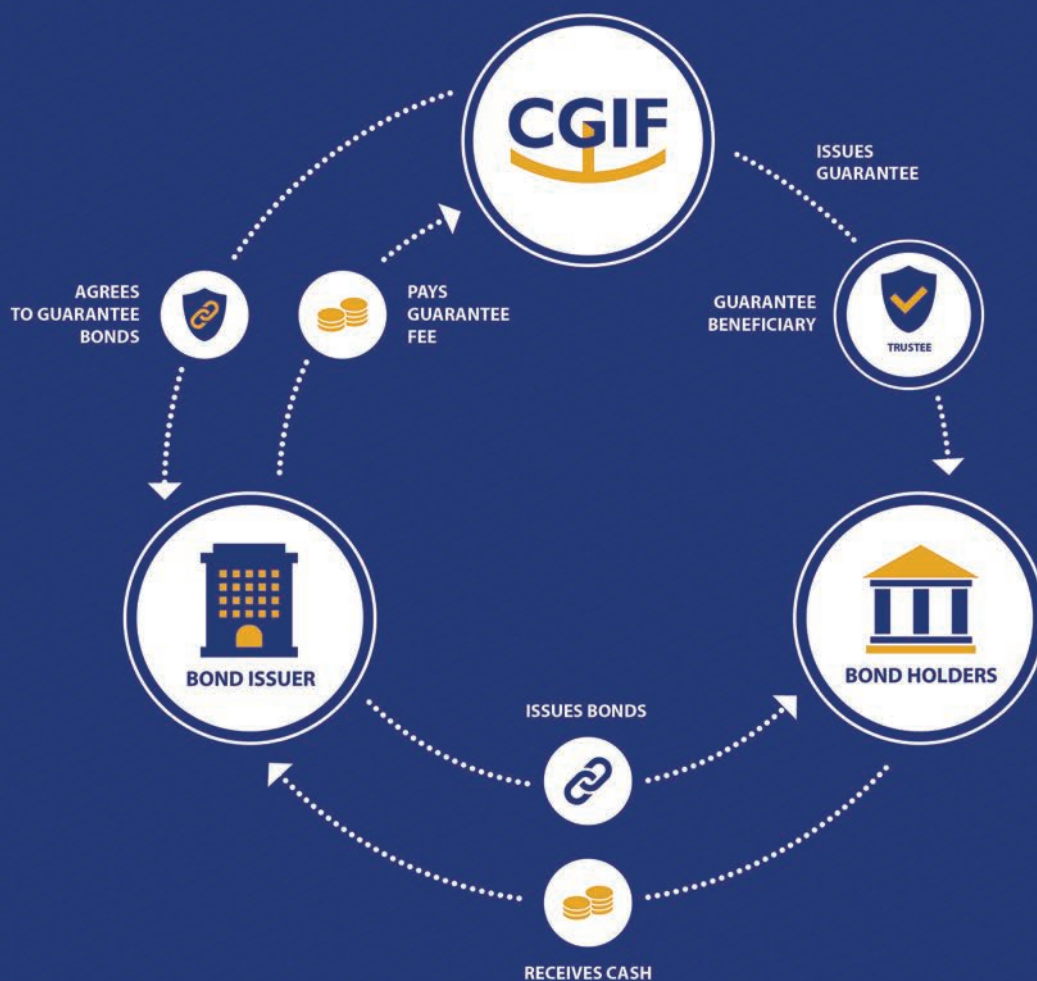
ADB is the trustee of CGIF and as such, in line with the provisions of the Articles of Agreement (AoA), it holds in trust and manages all CGIF funds and other properties. In accordance with Article 10.3.2 of the AoA, ADB, as the trustee of CGIF, has delegated the trustee's powers to the Meeting of Contributors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

This Annual Report includes the Independent Auditor's report and the Financial Statements for 2020.

<sup>1</sup> 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 2020, the paid-in capital of CGIF is \$1,102.2 million, divided into 11,022 shares, with a nominal value of \$100,000 each.

Table 1 shows each Contributor's percentage of shareholdings in proportion to its capital contribution.

**TABLE 1: 2020 SHAREHOLDING STRUCTURE**

CGIF Contributors	Initial Paid-in Capital (\$)	Additional Paid-in Capital as of 31 December 2020 (\$)	Total Capital Contribution as of 31 December 2020 (\$)	Percentage of Shareholdings
People's Republic of China	200,000,000	142,800,000	342,800,000	31.10%
Japan	200,000,000	142,800,000	342,800,000	31.10%
Republic of Korea	100,000,000	47,600,000	147,600,000	13.39%
Brunei Darussalam	5,600,000		5,600,000	0.51%
Cambodia	100,000	100,000	200,000	0.02%
Indonesia	12,600,000	[3,000,000]*	12,600,000	1.14%
Lao People's Democratic Republic	100,000	100,000	200,000	0.02%
Malaysia	12,600,000		12,600,000	1.14%
Republic of the Union of Myanmar	100,000		100,000	0.01%
Philippines	12,600,000	9,000,000	21,600,000	1.96%
Singapore	12,600,000	9,000,000	21,600,000	1.96%
Thailand	12,600,000		12,600,000	1.14%
Viet Nam	1,100,000	800,000	1,900,000	0.17%
Asian Development Bank	130,000,000	50,000,000	180,000,000	16.33%
<b>Total</b>	<b>700,000,000</b>	<b>402,200,000</b>	<b>1,102,200,000</b>	<b>100.00%</b>

Note: On 30 December 2020, Indonesia remitted its capital contribution of \$3,000,000. Such amount was credited on CGIF's account on 05 January 2021 thus increasing CGIF's paid-in capital to \$1,105,200,000. This is Indonesia's first installment for its subscription for new shares offered to CGIF's Contributors under the capital increase proposal.

Due to the current pandemic brought about by COVID-19, CGIF has extended the timelines of the second round of Capital Increase, where the deadline for Contributors to submit their intention to make additional subscription to the unallocated shares has been extended to 31 December 2020 (from 31 March 2020) and the deadline for the

reallocation of unallocated shares has been extended to 31 May 2021 (from 31 May 2020). Consequently, the deadline for Contributors to submit the second Instrument of Subscription (IOS) for the USQ has also been extended to 31 December 2021 (from 21 December 2020).



## ● OUR STRENGTH

### CGIF CREDIT RATINGS

As a credit guarantor, Credit Guarantee and Investment Facility (CGIF) unconditionally and irrevocably assumes the liability of its guaranteed-bond issuers that default on obligations to their guaranteed bond investors. The higher CGIF's credit rating, the more credit enhancement it is able to provide, the more secure the guaranteed-bond investors are, and the more guarantee business opportunities are there for CGIF.

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, 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, 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
TRIS Ratings (Thailand)	National	AAA	Stable	30 October 2020
Fitch Ratings (Indonesia)	National	AAA	Stable	16 December 2020
Pefindo	National	idAAA	Stable	23 July 2020

# ● 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**

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**

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



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)**



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<sup>1</sup>**
  - 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



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<sup>1</sup>**
  - 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

## 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<sup>1</sup>

- 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



### • Environmental and Social Safeguards Policy and Integrity Policy were implemented

### • Seven guarantees issued<sup>1</sup>

- 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

## 2020

### • Five guarantees issued

- To bonds issued by:
  - **TFG**, a vertically-integrated food producer specializing in the production of chicken and swine with operations in Thailand and Viet Nam
  - **EA**, the largest renewable energy company in Thailand by installed capacity, via a risk-participation agreement with ADB, a regional development bank in Asia
  - **RMAC**, a Cambodia-incorporated auto dealer company
  - **PRASAC**, the largest deposit-taking microfinance institution in Cambodia
  - **GLP**, one of the largest modern logistics solutions providers in the world

### • CGIF celebrated its 10th anniversary

**Guarantee bonds in local currency for ASEAN STABILITY**



<sup>1</sup>Includes guarantees issued to bonds with multi-tranche issuance

## ○ HIGHLIGHTS



### THAIFOODS GROUP PUBLIC COMPANY LIMITED

On 8 January 2020, Credit Guarantee and Investment Facility (CGIF) guaranteed the THB2 billion fixed-rate bonds by Thaifoods Group Public Company Limited ("TFG"), rated AAA by TRIS Rating and issued under the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF), a policy initiative under the Asian Bond Markets Initiative (ABMI) to standardize the bond and note issuance processes with the goal of strengthening bond market linkages.

TFG is a listed company in the Stock Exchange of Thailand with business that focuses primarily on the production of chicken and sale of live pigs. Through its subsidiary, TFG is able to also operate several feed mills that produce animal feed, which it uses to raise its own chickens and pigs and is also sold to third-party customers.

Although its operations are found in Thailand and Viet Nam only, TFG has since been exporting to other countries and regions such as China, Japan, and Europe, which further boosts and stabilizes its revenues.



The successful bond issuance not only allowed the promotion of AMBIF but also enabled CGIF to contribute to the food industry in Thailand while enabling TFG to diversify its funding sources for sustainable growth.

This transaction also marks the first AMBIF issuance by a Thailand company and the second AMBIF issuance in THB denomination.

*"CGIF's guarantee helped TFG to achieve optimal cost of fund and strengthen our strategic advantage by supporting our long-term business plan and providing us the access to Thai institutional investors at the right time."*

*- Mr. Winai Teawsomboonkij,  
Chief Executive Officer, TFG*



នាំចូលផ្តាច់មុខ និងចែកចាយដោយ



### RMA (CAMBODIA) PLC

RMA (Cambodia) PLC (“RMAC”) is an automotive and heavy equipment dealer incorporated in Cambodia. It is the distributor and provider of warranty and after-sales service for world-leading brands, among them, Ford, Jaguar Land Rover, John Deere, TCM, JCB, and FUSO.

Over the years, RMAC has earned a reputation for being the first-choice provider of fleet and retail solutions and services that include all aspects of vehicular fleet composition, supply, and support.

As RMAC continues to grow in Cambodia and to further diversify its funding sources, it tapped into the Cambodian market by issuing a 5-year KHR80 billion amortizing ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) bond on 9 April 2020. This is RMAC’s inaugural bond issuance as well as

Credit Guarantee and Investment Facility’s (CGIF’s) first guaranteed bond in Cambodia. Additionally, RMAC is the first and only non-financial institution bond issuer in Cambodia to date.

This transaction is truly historic for both CGIF, being a regional guarantor that promotes local currency bond issuance in the ASEAN+3 region, and the Cambodia bond market, which is still at the nascent stage. The transaction also won The Best Local Currency Bond Award in Cambodia in The Asset Country Awards 2020.

With the success of the bond issuance, RMAC is able to support the National Bank of Cambodia’s (NBC’s) initiative to increase KHR adoption gradually as the country is known to be a highly dollarized economy. CGIF hopes that this landmark transaction will attract other future potential issuers in tapping the local bond market.



*“The issuance of the bond reinforces RMA’s pioneering and leadership position in the Cambodian market. We are pleased to have been able to participate and support CGIF’s and the Government of Cambodia’s efforts to develop a burgeoning stock exchange and modern financial market.”*

*- Mr. Kevin Whitcraft,  
Chairman of the Board of Directors,  
RMAC*



## PRASAC MICROFINANCE INSTITUTION PLC

PRASAC Microfinance Institution PLC ("PRASAC") has a microfinance deposit-taking license from the National Bank of Cambodia (NBC) and is a listed microfinance institution in Cambodia Securities Exchange (CSX). PRASAC has operated for more than 25 years in the microfinance and banking industry in Cambodia and ranks among the top five commercial banks offering full-fledged financial services in the country.

As a market leader, PRASAC has a total asset size of \$3.6 billion as of 31 December 2020. The company also operates as the second largest branch network with nearly 200 branches or presence in 86% of total villages in Cambodia. PRASAC has strong financial operation and customer care as well as modern, transparent, and dynamic core banking system for serving the needs of customers and the public.

With Credit Guarantee and Investment Facility's (CGIF's) guarantee, PRASAC was able to successfully issue its first corporate bond on 23 April 2020. The ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) bond has a tenor of 3 years and an issue size of KHR127.2 billion (approximately \$31 million in equivalent).

This transaction represents the single largest capital raising in the history of Cambodia's capital market. It was listed on the CSX on 5 May 2020 and was fully subscribed by key domestic and foreign market players, which contributes to the further development of the Cambodian bond market.

The proceeds of the bond are used to finance PRASAC's lending activities, through which CGIF supports the financial inclusion of the Cambodian people.

*"The bond proceeds help to diversify KHR source of fund to finance KHR loans in rural micro, small, and medium enterprises (MSMEs), including women entrepreneurs as well as helping to promote use of the riel following the NBC's effort to promote wider usage of the riel."*

*- Mr. SIM Senacheert, President and Chief Executive Officer, PRASAC*





*"With CGIF's guarantee and an issue rating of AA by S&P, GLP was able to issue a longer tenor bond of 9 years and achieve a very compelling pricing level. This bond also enables GLP to further diversify our investor base in Japan."*

*- Mr. Edwin Tey, Global Treasurer, GLP*

#### **GLP PTE. LTD.**

Credit Guarantee and Investment Facility's (CGIF's) 40th guarantee issuance was to support GLP Pte. Ltd.'s ("GLP's") debut in the Tokyo Pro-Bond Market.

GLP is a leading global investment manager and business builder in logistics, real estate, infrastructure, finance, and related technologies. Its combined investing and operating expertise allows GLP to create value for their customers and investors. GLP operates across Brazil, China, Europe, India, Japan, the US, and Viet Nam and has \$97 billion in assets under management in real estate and private equity funds.

CGIF guaranteed GLP's 9-year fixed-rate bond valued at JPY15.4 billion (approximately \$149 million in equivalent), which was issued on 24 December 2020. The historical bond offering is the inaugural JPY-denominated bond issued under the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) as well as the first JPY-denominated bond with a CGIF guarantee, setting the benchmark for future corporates in the region looking to tap the currency in similar formats. The transaction marks GLP's largest ever JPY deal and its first foray into the Tokyo Pro-Bond Market, successfully introducing GLP's credit to the broader investor group and further diversifying its funding sources.







*"ADB is pleased to have executed a debut Risk Participation Agreement (RPA) for one of its anchor green-bond investments. This transaction with CGIF further expands the investor pool available for green-bonds and allows ADB to crowd-in investment for this growing asset class."*

*- Mr. Christopher Thieme, Deputy Director General  
of the Private Sector Operations Department, ADB*

## **CGIF signed a THB1.5 billion Risk Participation Agreement with the Asian Development Bank to further support the development of Green Bonds and promote renewable energy.**

CGIF signed on 10 January 2020 a Risk Participation Agreement (RPA) with the Asian Development Bank (ADB) to share 50% of the default risk on ADB's investment of THB3 billion in 7-year Green Bonds issued by Energy Absolute Public Company Ltd. on 16 October 2019.

This transaction is CGIF's first investor-procured guarantee, which diversifies its risk portfolio and marks CGIF's first transaction supporting wind power.

"CGIF is delighted with this transaction as the risk participation agreement enables CGIF to support green-bonds for the first time further promoting renewable energy, by co-working with multilateral partners, which is amongst the region's developmental priorities," said Ms. Guiying Sun, CEO of CGIF.



# Guarantee Bonds in Local Currency for Stability of ASEAN Economy



The Credit Guarantee and Investment Facility (CGIF) was established in November 2010 by the ASEAN+3 governments, together with the Asian Development Bank (ADB). The facility is part of the Asian Bond Markets Initiative (ABMI) and was created to reduce the “double mismatch” on currency and tenor of the capital market following the aftermaths of the Asian Financial Crisis in the late 1990s.

As a trust fund of ADB, CGIF’s sole mission is to develop the local currency (LCY) bond markets in the region by providing credit enhancement on bond securities to companies in ASEAN+3 countries. With this, CGIF is expected to promote stability and resilience of financial markets and facilitate economic development in the region.

By the end of 2020, CGIF guaranteed 40 bonds and supported 30 corporate bond issuers from Cambodia, Indonesia, Malaysia, Philippines, Singapore, Hong Kong/China, Korea, Thailand, Lao PDR, Myanmar, Japan, and Viet Nam. We have been at the forefront of several landmark transactions in the ASEAN region, such as guaranteeing the first-ever project bond in Viet Nam, the first bond issuance by a Myanmar-based issuer, and the largest issuance in the Cambodian capital market, to mention a few.

CGIF has been awarded an international rating of AA (flat) by Standard & Poor’s and regional and local AAA rating by RAM in Malaysia, TRIS in Thailand, Fitch (Indonesia), and Pefindo in Indonesia for consecutive years. The guarantee provided by

## Supported Transactions

CGIF enables companies to issue longer-tenor LCY bonds financing long-term investment at attractive prices. It also helps some first-time bond-issuers gain access to the capital market and achieve the diversification of funding sources. Due to the high rating and risk control capabilities of CGIF, bonds guaranteed by CGIF match the risk appetite of the investors in the market, especially insurance companies and pension funds, who are looking for stable and low-risk returns.

CGIF emphasizes green and sustainable growth for the regional economy by adopting safeguards policies in screening its issuers and supporting them in establishing environmental and social management systems. The sectors CGIF has supported cover health care, education, telecommunications, micro-finance institutions (MFI), renewable energy, real estate, and manufacturing, among others. CGIF will continue to promote the Green Bond, Social Bond and Sustainability Bond in the ASEAN region initialized by ABMI.

Due to the unwavering support of CGIF contributors and stakeholders, significant progress has been achieved and recognition recorded among issuers and investors in the past 10 years. Moving forward, CGIF will continue to promote greener, more sustainable and resilient growth of the ASEAN economy and support more companies to issue bonds to help grow their businesses.

Inaugural bond guarantee transaction



2.85 billion Thai Baht 3-year bonds

1st bond guarantee transactions in Indonesia



420 billion Indonesian Rupiah Two 3-year medium term notes

1st SGD bond guarantee



60 million Singapore Dollar 3-year bonds

2nd SGD bond guarantee



100 million Singapore Dollar 3-year bonds

2nd IDR bond guarantees



300 billion Indonesian Rupiah Two 3-year medium term notes

1st long-term bond guarantee



180 million Singapore Dollar 10-year bonds

1st VND bond guarantee



2.1 trillion Vietnamese Dong 10-year bonds

1st bond guarantee to a Thai company



195 million Singapore Dollar 10-year bonds

1st multi-tenor bond guarantee



3 trillion Vietnamese Dong 5-year and 10-year bonds

1st climate project bond in Asia



10.7 billion Philippine Peso 10-year risk participation bonds

<p>1st exposure to the healthcare sector</p>  <p>100 million Singapore Dollar 5-year and 7-year bonds</p>	<p>1st bond guarantee to a Malaysian corporate</p>  <p>2.78 billion Thai Baht 5-year bonds</p>	<p>1st partially-guaranteed local currency microfinance bond guarantees</p>  <p>2 billion Philippine Peso Three 5-year bonds</p>	<p>3rd guarantee to a first time bond issuer</p>  <p>1.135 trillion Vietnamese Dong 5-year bonds</p>
<p>1st bond guarantee to a Thai corporate in Thai baht</p>  <p>4 billion Thai Baht Two 5-year bonds</p>	<p>4th guarantee to a first time bond issuer</p>  <p>1.135 trillion Vietnamese Dong 5-year bonds</p>	<p>1st issuer from the healthcare industry in Vietnam</p>  <p>2.33 billion Vietnamese Dong 5-year and 7-year bonds</p>	<p>1st debt issues under AMBIF</p>  <p>1 billion Philippine Peso 3-year and 5-year bonds</p>
<p>1st co-guarantee transaction</p>  <p>2.0 billion Thai baht 5-year bonds</p>	<p>1st Myanmar-based issuer</p>  <p>2.22 billion Thai baht 5-year bonds</p>	<p>5th guarantee to a first time bond issuer</p>  <p>2.318 trillion Vietnamese Dong 10-year bonds</p>	<p>1st senior unsecured AMBIF bond</p>  <p>70 million Singapore Dollar 5-year bonds</p>
<p>AMBIF cross-border SGD amortizing bond</p>  <p>150 million Singapore Dollar 12-year bonds</p>	<p>1st VND Project Bonds</p> <p><b>Hong Phong 1</b></p> <p>2.55 trillion Vietnamese Dong 5-year and 15-year bonds</p>	<p>6th guarantee to a first time bond issuer</p>  <p>1.15 trillion Vietnamese Dong 10-year bonds</p>	<p>1st AMBIF Bond issued by a Thai issuer</p>  <p>2.0 billion Thai Baht 5-years bonds</p>
<p>1st risk participation with ADB on issued bonds</p>  <p>3.0 billion Thai Baht 7-year Green bonds</p>	<p>1st Cambodia-based issuer</p>  <p>80 billion Cambodian Riel 5-year bonds</p>	<p>Largest Cambodian bond issuance</p>  <p>127.2 billion Cambodian Riel 3-year bonds</p>	<p>1st Samurai Bond</p>  <p>15.4 billion Japanese Yen 9-year bonds</p>



## Bond Awards and Notable Achievements

### **AP Renewable Inc.**

#### **PHP10.7 billion bond (2016)**

- Asia Pacific Bond Deal of the Year by Project Finance International
- Best Renewable Finance Deal of the Year by Alpha Southeast Asia
- Debt Market Deal of the Year – Philippines by Asia Legal Business
- Asia Pacific Project Bond of the Year by IJ Global
- Green Bond Deal of the Year in Green Bond Awards 2017
- Project Bond of the Year by Environmental Finance Magazine's Green Bond Awards
- First Climate Project Bond in Asia

### **ASA Philippines Foundation Inc.**

#### **PHP2 billion bonds (2017 & 2018)**

- Best LCY Microfinance Bond by The Asset Magazine (The Asset Country Awards 2017)

### **AEON Credit Service (Philippines) Inc.**

#### **PHP1 billion bonds (2018)**

- Best Benchmark Bond Deal in Southeast Asia 2018 by Alpha Southeast Asia
- First AMBIF bond issuance in the Philippines

### **Yoma Strategic Holdings Ltd.**

#### **THB2.22 billion bond (2019)**

- Best Local Currency Bond 2019 by GlobalCapital Asia (Asia Capital Markets Awards)
- Best Bond – Myanmar by The Asset Triple A (Country Awards 2019)
- Country Deal Award – Myanmar by FinanceAsia (Achievement Awards 2019)

### **Nexus International School (Singapore) Pte. Ltd.**

#### **SGD150 million bond (2019)**

- Revived SGD amortizing bonds, an under-represented asset class in the SGD bond market

### **Hong Phong 1 Energy JSC**

#### **VND 2.55 trillion bonds (2019)**

- First renewable project bond in Viet Nam

### **Vietnam Electrical Equipment Joint Stock Corporation**

#### **VND1.15 trillion bond (2019)**

- Best Local Currency Bond (Viet Nam) by The Asset Awards

### **RMA (Cambodia) PLC**

#### **KHR80 billion bond (2020)**

- First KHR bond issuance by a non-financial institution in Cambodia
- Best Local Currency Bond (Cambodia) by The Asset Awards

### **PRASAC Microfinance Institution PLC**

#### **KHR127.2 billion bond (2020)**

- Largest KHR bond issuance transaction in the history of Cambodian capital market

### **GLP Pte. Ltd.**

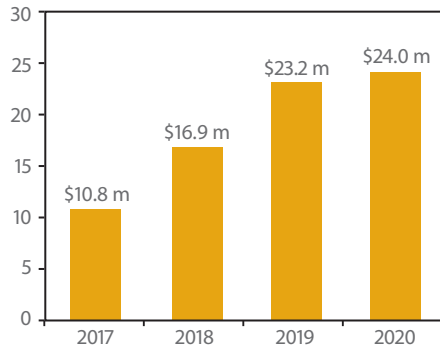
#### **JPY15.4 billion bond (2020)**

- Inaugural JPY-denominated bond issued under the AMBIF

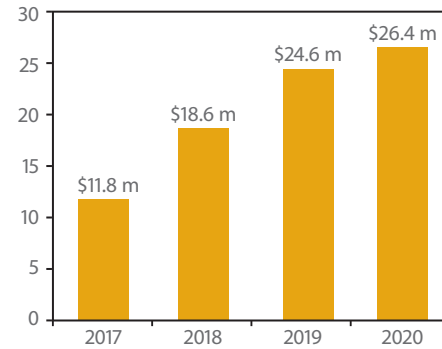


# FINANCIAL SUMMARY

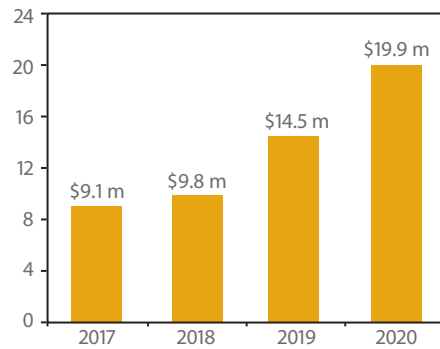
**FIGURE 1: NET INCOME**



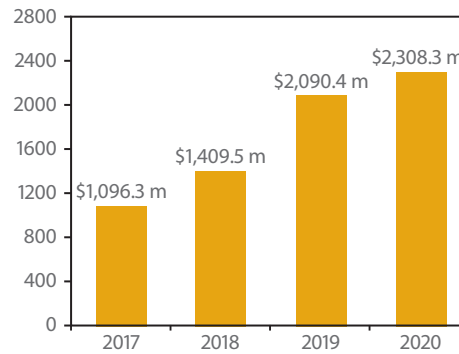
**FIGURE 2: INVESTMENT INCOME**



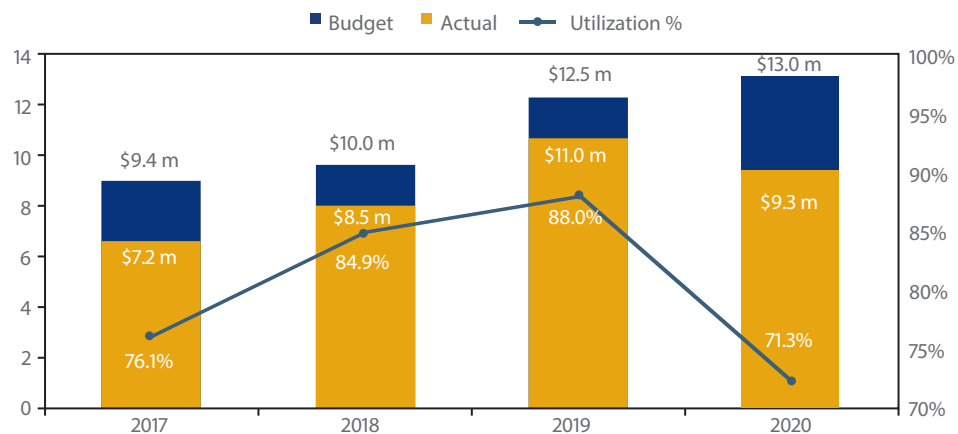
**FIGURE 3: GUARANTEE INCOME**



**FIGURE 4: OUTSTANDING GUARANTEE ISSUED**



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



Notes: (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 (iii) Travel and mobility restrictions due to Covid-19 and clients agreeing to directly pay the legal and ESDD expenses were major factors in the decrease of budget utilization in 2020



## MESSAGE FROM THE CHAIRPERSON OF THE BOD

**T**he COVID-19 crisis that hit the whole world in the first quarter of 2020 was an unprecedented experience for many people and institutions, Credit Guarantee and Investment Facility (CGIF) included. But the human spirit is relentless and resolute, and we all did what we had to do to overcome the debilitating blows of the global pandemic.

I have seen for myself how the whole CGIF team—the Directors, Management, and employees—worked doubly hard to make certain that most goals for 2020 were still realized. It is for this reason that we ended 2020 on a positive note still, despite the challenges and economic slowdown.

CGIF issued five new guarantees in 2020, two of which were to companies in Cambodia. With these issuances and by supporting two KHR transactions, CGIF was able to assist in developing the Cambodian bond market—likewise proving our commitment to direct more efforts towards frontier markets. Out of the five bond issuances, four are ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) bonds, which further promotes the Asian Bond Markets Initiative (ABMI) policy and intention of standardizing market practice and integrating regional economic development.

# MESSAGE

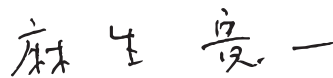
As of end of January 2021 a total of 42 guarantee issuances have been achieved, supporting 31 corporate bond issuers from Cambodia, Indonesia, Malaysia, Philippines, Singapore, Hong Kong/China, Korea, Thailand, Lao PDR, Myanmar, Japan, and Viet Nam. The bonds guaranteed by CGIF have been issued in seven local currencies and welcomed by a broad range of investors. We have been in the vanguard of several landmark transactions in the ASEAN region, and we have no intentions of slowing down.

Thanks to our Contributors, as of 31 December 2020, CGIF's paid-in capital has increased to \$1.10 billion. This allows us to actively work towards the implementation of our Medium-term Business Strategy (MBS), which was approved in 2017, and serves as our compass in the execution of our goals and strategies until 2026. With the MBS, CGIF hopes to advance financial inclusion, growth, integration and innovation in the ASEAN+3 bond markets. Product innovation is something CGIF has been actively working on—targeting new guarantee products to further amplify our developmental role in the region.

In 2020, Management took the pandemic as an opportunity to upgrade CGIF's Business Continuity Management System (BCMS) and made CGIF more resilient and robust against future disruptive events. More efforts have been demonstrated in the improvement of the Enterprise Risk Management Framework (ERMF) for efficient operations and risk control and more consideration of compliance with the Environmental and Social Safeguards (ESS) Policy incorporated into the deal analysis.

We celebrated our 10<sup>th</sup> anniversary in November of 2020 and promoted CGIF effectively through different websites of the regionally influential publishers. While we are all still reeling from the devastating effects of the global pandemic, CGIF remains committed in supporting more activities for the region's local currency bond markets. We are also actively seeking to underscore the importance of sustainability and greener growth. Besides AMBIF bonds, CGIF will continue to promote the green bond, social bond, and sustainability bond in the ASEAN region as initiated by the ABMI.

The unwavering support and generosity of CGIF Contributors and Stakeholders, the guidance of my fellow Directors, and the hard work of Management and employees have brought us where we are today. We are grateful and we are inspired. Moving forward, with the vaccine rollout and joint efforts across the governments, we believe that the pandemic will be brought under control and the economy will recover in 2021 though unevenly. We are determined, more than ever, to continue our mandate and commitment to the bond market development in this region.



**Kenichi Aso**  
Chairperson,  
Board of Directors

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

**T**he year 2020 has witnessed widespread disruptions by the global pandemic of COVID-19 and severe economic downturn all over the world due to the travel restrictions and lockdowns imposed by the governments. Most of the economic sectors have been adversely impacted and there is no exception to the bond issuers we guaranteed. More efforts have been exerted on the monitoring of our portfolio and more caution and analysis put into the building of our deal pipeline.

In 2020, with the health and safety of our staff and their dependents taken care of, we demonstrated our resilience, commitment and efficiency by adopting turnaround measures and updating our Business Continuity Plan (BCP) to a Business Continuity Management System (BCMS). Despite the pandemic, we still achieved great progress with bond issuances and realized decent financial returns for the year, with zero guarantee call record kept continuously.

For the year 2020, Credit Guarantee and Investment Facility (CGIF) added five new issuances totaling \$315 million equivalent to its 2020 guarantee portfolio—comprising of milestone issuances in the THB, KHR, and JPY bond markets—namely: Thaifoods Group Public Company Limited (“TFG”), a vertically-integrated food producer in Thailand and Viet Nam and the first Thai company to launch a bond under the ASEAN+3 Multi-Currency Bond

Issuance Framework (AMBIF); Energy Absolute Public Company Ltd. (“EA”), the largest renewable energy company in Thailand and CGIF’s first investor-procured guarantee; two bond issuances in Cambodia, a breakthrough with the frontier markets, for RMA (Cambodia) PLC (“RMAC”), an auto dealer company, and PRASAC Microfinance institution PLC (“PRASAC”), the largest deposit-taking microfinance institution in Cambodia; and lastly, GLP Pte. Ltd. (“GLP”), one of the largest modern logistics solutions providers in the world, whose bond debuted in the Tokyo Pro-Bond Market.



# MESSAGE



Since the inaugural guarantee issuance in April 2013 till January 2021, CGIF has issued 42 guarantees to bonds issued by 31 companies from 12 economies in the ASEAN+3 region in the Thai Baht, Indonesia Rupiah, Singapore Dollar, Vietnamese Dong, Philippine Peso, Cambodian Riel, and Japanese Yen bond markets, in a cumulative total guarantee amount of \$2,264 million. With the introduction of co-guarantee and partial guarantee, the total aggregate amount of bonds accessed by issuers with CGIF guarantee reaches \$2,506 million.

The net income for the year 2020 amounted to \$23.96 million, still surpassing the \$23.16 million of the year 2019 by 3% despite the increase of total provision for impairment. Given the total gross and net guarantee exposure increased respectively to \$1.89 billion and \$1.54 billion at the value date of end-2020, enough space is reserved for development with Maximum Guarantee Capacity of \$3 billion. The leverage ratio of 1.28 and the capital adequacy ratio of 3.88 at end-2020 still ensures CGIF a credit rating of AA by S&P and AAA at the ASEAN local currency markets by TRIS, RAM, PEFINDO, and Fitch Indonesia.

To implement the Management Action Plan (MAP) based on KPMG's recommendations and to improve processes' efficiency and better identify and monitor risks within CGIF, we have adopted a considerable number of changes to the Credit Guarantee Process guidelines, the Credit Guarantee Portfolio Management guidelines, the Expected Credit Losses (ECL) Computation Guidelines, the Risk Reporting guidelines, the Guarantee and Investment Committee (GIC) Charter, the Safeguards Environmental and Social Management System (ESMS), the Treasury Risk Management Guidelines, the Accounting Manual, among others.

The Infrastructure Demand and Feasibility Study concluded this year by engaging KPMG has yielded some insights and information on the infrastructure market and the potential project bond demand in ASEAN. CGIF will continue to look out for infra-related corporate bonds and project bonds in deal origination and market development and explore innovative ways of catalyzing private sector capital.

The year 2020 posed many difficulties, but the year is still a special one for us. Established in November 2010, CGIF celebrated its 10<sup>th</sup> anniversary and, notwithstanding the challenges of the year, we are feeling optimistic and excited for the coming years.

We recognize the recovery that all countries and economies must undergo following the global pandemic, and CGIF will remain focused on its pivotal role in the region. We will pursue more developmental deals, expand our market development activities, and continue to encourage corporates to tap the local currency bond markets in the region to facilitate financial resilience and economic growth. We shall execute the Business Plan under the guidance of the Board of Directors (BOD), promote the policies of the Asian Bond Markets Initiative (ABMI) for more ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) bonds, green bonds, and social and sustainability bonds and explore the more challenging project bond, securitization bond, and Sukuk bond.

Looking ahead, we are confident of the unfaltering support of our contributors and stakeholders. CGIF is committed to promoting greener and more sustainable growth of the ASEAN economy. As the cover of this year's annual report states: we are geared towards a sustainable future.



**Guiying Sun**  
Chief Executive Officer



**BUSINESS AND  
OPERATIONAL  
REVIEW**

# GUARANTEE OPERATIONS

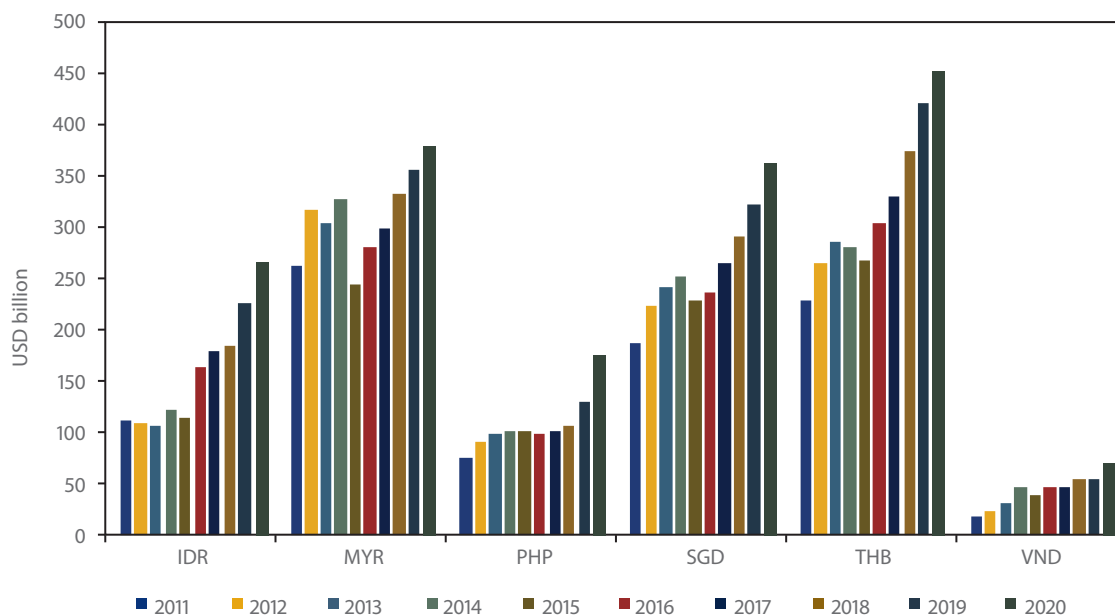
## MACROECONOMIC OVERVIEW

**T**he COVID-19 pandemic certainly marked 2020 as a difficult year. In the Global Economic Prospects publication of the World Bank<sup>1</sup>, a 4.3% contraction of the global economy is estimated. Member countries in ASEAN experienced economic contraction. The Philippine economy contracted by 9.5%, as prolonged community quarantine measures affected the overall economic activity in the country. Thailand's economy is expected to contract between 6% and 7% due to the inactivity in the country's tourism sector. In addition, Singapore reported a contraction of 5.8% in full year of 2020, but the slowdown was better than expected. On the other hand, Viet Nam was able to record a growth of 2.9%, due to a proactive response to COVID-19.

Downside risks are still expected to linger in 2021, which includes persistently high number of COVID-19 cases in the world. A global economic recovery is expected, but under certain conditions. Governments are called to have effective and rapid rollout of vaccines, improved pandemic management response, and continual financial support to businesses and communities.

## ASEAN 6 BOND MARKET OVERVIEW

**FIGURE 6: LCY BOND MARKET SIZE**



Source: Asian Bonds Online, 2021. Data are as of 3Q of every year.

<sup>1</sup>Published in January 2021. <https://www.worldbank.org/en/publication/global-economic-prospects>



Total bond market size of ASEAN6 bond market reached \$1.68 trillion, as of 3Q of 2020. Comparing this with figures in 3Q 2019, the total bond market of the region grew by 11%. As of 3Q 2020, the share of government bonds and central bank bills took up 70% of the total bond market. Another 30% of the share was taken by corporate bonds.

Even during a tumultuous year due to the COVID-19 pandemic, the total bond markets of ASEAN6 still recorded expansion as of 3Q of 2020. Growth rates ranged from 6% to 22%, in terms of local currency bond market figures. However, much of this growth was driven by the government bond markets in ASEAN6. The corporate bond markets in the region also grew but showed significantly different growth rates depending on the countries. For instance, Viet Nam's corporate bond market increased significantly by 131% between 3Q of 2019 and 3Q of 2020 whereas both Indonesia and Thailand grew by only 1% during the same period.

Countries may still struggle to revive their respective economies in 2021, due to the lingering negative effects brought by the pandemic. As ASEAN takes on the path to recovery, CGIF will strive to support more activities for the region's local currency bond markets.

## **GUARANTEE OPERATIONS**

In spite of the challenges brought by the global pandemic, Credit Guarantee and Investment Facility (CGIF) was able to maintain its momentum with five new issuances added to its portfolio of guarantees in 2020. These transactions comprise of milestone issuances in the THB, KHR, and JPY bond markets.

The year 2020 was welcomed with two landmark issuances in early January. The first guarantee for the year was issued to support Thaifoods Group Public Company Limited ("TFG"), the first Thai company to launch a bond under the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF). This was immediately followed by the issuance of CGIF's first investor-procured guarantee, a newly developed product where CGIF risk-participated 50% of Asian Development Bank's (ADB's) investment in Energy Absolute Public Company Ltd.'s ("EA's") Green Bonds issuance. Through this, CGIF made its foray in supporting wind power.

In April, amid the peak of the pandemic, CGIF supported two bond issuances in Cambodia. The first bond was issued by RMA (Cambodia) PLC ("RMAC"), a distributor and provider of warranty and after-sales service for automotive brands. The company issued a KHR-denominated bond, making it the first-ever bond issuance by a non-financial institution in Cambodia as well as CGIF's first guarantee to a Cambodian company and for a KHR issuance. This deal was also the first bond in Cambodia under the AMBIF. PRASAC Microfinance Institution PLC ("PRASAC"), Cambodia's largest deposit-taking microfinance institution, was the issuer of the second CGIF-supported KHR bond. With an issue size of KHR127.2 billion (approximately \$31 million equivalent), PRASAC launched the largest ever corporate bond issuance listed on the Cambodian Stock Exchange, to date. CGIF has been able to aid in the development of the Cambodian bond market, which is still at the nascent stage by supporting two KHR transactions.

In December 2020, CGIF supported GLP Pte. Ltd.'s ("GLP's") debut bond in the Tokyo Pro-Bond Market. The issuance by the Singapore-incorporated company is recognized as the first-ever and only JPY-denominated AMBIF bond listed on the Japan Exchange Group. Also, this represents CGIF's first guarantee for a Samurai bond.

Due to COVID-19, a lot of energies and efforts in the second and third quarters of 2020 were spent on monitoring the portfolio and understanding the impact of the pandemic in different countries in ASEAN. This analysis also helped CGIF identify how different sectors of the economies were impacted, which served as a guide to build its future pipeline.

The deal pipeline for 2021 is very healthy and diversified across countries and sectors.

## **GUARANTEE PORTFOLIO**

In 2020, the five new guarantees issued effectively contributed towards balancing the distribution of CGIF's guarantee portfolio, with the addition of two new currencies, namely KHR and JPY. CGIF also saw a reduction in VND exposure due to the early redemption done by a Vietnamese issuer.

By the end of 2020, also its 10<sup>th</sup> year since commencement of operations, CGIF has issued a cumulative total of 40 guarantees to 30 corporates from 12 of the 13 member countries in the ASEAN+3<sup>1</sup> region. Total guarantees issued<sup>2</sup> amounted to \$2,222 million—increased by \$315 million by the 2020 issuances.

The guarantee portfolio continues to be healthy with no major risk of defaults. CGIF will continue to maintain higher levels of monitoring for issuers in certain sectors negatively impacted by the pandemic.

## **GEOGRAPHICAL DISTRIBUTION OF INQUIRIES IN 2020**

A total of 29 Preliminary Information Packs (PIPs) were received in 2020, with the majority of submissions coming from Thailand. These inquiries originated from corporates based in 10 countries in the ASEAN+3<sup>1</sup> region, including Cambodia, Lao People's Democratic Republic, Republic of Korea, and People's Republic of China.

Although origination efforts have been significantly disrupted by the imposition of travel restrictions due to COVID-19, CGIF was still able to cultivate new market opportunities. As a result, CGIF has generated strong interest from new corporates spread across a variety of sectors. Efforts will be fortified as CGIF further broadens its reach in the region.

<sup>1</sup> The "+3" refers to the following countries: People's Republic of China, Japan, and Republic of Korea.

<sup>2</sup> Including redeemed bonds.

**TABLE 3: GUARANTEE PORTFOLIO AS OF 31 DECEMBER 2020**

Guarantee Issue Date	Bond Issuer	Country of Origin (Issuer)	Bond Issuance Venue (Bond Market)
24-Dec-20	GLP Pte. Ltd.	 Singapore	 Japan
23-Apr-20	PRASAC Microfinance Institution PLC	 Cambodia	 Cambodia
9-Apr-20	RMA (Cambodia) PLC	 Cambodia	 Cambodia
10-Jan-20	Energy Absolute Public Company Ltd <sup>1</sup>	 Thailand	 Thailand
8-Jan-20	Thaifoods Group Public Company Limited	 Thailand	 Thailand
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

<sup>1</sup> CGIF risk-participated 50% of ADB's investment in Energy Absolute Public Company Ltd.'s Green Bonds issuance.



	Bond Issue Size (LCY)	Bond Issue Size (USD Equivalent)	Percentage Guaranteed by CGIF	Issue Rating (Agency)	Tenor
	JPY15.40 billion	\$149 million	100%	AA (S&P)	9 years
	KHR127.20 billion	\$31 million	100%	Unrated	3 years
	KHR80 billion	\$20 million	100%	Unrated	5 years
	THB3 billion	\$99 million	50% risk participation with ADB	A (TRIS Rating)	7 years
	THB2 billion	\$66 million	100%	AAA (TRIS Rating)	5 years
	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

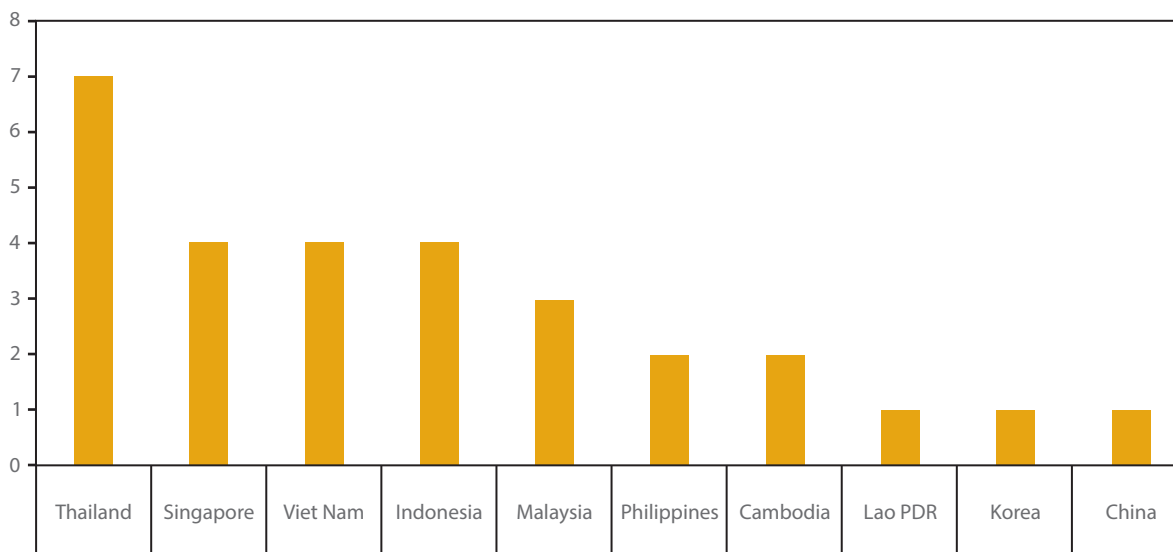
<b>Guarantee Issue Date</b>	<b>Bond Issuer</b>	<b>Country Of Origin (Issuer)</b>	<b>Bond Issuance Venue (Bond Market)</b>
05-Oct-18	Hoan My Medical Corporation	 Viet Nam	 Viet Nam
05-Oct-18	Hoan My Medical Corporation	 Viet Nam	 Viet Nam
10-Sep-18	The PAN Group Joint Stock Company	 Viet Nam	 Viet Nam
28-Feb-18	Siamgas and Petrochemicals Public Company Limited	 Thailand	 Thailand
10-Jan-18	ASA Philippines Foundation, Inc.	 Philippines	 Philippines
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.

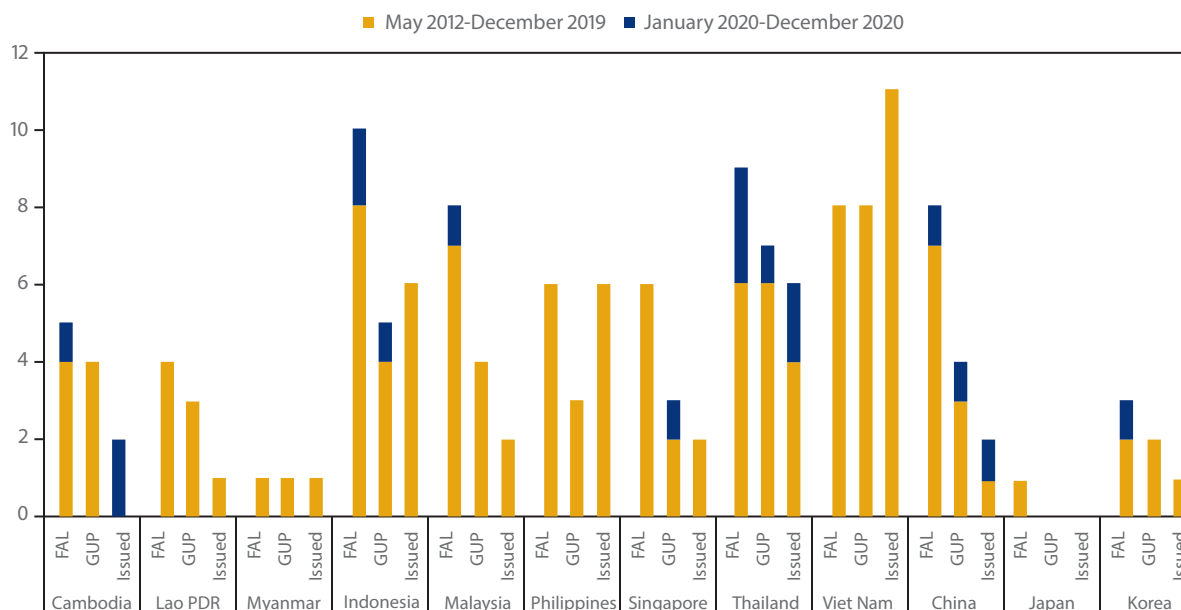
	Bond Issue Size (LCY)	Bond Issue Size (USD Equivalent)	Percentage Guaranteed By CGIF	Issue Rating (Agency)	Tenor
	VND1.4 trillion	\$60 million	100%	Unrated	7 years
	VND930 billion	\$40 million	100%	Unrated	5 years
	VND1.1 trillion	\$50 million	100%	Unrated	5 years
	THB2.0 billion	\$64 million	85%	A (TRIS Rating)	5 years
	PHP500 million	\$10 million	75%	Unrated	5 years
	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 2020)**



**FIGURE 8: FORMAL APPLICANTS, GUARANTEE APPROVALS<sup>1</sup>, AND GUARANTEES  
ISSUED<sup>2</sup> BY COUNTRY (2012-2020)**

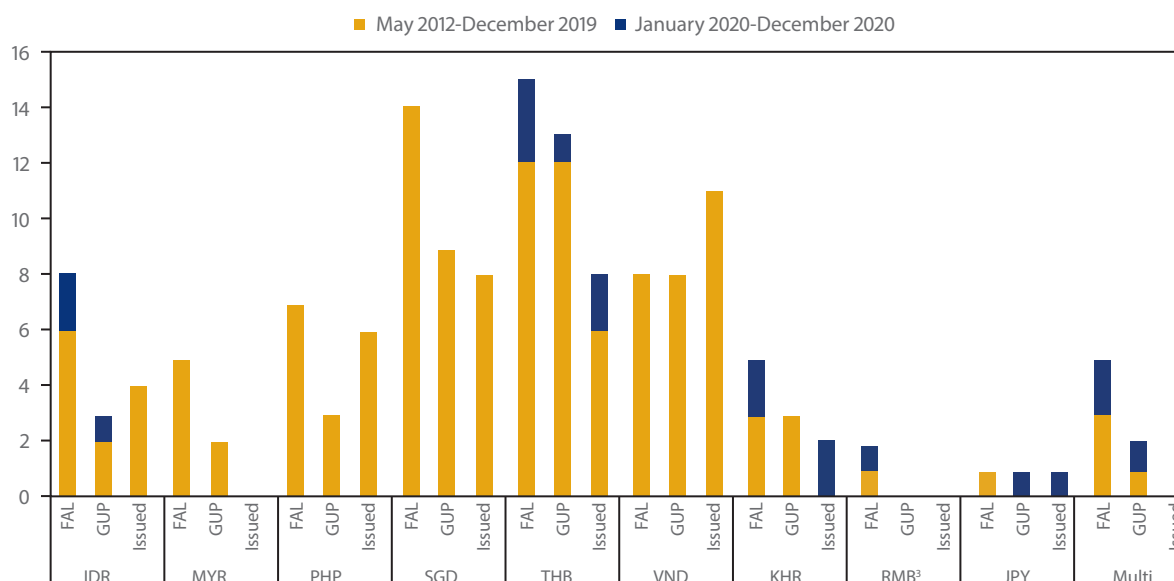


Notes:

<sup>1</sup> Refers to Guarantee Underwriting Proposals approved by the BOD.

<sup>2</sup> Each tranche is recorded as one issued guarantee.

**FIGURE 9: FORMAL APPLICANTS, GUARANTEE APPROVALS<sup>1</sup>, AND GUARANTEES ISSUED<sup>2</sup> BY CURRENCY (2012-2020)**



Notes:

<sup>1</sup> Refers to Guarantee Underwriting Proposals approved by the BOD.

<sup>2</sup> Each tranche is recorded as one issued guarantee.

<sup>3</sup> Refers to CNH and CNY.

## LOOKING AHEAD

As countries recover from an economic downturn, albeit at a slower pace, CGIF will remain focused in supplying local currency bonds in the ASEAN+3<sup>1</sup> region to facilitate economic growth.

The milestone issuances in 2020 set the stage for CGIF to pursue more developmental deals that meet the aspirations of its stakeholders in the ASEAN+3<sup>1</sup> region. CGIF aims to proliferate the landmark transactions in the Cambodian market to the rest of the frontier countries to kickstart the emergence and further development of the nascent markets. CGIF will also boost its market development activities beginning in 2021—increasing the number of seminars, workshops, and events geared towards educating on the importance and benefits of having a developed local currency bond market as well as by sharing how CGIF can be of support.

Banking on its financial strength and high international ratings, CGIF will continue to encourage and support corporates to tap the local currency bond markets in the region. Particular emphasis, moving forward, will be placed on the countries of Malaysia, Brunei Darussalam, Lao PDR, and Myanmar to add the local currencies of these ASEAN countries to CGIF's portfolio of guarantees.

Although countries like Singapore and Hong Kong have well-developed, large bond markets in comparison to other countries in the region, CGIF will partake in supporting ASEAN issuers to tap the +3<sup>1</sup> markets to diversify their funding sources. By promoting the enrollment of bonds under AMBIF, a tool that enables intraregional transactions across the ASEAN+3<sup>1</sup> region by standardizing bond and note issuances, economic and financial linkages among countries are reinforced. Similarly, CGIF will look to provide ASEAN local currency financing options to companies domiciled in the countries of Japan, Korea, and China for projects that will benefit the ASEAN region.

Further in line with its developmental mandate, CGIF will push for the deployment of bonds with more unique characteristics or innovative structures, which include thematic bonds, securitization, project finance, and Islamic banking, in ASEAN local currencies. In addition, potential collaboration with notable development financial institutions and multilateral development banks that are active in the region will be explored.

As it expands and solidifies its catalytic role in the region, CGIF will endeavor to meet these ambitious goals in the next years to come.

<sup>1</sup> The "+3" refers to the following countries:

People's Republic of China, Japan, and Republic of Korea.

<sup>2</sup> Including redeemed bonds.

# FINANCE

## FINANCIAL CONTROL

Financial Control supports Credit Guarantee and Investment Facility's (CGIF's) business in terms of recording its guarantees, investments, and all other transactions in its financial books and for 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 financial reports regularly. This includes monthly financial reports submitted to management, quarterly condensed financial statements reported to the Board of Directors (BOD), and coordination with the external auditor for the exercise of annual audit and finalizing the annual audited financial statements.

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 financial books. Accordingly, the accounting manual is updated and enhanced along with the evolution of CGIF's operations.

Despite the challenges of the pandemic and staff's limited access to CGIF premises, Financial Control managed to perform its function and was able to access the accounting system remotely while on a work from home arrangement.

## 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 (OP), 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 paid-in capital to be managed has grown from \$700 million to \$1,102.2 million as of end of 2020.



**TABLE 4: TRANSITION OF ASSET ALLOCATION OF INVESTMENT PORTFOLIO**

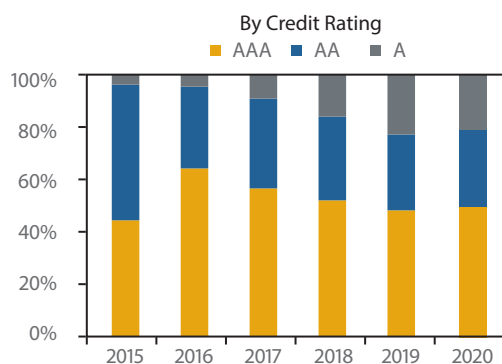
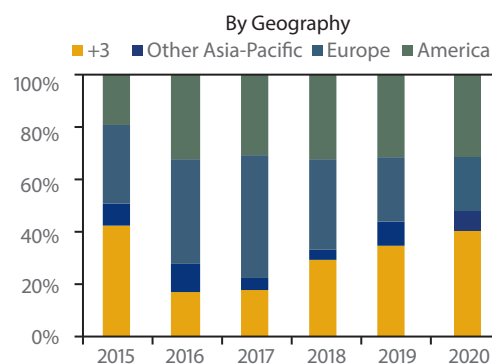
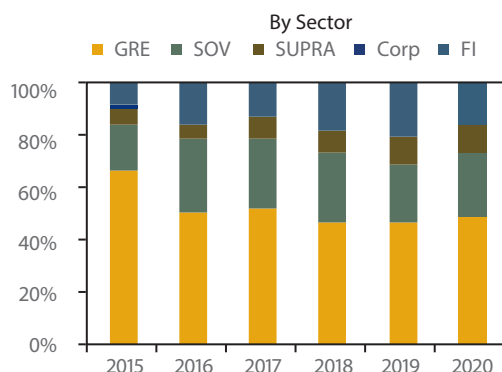
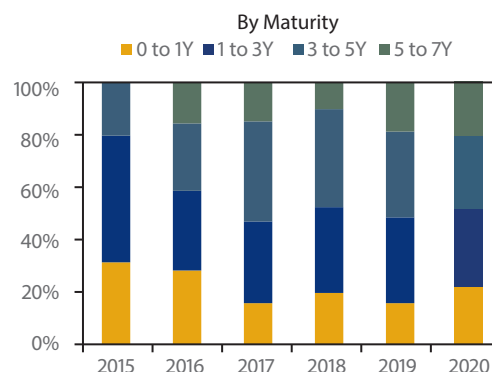
	UST 1-5Y	UST 5-10Y	A+ to AAA	A-1	Duration
SAA	0-30%	0-20%	40-80%	0-40%	2.0-4.0
31 December 2018	22%	5%	53%	20%	2.61
31 December 2019	16%	4%	64%	16%	3.08
31 December 2020	17%	4%	57%	22%	3.01

\*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 1 year. A-1 means the bonds or deposits whose maturities remain 1 year or less. Duration means average effective duration of the investment portfolio.

### EVOLUTION OF THE INVESTMENT PORTFOLIO

Table 4 shows that investment portfolio's asset allocation and duration have been in line with SAA. Some variations of the actual investment portfolio against SAA are inevitable and can be intentionally taken in consideration of market view and guarantee portfolio situations. The 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 2020

Realized investment income for 2020 was \$26.4 million, representing a yield of 2.21% without the effect of change in fair value. It is lower than the yield achieved in 2019 (2.34%) but higher than the

original target of 2020 (2.20%). Table 5 provides a quarterly breakdown for investment income for the year 2020, as well as annual income of 2019 and 2020. ADB suggested a target yield for 2021 at 1.95% in consideration of the decreased US interest rate environment.

**TABLE 5: 2019-2020 INVESTMENT INCOME**

Investment Income (\$'000)	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020
Debt Securities	22,099	6,129	6,099	6,187	6,269	24,684
Time Deposits and CDs	2,473	664	537	356	168	1,725
<b>Total</b>	<b>24,572</b>	<b>6,793</b>	<b>6,636</b>	<b>6,543</b>	<b>6,437</b>	<b>26,409</b>

## FX TRANSACTIONS

As CGIF's functional currency is USD, CGIF converts to USD whenever it receives guarantee fees or other payments in local currency (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 2020, 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

In 2020, the Research Unit under the Finance Department conducted research for corporate bond markets of Thailand and the Philippines. The research papers for these two countries are available in the corporate website of CGIF. In the latter part of 2020, research on the development of corporate bond markets of Cambodia, Lao PDR, and Myanmar (collectively denoted as CLM) was accomplished. It is expected that the CLM corporate bond market research will be presented in CGIF's website in the first quarter of 2021.

For 2021, the focus is to better understand the characteristics and trends in corporate bond markets of Malaysia and Singapore.

# RISK MANAGEMENT

## GOVERNANCE

The Board of Directors (BOD) is the highest internal control and risk management governing body in Credit Guarantee and Investment Facility (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 of CGIF is functioning effectively (Operational Policies [OP] 128). The ICRMC ensures that there are sound and effective systems of internal control and risk management 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 involves continual activities of identification, measurement, control, and reporting of risk exposures. Being in the 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 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, and fraud; and identify and manage liabilities (pursuant to OP 133). CGIF's internal control and risk management policies may be found in its Operational Policies (OP) and the various manuals and guidelines that are considered part of CGIF's Risk Management Framework (RMF). Any proposed amendment of the OP requires BOD approval. Proposed amendments of the RMF require approval of either the GIC or the ICRMC.

## CREDIT RISK MANAGEMENT

A major component of CGIF's RMF is the Credit Guarantee Process 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 identified credit risk factors of the issuers.

The DOD secures approval of management's GIC before a borrower may be advised to formally apply for a CGIF credit guarantee. The DOD submits to the GIC a Guarantee Concept Paper (GCP) that presents (i) a borrower's affirmative eligibility test results, (ii) information on the proposed guaranteed bond issuer, and (iii) the proposed guarantee transaction structure that includes, among others, proposed use of proceeds, guarantee size, tenor, pricing financial covenants, and security. The credit rating of a borrower is



determined by the Risk Management Department (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 a 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 and borrower credit profile. 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.

Each outstanding guarantee account and the quality of the guarantee portfolio are reviewed periodically. Credit rating migrations and the weighted average probability of default of the guarantee portfolio are monitored. Likewise monitored are the leverage ratio and credit guarantee concentrations. By policy, CGIF's leverage ratio—the ratio of credit guarantee exposure to CGIF equity—should not exceed 2.5. CGIF has set limits on, among others, credit guarantee exposures per issuer, per country, per currency, per sector, and per industry.

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 7 years or that have amounts that are more than \$150 million.

## **MANAGEMENT OF MARKET RISK AND CREDIT RISK OF INVESTMENTS**

CGIF's capital resources are managed by the Asian Development Bank (ADB), as Trustee, pursuant to CGIF's OP, CGIF's Treasury Risk Management Guidelines, and the ADB's risk management and investment guidelines. CGIF's OP 215 specifies that the primary objective of CGIF capital resources management is the protection of principal by maintaining a conservative exposure to 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 placements. 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 are not reflected under Net Income but are accounted in Other Comprehensive Income in the financial statements. CGIF's RMF limits the unrealized loss of the investment portfolio to not more than 1.0% of equity. The 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 with international ratings of AA- or better, except for investments in contributor countries' government-related securities that may be rated as low as A+. Ratings of short-term investments should be not 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.

Investment country exposure is kept within limit that is a percentage of CGIF's capital according to the sovereign rating of the country. There is no limit imposed for investment exposures to the United States. A limit is set for long-term investments in countries with sovereign rating

A+ and above. Long-term investments are not allowed for countries with sovereign rating A or below. Investments in short-term money market instruments are excluded in reckoning country exposures against country exposure 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 CGIF's 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 6 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 calls on guarantees on the largest guaranteed accounts representing 20% of the number of outstanding guarantee accounts.

### **FOREIGN EXCHANGE RISK MANAGEMENT**

CGIF's Foreign Exchange (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 as 95% of CGIF's total assets are investments in USD securities that, in turn, represent Contributors' equity in CGIF. In 2017, the CGIF BOD removed the requirement to hedge FX risk relating to guarantee fees in local currencies. Corollary to this, the BOD 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 annual Risk and Control Self-Assessment (RCSA).

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. By policy, CGIF's CAR should not fall below 8.8%.

## **ENVIRONMENTAL AND SOCIAL SAFEGUARDS RISK MANAGEMENT**

CGIF's environmental and social management system (ESMS) forms part of the RMF and was approved by CGIF's GIC in February 2019. In 2020, the ESMS was updated to capture an additional product introduced within 2019, the Type B Guarantee. CGIF processed one Type B Guarantee transaction in 2020.

CGIF considered the challenges posed by the coronavirus (COVID-19) pandemic and the travel restrictions in carrying out environmental and social due diligence (ESDD) for transactions processed in 2020. CGIF and the third-party consultant have undertaken a more flexible planning process for on-site visits in order to limit the risks to health and safety. As CGIF is unable to participate in site visits for supervision, the third-party consultant on site provided photodocumentaries of the visits. CGIF also participated in the conduct of corporate level interviews through conference calls or virtual meetings in lieu of face-to-face meetings.

CGIF Institutional Risk Group (IRG) developed and delivered Safeguards-related training in 2020 based on the feedback received from CGIF staff from the 2019 training. Two issues of Safeguards Newsletter were published internally to supplement the 2020 Safeguards Training and cover Safeguards-related topics which were considered as priority issues related to the current CGIF transactions. The trainings aimed to bridge identified knowledge gaps in 2019 and enhance the Safeguards capacity at all levels and for all departments of the CGIF. Three staff of CGIF's IRG also attended online International Standards Organization (ISO) related trainings on environment and Occupational Health and Safety (OHS).

An annual report on Safeguards is being prepared by IRG. The report will summarize CGIF's compliance with its Environmental and Social Safeguards Policy and Framework. Non-compliance has not been identified among prospective or outstanding issuers in 2020.

## **INTEGRITY RISK MANAGEMENT**

In 2020, CGIF continues to implement the Integrity Policy and associated procedures developed and formed part of CGIF's RMF in 2019. CGIF recruited an additional Safeguards Officer (Integrity) in 2020 to assist IRG with transaction processing and monitoring. IRG now has two experienced integrity professionals.

In July 2020, IRG completed the first annual report on Integrity that summarizes CGIF's compliance with its Integrity Policy and Integrity Management System (IMS).



## STAFFING AND ORGANIZATION STRUCTURE

The approved staff number for 2020 for Credit Guarantee and Investment Facility (CGIF) is a complement of 60 staff members, excluding secondees. The updated staff complement by category as of end of December 2020 is provided in Table 6.

**TABLE 6: STAFF RESOURCES BY CATEGORY**

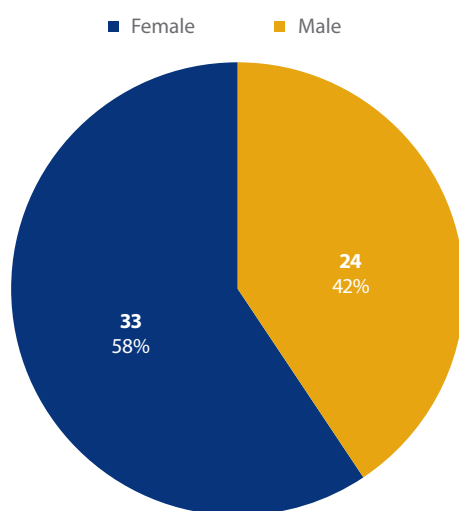
Staff Category	Head Count
Executive Staff	8
Professional Staff	10
National Staff	16
Administrative Staff	23
<b>Total</b>	<b>57</b>

By the end of 2020, a total of 57 positions had been filled, compared to the 54 filled positions in 2019. During 2020, one professional and two national staff members left CGIF, while one executive, three national, and two administrative staff members joined. These new staff members were distributed between Budget, Planning, Personnel and Management Systems Department, Deal Operations Department, Legal Department, and Risk Management Department.

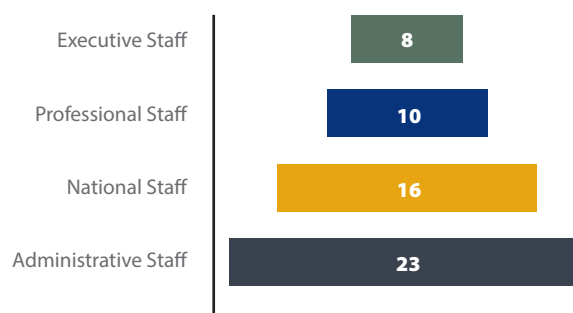
The organization structure of CGIF is regularly reviewed to ensure effective recruitment of human resources.

### KEY STAFF DEMOGRAPHICS

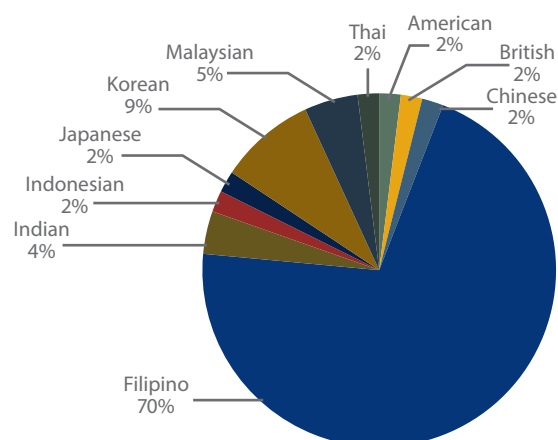
**FIGURE 14: STAFF GENDER**



**FIGURE 15: STAFF CATEGORY**



**FIGURE 16: STAFF NATIONALITIES**



# INSTITUTIONAL INFRASTRUCTURE

The institutional infrastructure in 2020 focused on the following key areas:

- 1. Implementation of Medium-term Business Strategy (MBS).** Credit Guarantee and Investment Facility (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. CGIF Management performed a review and revised the forecast included in the MBS to be more realistic and to maintain a sustainable growth without requiring further capital subscription and with minimum risk of credit downgrading. The revised forecast was tabled at the second Board of Directors (BOD) meeting in September 2020 and approved.
- 2. Execution of Capital Increase.** Following the approval of CGIF's Capital Increase Proposal (CIP) by the Meeting of Contributors (MOC) 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 2020, CGIF's Capital from Contributors stands at \$1,102.2 million. The additional paid-in capital in 2020 came from Republic of Korea (\$23.8 million) and the Socialist Republic of Viet Nam (\$800,000).
- 3. 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. The final report was presented to IIP Working Group (IWG) Members at a meeting held on 19 August 2020. The IWG Members unanimously agreed with CGIF Management's recommendations to suspend the implementation of IIP due to several obstacles in the development of the project bond market that cannot be overcome in a short period of time to make IIP feasible.

- 4. Business Continuity Management System (BCMS).** CGIF has had business continuity plans (BCP) and a BCP document in place since November 2014. In 2020, Management decided that a full review of the plan was timely as it is mindful of the need to shift the organization's operating model to increase its preparedness and resilience and ensure that it can adapt to an even more comprehensive range of disruptive events regardless of nature and duration. Therefore, the Management has developed the BCMS document.
- 5. 360-Degree Feedback System** CGIF developed a web-based application that is used by the Human Resources and Administration Unit (HRAU) to (i) assist in giving feedback(s) or evaluation(s), (ii) automate the collection of feedback, and (iii) generate feedback result(s) in a quicker manner.

## BUDGET

Budget utilization ratio (before contingency) for 2020 is 71% (or \$9.28 million). It decreased from 88% in 2019 (or \$10.99 million). Travel and mobility restrictions imposed by various countries due to COVID-19 were a major factor in the decrease of budget utilization.

The BOD, in its November 2020 meeting, approved the 2021 budget of \$13.60 million, committing the necessary resources to support the 2021 Work Program.

## FINANCIAL HIGHLIGHTS

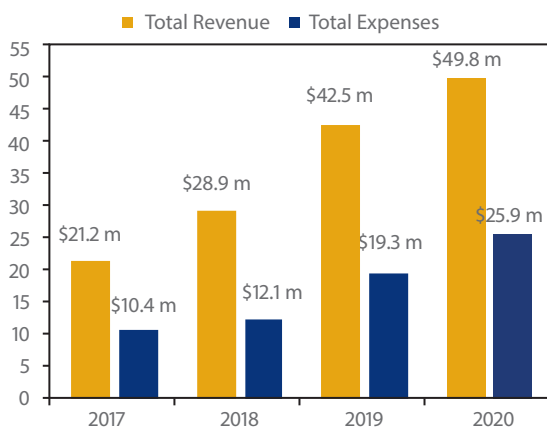
Credit Guarantee and Investment Facility (CGIF) generated a net income of \$24.0 million in 2020, \$0.8 million higher than previous year despite \$6.7 million increase in provision for impairment. The net income before provision for impairment increased by \$7.5 million or 28.7% higher than previous year. The increase of the net income was realized through the \$7.8 million increase in total revenues and was offset by the \$6.6 million increase in total expenses. Of the total revenue of \$49.8 million, \$26.4 million was contributed from investment income and \$19.9 million from guarantee income. The growth of gross revenue was largely driven by the 36.6% increase in income from guarantees—from \$14.5 million to \$19.9 million. This significant increase is attributed to a number of deals closed in 2019 and 2020. Continuous growth of investment income in 2020 is attributed to the additional capital infusion that was placed in investment securities. Despite the lower administrative and operational expenses this year, the total expenses ended at \$25.9 million,

34.0% higher than previous year. This is mainly due to higher provision for impairment. Additional provision for impairment based on the expected credit losses in 2020 reached \$9.5 million as a result of higher Probability of Default (PD) rates and a guarantee account that newly dropped to Stage 2 in 2020.

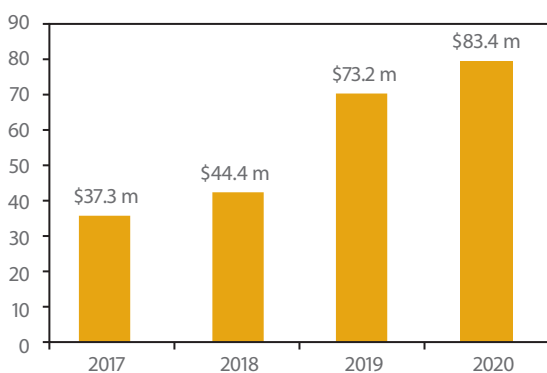
Outstanding guarantee issued as of the end of 2020 increased to \$2,308 million or by 10.4%—from \$2,090 million in 2019. Net guarantee fee receivables recorded amounted to \$67.9 million. Guarantee liability recorded at \$83.4 million, inclusive of additional provision for the guarantee obligation amounting to \$10.2 million.

Total Member's Equity increased to \$1,264.5 million in 2020, 7.3% increase from last year's \$1,178.4 million. Including \$24.0 million net income for 2020, CGIF's Retained Earnings and Reserve, which is the accumulation of allocated retained earnings since its establishment, stood at \$109.5 million.

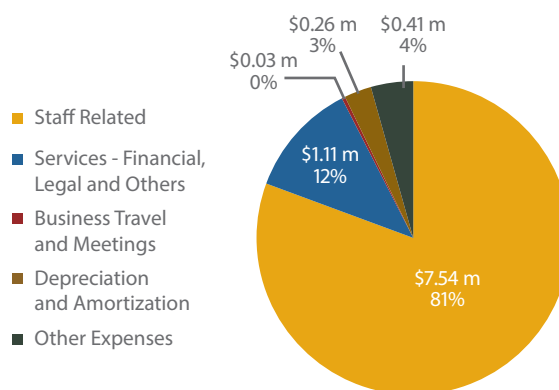
**FIGURE 17: REVENUE VS. EXPENSES**



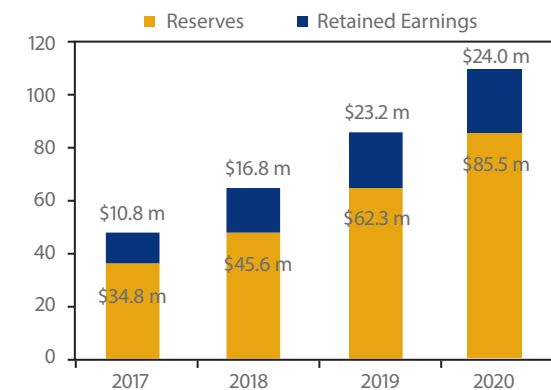
**FIGURE 19: GUARANTEE LIABILITY**



**FIGURE 18: ADMINISTRATIVE AND OPERATIONAL EXPENSES**



**FIGURE 20: RETAINED EARNINGS AND RESERVES**









**OUR PEOPLE**



## ◎ BOARD OF DIRECTORS



Chairperson  
Board of Directors

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



Chairperson  
Nomination and Remuneration Committee

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



Chairperson  
Internal Control and Risk Management  
Committee

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



Chairperson  
Audit Committee

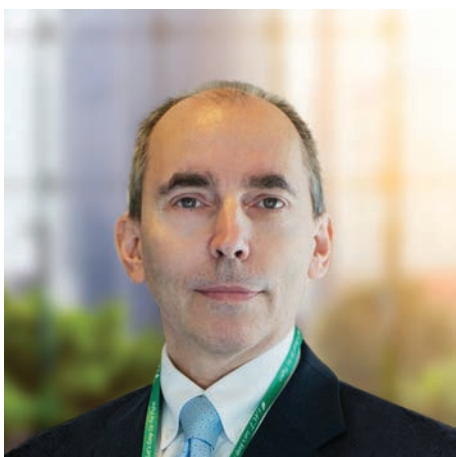
**Mr. Mark Dennis Y.C. Joven**  
Undersecretary  
International Finance Group  
Department of Finance Philippines



**Ms. Mina Kajiyama**  
Director  
Promotion of Regional Financial Cooperation  
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 in 2011-2015.

Ms. Sun holds both a Master of Science Degree in Economics and Development Economics as well as Masters' Degree in Finance from Nottingham University and Central University of Finance and Economics respectively.



**Mitsuhiro Yamawaki**

Chief Risk Officer/ Deputy Chief Executive Officer

Mr. Mitsuhiro Yamawaki is the Chief Risk Officer / Deputy Chief Executive 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).

As Director of Credit Risk Assessment Division at Office of Risk Management (ORM) of the Asian Development Bank (ADB), Mr. Yamawaki was also involved in the risk assessment of ADB's investment in CGIF when it was established. When he was promoted as ADB ORM Head, Mr. Yamawaki 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 C-level position as General Manager of the Investment Banking Division for the Bank of Tokyo-Mitsubishi UFJ in New York, USA, which were prior to his assignments at JICA and ADB. Mr. Yamawaki holds a Bachelor's Degree in Political Science from Waseda University in Tokyo, Japan.



**Aarne Dimanlig**

Chief Credit-risk Officer

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. Mr. Dimanlig's other professional experiences include appointments at Columbia University Graduate School of Business; the International Monetary Fund; and the University of California, Santa Barbara.

Mr. Dimanlig attended the University of California in 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.



**Gene Soon Park**

General Counsel and Board Secretary

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

Mr. Park attended the Law School of Seoul National University (for his Bachelor, Master, and PhD in banking and securities regulation) and Law School of Stanford University Master's Degree of SPILS (Stanford Program for International Legal Studies).



**Hou Hock Lim**

Corporate Planner and Head of Budget, Planning, Personnel and Management Systems

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

Mr. Lim attended the Monash University (Clayton) Australia for his Bachelor of Commerce Degree (Accounting and Finance) and the Harvard Business School's Senior Management Development Program. More recently, he also 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**

Head, Internal Audit

Ms. Jackie Jeong-Ae Bang is the Head of Internal Audit of CGIF. While based in Singapore, she was the Senior Vice President of 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 (Korea) and Citibank (Korea and Singapore), respectively.

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 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, Mr. Rhee was awarded "The Most Astute G3 Bond Investor" from 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.

Mr. Rhee holds both CFA (Chartered Financial Analyst) and FRM (Financial Risk Manager) credentials. He is also a certified IFRS (International Financial Reporting Standards) Manager.



**Anuj Awasthi**  
Vice President, Operations

Mr. Anuj Awasthi is CGIF's Vice President of Operations, overseeing its guarantee operations. He was formerly a Managing Director at Societe Generale heading the financing initiatives for the Global Markets division for ASEAN and South Asia where he worked on developing the bank's local currency bond origination and structuring business.

Prior to that, he held various positions with Nomura, Merrill Lynch, and HSBC in a career that spans over 20 years in derivatives, hedging, balance sheet management, and local currency financing solutions for corporates and institutions in South Asia and ASEAN.

Mr. Awasthi attended Delhi University for his Bachelor of Science in Mechanical Engineering Degree and finished his Post Graduation in Management from the Indian Institute of Management, Calcutta.





## ● OUR PEOPLE

The workforce of Credit Guarantee and Investment Facility (CGIF) is comprised of people from different backgrounds. Contrary to some belief that having a workforce that is too diverse is detrimental to an organization, CGIF has proven otherwise: in the last decade, it has thrived on this diversity. The differences in experience and approaches to a subject matter by its people have positively contributed to the development of a young organization like CGIF.

This past year, COVID-19 swept the world. Many employers have struggled to cope and adjust to the changes to sustain business and operations. To protect employees and their families from contracting the virus at the workplace, working from home has become the new “normal” for a lot of companies.

As an organization, CGIF prioritizes the health and safety of its employees. Prior to the official lockdown, CGIF’s Management had already implemented the work from home arrangement for all staff.

Through the course of the current pandemic, CGIF also negotiated with its HMO provider, Cigna, to include COVID-19 related medical expenses in its coverage. Similarly, its continued memberships with International SOS and Lifeline have made employees even more confident in CGIF’s prioritization of their health and safety needs. Through this period, CGIF also procured face masks and when working from headquarters was allowed at 10% capacity, social distancing guidelines were strictly implemented by Asian Development Bank (ADB).

Updates on the COVID-19 situation were likewise shared on a regular basis during online staff meetings to keep staff abreast of the latest happenings in the Philippines and the world.









**GOVERNANCE**



## ◎ GOVERNANCE

**24 April 2020**

Mr. Mitsutoshi Kajikawa, Director of Regional Financial Cooperation Division, International Bureau of the Ministry of Finance of Japan, resigned as Director of Credit Guarantee and Investment Facility (CGIF). In his place, Ms. Mina Kajiyama, Director of Regional Financial Cooperation Division, International Bureau of the Ministry of Finance of Japan was nominated.

### MEETING OF CONTRIBUTORS (MOC)

**A**s a result of the COVID-19 pandemic in the region, the Meetings of Contributors (MOC) were virtually held via video/telephone conference in two stages: (i) mandatory matters for resolution in time were deliberated in May via Annual MOC and (ii) the rest of the agendas were discussed in September via a Special MOC.

The Annual MOC for 2020 was held on 19 May 2020 via Zoom and teleconference facility.

During the Annual MOC for 2020, Contributors considered and approved the following recommendations of the Board of Directors (BOD):

1. Minutes of the Special MOC held on 24 October 2019 via Teleconference
2. Annual Report for 2019 including the Audited Financial Statements
3. Allocation of the entire net income for 2019 of \$23,161,559.60 in Retained Earnings to Reserve
4. Election of Audit Committee (AC) and Internal Control and Risk Management Committee (ICRMC) Chairpersons

The Contributors also discussed updates on CGIF's Capital Increase exercise in respect of extending the deadline for the second round of Instrument of Subscription (IOS) submissions.

A Special MOC was also held on 11 September 2020.

Contributors considered and approved the following recommendations of the BOD:

1. Minutes of the last MOC held on 19 May 2020 held via Zoom and Teleconference Facility
2. Regarding the Capital Increase: (i) Proposed Amendment of Paragraph 4(c) of MOC Resolution 2017-S-01, and (ii) Update on the second round of the Capital Increase Status

The Contributors also discussed the Progress Report of CGIF; updates on the Infrastructure Investors Partnership (IIP), to suspend further discussion or any decision for now; and also updates on CGIF tax exemption status and regulatory treatment report.

## BOARD OF DIRECTORS (BOD)

In 2020, due to the prevalence of the COVID-19 pandemic, the Board of Directors (BOD) had a total of three meetings held via Zoom and teleconference facility in May, September, and November.

In all meetings, the BOD provided oversight and supervision of management and operations of Credit Guarantee and Investment Facility (CGIF). 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 2020 are summarized below:

On **19 March 2020**, through electronic means, the BOD approved the minutes of the BOD meeting held in Seoul Korea on 28-29 November 2019.

On **01 April 2020**, through electronic means, the BOD approved the mandatory matters that require endorsement to the Meeting of Contributors (MOC) as follows:

1. Approval of the Annual Report for 2019
2. Approval of the allocation of the Net Income of \$23,161,559.60 to Reserve
3. Second Round of Capital Increase (Due 31 March 2020)
4. Election of Chairpersons for Audit Committee (AC) and Internal Control and Risk Management Committee (ICRMC)

The Directors also received the Report on the Management Action Plan (MAP) on Independent Evaluation conducted by KPMG Services Pte Ltd. Singapore (KPMG Singapore).

### 18 May 2020

1. Approval of the Performance Evaluation of Ms. Guiying Sun, Chief Executive Officer (CEO) of CGIF
2. Approval of the Developmental Impact Scorecard
3. Approval of the Guarantee Underwriting Proposal (GUP) Board Approval Validity

The Directors also listened to and discussed the reports of the Chairs of the AC and ICRMC; Progress Report on CGIF, and updates on the Infrastructure Investors Partnership (IIP).

### 03 September 2020

1. Approval of the minutes of the BOD meeting held on 18 May 2020 via Teleconference
2. Approval of the revisited Financial Forecast in Medium-Term Business Strategy (MBS)
3. Approval of the (i) extension of Notice Period Requirement for Executive Staff and (ii) revision on paragraph 242 of CGIF Operational Policy
4. Approval of the suspension of the implementation of the IIP

The Directors also listened to and discussed the reports of the Chairs of the AC and ICRMC; Progress Report on CGIF, and updates on Country Exposure Classification and Capital Increase.

## AUDIT COMMITTEE (AC)

### 27 November 2020

1. Approval of the minutes of the BOD meeting held on 03 September 2020 via Teleconference
2. Approval of the Alternative Guarantee Approval Process (AGAP)
3. Approval of the delegation of Signing Authority for Guarantee Transactions

The Directors also listened to and discussed the reports of the Chairs of the AC and ICRM; Progress Report on CGIF, updates on the result of dry run for a guarantee call event, and results of the Capital Adequacy Stress Test.

The Business Plan, Work Program, and Budget for 2021 were also presented and, after deliberations, the Management of CGIF revised the proposal to reflect the comments/requirements of the Directors. The Revised Business Plan, Work Program, and Budget for 2021 were electronically circulated and approved on 14 December 2020.

In 2020, through electronic means, the BOD deliberated and approved guarantee-related items as follows:

1. Approval of the GUP for Fullerton Healthcare Corporation Limited (2nd Tranche) on 09 January 2020
2. Approval of the GUP for GLP Pte. Ltd on 21 January 2020
3. Approval of the GUP for PT Ketrosden Triasmitra, Indonesia on 21 April 2020
4. Approval of the GUP for B. Grimm Power Public Company Limited on 24 July 2020

**T**he Audit Committee (AC) is tasked by the Board of Directors (BOD) with the oversight, due diligence, and control over the financial aspects of operations and performance of Credit Guarantee and Investment Facility (CGIF).

### Purpose

The AC 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 AC, with the ASEAN Director as Chairman. The Chairman and members are all appointed by the BOD.

The AC 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 AC'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 (OP) empower the AC to monitor, review, and make recommendations to ensure the:

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

The AC reviews its terms of reference and its own effectiveness annually and recommends any necessary changes to the BOD.

#### **Calendar Year 2020 Audit Committee Activities:**

The AC convened four times in 2020 with four video-teleconference meetings (on 3 April, 18 May, 3 September, and 27 November). The AC 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 AC reviewed and approved significant financial reporting issues and judgments that were made in the preparation of financial statements and disclosures by the CGIF Management. Considering the view of the external auditor, the AC 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).

The AC approved CGIF's 2019 Audited Financial Statements on 3 April 2020. The external auditor, Deloitte & Touche Singapore (Deloitte), participated in a video-teleconference meeting without CGIF Management in attendance on 3 April 2020 to present the opinion of external auditor on CGIF's Financial Statements and to respond to the questions from the AC.

Three quarterly unaudited financial statements were reported to the AC for their review on 7 May, 3 September, and 27 November 2020, respectively.

## **EXTERNAL AUDIT**

The AC is responsible for overseeing the work of the 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 AC and the BOD.

Engagement terms were approved by AC, BOD, and the Contributors at the time of external auditor selection in May 2019. There was no change in the engagement terms for 2020. Engagement terms include conduct of audit in accordance with International Standards on Auditing; CGIF

Management's responsibilities over financial statements and internal accounting controls; and provisions on confidentiality of information, data protection, and publishing and reproduction of financial statements.

## **INTERNAL AUDIT**

The Internal Auditor, as part of its responsibility and accountability to the AC, 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 AC. The AC 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 AC through the issued audit reports and the reported quarterly audit updates. The audit report includes findings and recommendations for high- and medium-risk observations, with corresponding action plans. In 2020, the Internal Auditor completed and released four 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 completion status, and (iv) coordination of external audit.

In its teleconference meeting on 27 November 2020, the AC reviewed and approved the internal audit plan for 2021.

The AC 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 AC and the BOD through the quarterly audit updates and the quarterly management report, respectively.

## **INDEPENDENT EVALUATION**

Final report on Independent Evaluation was presented by KPMG Services Pte Ltd. Singapore (KPMG Singapore) in the September 2019 BOD meeting. There were a total of 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 (MAPs) were presented in the November 2019 BOD meeting. Detailed Management Action Plan on Independent Evaluation was coordinated by Internal Auditor and was reported electronically to BOD in April 2020. Status on MAPs were reported to BOD in September and November 2020 meetings. Internal Auditor continues to coordinate the MAPs on Independent Evaluation, which will be reported to BOD.

### INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE (ICRMC)

Consequent to quarantines and travel restrictions in the wake of the COVID-19 pandemic, the Internal Control and Risk Management Committee (ICRMC) met virtually three times in 2020 (on 18 May, 3 September, and 27 November). Policies for internal control and risk management were deliberated and approved by the ICRMC at its virtual meetings.

Recognizing a downturn of the credit environment in the wake of the COVID-19 pandemic, Credit Guarantee and Investment Facility (CGIF) introduced and implemented guidelines for the detection, classification into Monitor or Watch or Worry status, and monitoring of guarantee accounts that have credit-related issues and problems. CGIF also enhanced its Monthly Compliance Monitoring Reports to present information on the number, type, and duration of covenant breaches by guaranteed bond issuers. Of CGIF's 25 guarantee accounts at end-2020, 20 are unclassified, 3 are in Monitor status, and 2 are in Watch status. Watch status accounts have more, longer, and likely to persist uncured financial covenant breaches than Monitor status accounts; and as such require closer monitoring and attention to cure covenant breaches.

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 2020, the Guarantee and Investment Committee (GIC) reviewed 12 Guarantee Concept Papers (GCPs), 3 Guarantee Underwriting Proposals (GUPs), and 24 annual reviews. All three GUPs were endorsed to the BOD, of which two were approved and one was pending approval at end-2020. Two additional GUPs endorsed by the GIC in 2019 were approved by the BOD in early 2020, bringing the total 2020 BOD GUP approvals to four. Of these four BOD GUP approvals, one has been issued, one has been cancelled, and two have not yet been issued at end-2020.

CGIF underwrote \$316 million guarantees in 2020. The partial redemption of one guaranteed account reduced the portfolio by \$56 million. Gross guarantee portfolio increased to \$1,889 million in 2020 from \$1,623 million in 2019. On account of capital infusions by CGIF Contributors and increased retained earnings, CGIF's maximum guarantee capacity increased to \$3,004 million at end-2020 from \$2,881 million at end-2019. At end-2020, CGIF's leverage ratio was at 1.28x versus 1.14x at end-2019, both well below the limit of 2.5x. CGIF's Capital Adequacy Ratio (CAR) at end-2020 decreased to 3.88x from 3.96x CAR at end-2019, but remains above the limit of 1.1x.

**TABLE 7: GUARANTEES**

In \$ millions	2019	2020
Guarantees Underwritten	496	316
Guarantee Portfolio	1,623	1,889
Guarantee Portfolio, Net of Reinsurance	1,317	1,535

Note: Excludes accounts approved by the BOD but not yet issued

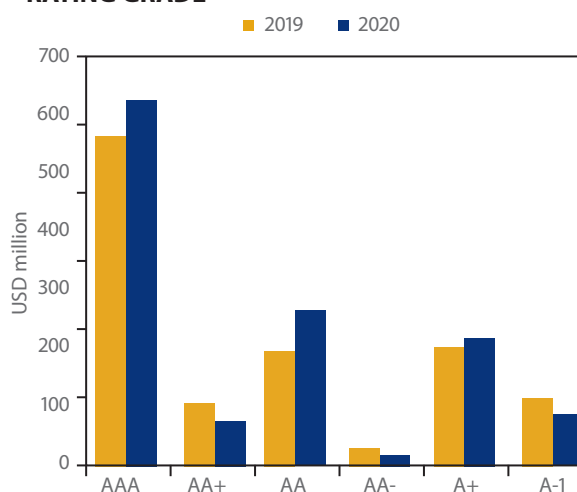
**TABLE 8: CAPACITY METRICS**

	2019	2020
Maximum Guarantee Capacity, \$ Million	2,881	3,004
Leverage Ratio (ceiling, 2.5x)	1.14x	1.28x
Capital Adequacy Ratio (floor, 1.0x)	3.96x	3.88x

Note: Based on booked guarantees only

CGIF guaranteed bonds of five accounts in 2020, of which four were approved by the BOD in 2019. No guaranteed bond matured in 2020. At end-2020, there were 25 issuers (20 at end-2019) whose bonds were guaranteed by CGIF.

CGIF's investment portfolio duration at end-2020 was 3.01 years versus 3.08 years at end-2019, both within the limit of 5 years. About 49% of the CGIF's investment portfolio is rated AAA. At end-2020, 77% of the portfolio is rated AA- or better versus 74% at end-2019. No investment concentration limit was breached in 2020. In 2020, as in 2019, CGIF passed tests for adequacy of liquidity under normal conditions, and under stressed conditions.

**FIGURE 21: INVESTMENT DISTRIBUTION BY RATING GRADE**



## THE NOMINATION AND REMUNERATION COMMITTEE (NRC)

**T**he 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 comprises the NRC. The China director serves as the Chairperson. The Meeting of Contributors (MOC) approves the appointment of the Chairperson.

The NRC is responsible for assessing and proposing to the BOD and the MOC remuneration, pensions, and all other compensation of senior executives in keeping with the organization's culture, strategy, business environment, and industry best practice.

Primarily, the NRC ensures:

- a. having in place a succession plan for the Chairperson of the BOD and the Chief Executive Officer (CEO);
- b. providing the BOD with the requisite recommendations for the continuity in service of Credit Guarantee and Investment Facility (CGIF) executives; and the selection and appointment of such executives;

- c. providing the BOD with the requisite details on issues related to the appointment of executives to be included in the annual report of the CGIF;
- d. participation of the Chairperson of the NRC in the MOC on the appointment and selection of the CEO; and
- e. submission to the BOD at least annually on its activities and recommendations.

### **4 March 2020, NRC Meeting via Electronic Means**

The NRC noted the salary adjustment for 2020.

### **27 October 2020, NRC Meeting via Electronic Means**

The CGIF Management updated the NRC on the development of CGIF's Defined Contribution (DC) Plan. In view of the considerable constraints and obstacles faced, the Management recommended that the establishment of CGIF DC Plan be placed on hold until the tax position of a category of staff is clarified.



## **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 2020**

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

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

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## INDEPENDENT AUDITOR'S REPORT

### TO THE BOARD OF DIRECTORS OF CREDIT GUARANTEE AND INVESTMENT FACILITY

#### Opinion

We have audited the financial statements of Credit Guarantee and Investment Facility (CGIF), which comprise the statement of financial position as at December 31, 2020 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 CGIF as at December 31, 2020, 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 CGIF 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 CGIF'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 CGIF or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing CGIF's financial reporting process.



## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CGIF'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 CGIF'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 CGIF 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

27 April 2021

**CREDIT GUARANTEE AND INVESTMENT FACILITY**  
**(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)**  
**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2020**  
*Expressed in Thousands of United States Dollars*

	NOTES	2020	2019
<b>ASSETS</b>			
CASH		3,460	3,740
INVESTMENTS	5	1,270,349	1,176,212
ACCRUED INTEREST INCOME	5	7,563	7,192
GUARANTEE FEE RECEIVABLE, NET	6	67,904	65,647
RIGHT OF USE – LEASE ASSET, NET	7	508	172
FURNITURE, FIXTURES AND EQUIPMENT, NET	8	181	217
INTANGIBLE ASSETS, NET	9	16	30
OTHER ASSETS	10	1,678	1,857
<b>TOTAL ASSETS</b>		<b>1,351,659</b>	<b>1,255,067</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>			
<b>LIABILITIES</b>			
GUARANTEE LIABILITY	6	83,381	73,204
UNEARNED INTEREST INCOME – GUARANTEES		794	548
LEASE LIABILITY	7	496	167
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	11	1,390	1,745
OTHER LIABILITIES	12	1,087	971
<b>TOTAL LIABILITIES</b>		<b>87,148</b>	<b>76,635</b>
<b>MEMBERS' EQUITY</b>			
CAPITAL STOCK			
PAID-IN CAPITAL	13	1,102,200	1,077,600
RETAINED EARNINGS		23,963	23,162
RESERVE	14	85,495	62,333
ACCUMULATED OTHER COMPREHENSIVE INCOME			
INVESTMENT REVALUATION RESERVE	5	52,853	15,337
<b>TOTAL MEMBERS' EQUITY</b>		<b>1,264,511</b>	<b>1,178,432</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>		<b>1,351,659</b>	<b>1,255,067</b>

**CREDIT GUARANTEE AND INVESTMENT FACILITY**  
**(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)**  
**STATEMENT OF NET INCOME**  
For the year ended 31 December 2020  
*Expressed in Thousands of United States Dollars*

	NOTES	2020	2019
<b>REVENUE</b>			
GUARANTEE FEES		17,392	12,947
INTEREST INCOME	15	28,852	26,177
REALIZED GAIN FROM SECURITIES		40	14
COMMISSION - REINSURANCE	18	2,327	2,104
MISCELLANEOUS INCOME	16	988	642
<b>GROSS REVENUE</b>		<b>49,599</b>	<b>41,884</b>
<b>EXPENSES</b>			
ADMINISTRATIVE AND OPERATIONAL EXPENSES	17	9,358	10,822
REINSURANCE EXPENSES	18	5,812	4,568
FINANCIAL EXPENSES		90	89
IMPAIRMENT LOSSES	5, 6	9,505	2,837
MISCELLANEOUS EXPENSES	12	1,087	971
<b>TOTAL EXPENSES</b>		<b>25,852</b>	<b>19,287</b>
<b>NET OPERATING INCOME</b>		<b>23,747</b>	<b>22,597</b>
GAIN FROM FOREIGN EXCHANGE		216	565
<b>NET INCOME</b>		<b>23,963</b>	<b>23,162</b>



**CREDIT GUARANTEE AND INVESTMENT FACILITY**  
**(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2020**  
*Expressed in Thousands of United States Dollars*

	<b>NOTES</b>	<b>2020</b>	<b>2019</b>
NET INCOME		23,963	23,162
OTHER COMPREHENSIVE INCOME			
ITEM THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME:			
NET UNREALIZED GAIN ON INVESTMENTS MEASURED AT FVTOCI	5	37,516	25,878
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>61,479</b>	<b>49,040</b>

**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 2020**  
*Expressed in Thousands of United States Dollars*

	Paid-in Capital		Retained Earnings	Reserve	Investment Revaluation Reserve	Total Members' Equity
	Subscribed Capital	Unpaid Subscription				
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, 1 JANUARY 2020	1,149,000	(71,400)	23,162	62,333	15,337	1,178,432
ADDITIONAL SUBSCRIPTION (NOTE 13)	-	24,600	-	-	-	24,600
NET INCOME FOR THE YEAR	-	-	23,963	-	-	23,963
ALLOCATION OF PRIOR YEAR INCOME TO RESERVE	-	-	(23,162)	23,162	-	-
OTHER COMPREHENSIVE LOSS						
NET UNREALIZED GAIN ON INVESTMENTS MEASURED AT FVTOCI (NOTE 5)	-	-	-	-	37,516	37,516
<b>BALANCE, 31 DECEMBER 2020</b>	<b>1,149,000</b>	<b>(46,800)</b>	<b>23,963</b>	<b>85,495</b>	<b>52,853</b>	<b>1,264,511</b>

**CREDIT GUARANTEE AND INVESTMENT FACILITY**  
**(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)**  
**STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2020**  
*Expressed in Thousands of United States Dollars*

	NOTES	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
GUARANTEE RELATED INCOME RECEIVED		19,445	15,415
OTHER INCOME RECEIVED		1,875	681
ADMINISTRATIVE AND OPERATIONAL EXPENSES PAID		(10,419)	(10,849)
REINSURANCE EXPENSES PAID		(4,042)	(3,258)
FINANCIAL EXPENSES PAID		(91)	(89)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>6,768</b>	<b>1,900</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
PURCHASES OF INVESTMENTS		(1,522,468)	(3,442,156)
MATURITIES OF INVESTMENTS		1,464,302	3,196,742
INTEREST RECEIVED ON INVESTMENTS		26,672	22,110
REALIZED GAIN FROM SECURITIES		40	13
PURCHASE OF FURNITURE AND EQUIPMENT		(26)	(141)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(31,480)</b>	<b>(223,432)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
CONTRIBUTIONS RECEIVED	13	24,600	218,400
LEASE LIABILITY PAID		(163)	(155)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>24,437</b>	<b>218,245</b>
<b>EFFECT OF EXCHANGE RATE CHANGES IN CASH</b>		<b>(5)</b>	<b>(14)</b>
<b>NET DECREASE IN CASH</b>		<b>(280)</b>	<b>(3,301)</b>
CASH AT THE BEGINNING OF THE YEAR		3,740	7,041
<b>CASH AT THE END OF THE YEAR</b>		<b>3,460</b>	<b>3,740</b>
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
NET INCOME		23,963	23,162
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
DEPRECIATION AND AMORTIZATION – FIXED ASSETS		104	213
DEPRECIATION – ROU ASSETS		159	145
PROVISION FOR EXPECTED CREDIT LOSSES		9,505	2,837
INTEREST INCOME ON INVESTMENTS		(26,368)	(24,558)
REALIZED GAIN FROM SECURITIES		(40)	(14)
FX REVALUATION LOSS		1	19
CHANGE IN GUARANTEE FEE RECEIVABLE		(3,366)	(25,819)
CHANGE IN GUARANTEE LIABILITY		2,658	26,142
CHANGE IN UNEARNED INTEREST INCOME		246	146
CHANGE IN ACCOUNTS PAYABLE AND ACCRUED EXPENSES		(382)	579
CHANGE IN OTHER ASSETS		173	(1,084)
CHANGE IN OTHER LIABILITIES		115	132
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>6,768</b>	<b>1,900</b>

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

**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended 31 December 2020**

**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 2020, \$1,149,000,000 are subscribed and \$1,102,200,000 are paid in by the Contributors. Details are discussed in Note 13.

The financial statements were approved by the Board of Directors on 27 April 2021 for presentation to the Meeting of Contributors (MOC) scheduled on 28 May 2021. 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 2020.

**Definition of Material (Amendments to IAS 1 and IAS 8)**

On 31 October 2018, the IASB issued Definition of Material (Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors) to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective annual reporting periods beginning on or after 1 January 2020. The application of this amendment does not have impact on CGIF's Financial Statements.



### ***Revised IFRS in issue but not yet effective***

CGIF has not applied the following revised IFRS that has been issued but not yet effective:

#### **IAS 1 Presentation of Financial Statements**

On 23 January 2020, the IASB issued *Classification of Liabilities as Current or Non-Current* providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. CGIF does not anticipate any significant impact on CGIF's Financial Statements upon the application of these amendments.

### **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.

### *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*

CGIF assesses a financial instrument to have an SICR if any of the following conditions are met: (1) credit risk rating drops to B- or lower, but is not in default; (2) credit risk rating drops by at least 3 notches in the recent past 36 months and is at least 3 notches below credit risk rating at inception; or (3) credit risk rating drops by at least 4 notches from inception if in its initial four years after inception, or by at least 5 notches from inception if beyond four years from inception. For financial guarantee contracts, the date that CGIF becomes a party to an irrevocable commitment is the date of initial recognition for the purpose of assessing impairment.

CGIF revised the relative SICR conditions as outlined in (2) and (3) above effective October 2020, on top of the absolute SICR condition (1), taking into consideration CGIF's portfolio profile and the requirements of IFRS 9.

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 once an event of default in the Guarantee Agreement has occurred, 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*

CGIF applies definition of a lease and the related guidance set out in the IFRS for contracts entered into as lease. As lessee, CGIF recognizes right of use asset and lease liability in the Statement of Financial Position.

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 net carrying amount as of 31 December 2020 and 2019 are as follows (in \$'000):

	<b>2020</b>	<b>2019</b>
<b>Financial assets</b>		
FVTOCI	1,187,349	1,055,212
Financial assets at amortized cost	162,939	199,030
<b>Financial liabilities</b>		
Financial liabilities at amortized cost	2,399	2,644
Lease liabilities	496	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 2020, CGIF's guarantee portfolio had a weighted average risk rating of BB (BB flat – 31 December 2019).

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, plus reserves less net credit loss reserves less foreign exchange loss reserves, and less all illiquid asset 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 Type-B (investor-procured) guarantee exposure is limited to 20% of 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 2020, CGIF's investment portfolio had remaining maturities of up to 9.93 years (9.84 years - 31 December 2019), with duration of 3.01 years (3.08 years - 31 December 2019). CGIF's investments are sensitive to interest rate movements. For CGIF's fixed income portfolio at 31 December 2020, it is estimated that a 100 basis points upward/downward parallel shift in the yield curve would cause an unrealized loss/gain of about \$38.3million (\$36.2 million - 31 December 2019).

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

	2020			
	Asset		Liabilities	
	Local Currency	USD Equivalent	Local Currency	USD Equivalent
VND	667,640,504	28,868	-	-
JPY	1,048,415	10,099	-	-
THB	262,535	8,702	-	-
SGD	10,807	8,127	-	-
PHP	105,026	2,186	30,770	640
MYR	44	11	-	-
IDR	1,281	-	-	-
LAK	539	-	-	-
TOTAL		<u>57,993</u>		<u>640</u>

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		<u>51,875</u>		<u>288</u>

CGIF is exposed to foreign exchange risk underlying foreign currency payables and receivables relating mostly to CGIF's guarantee operation. For CGIF's foreign exchange exposure at 31 December 2020, it is estimated that a 10% adverse change in FX rates in the relevant foreign currency exposure will cause an instant loss of \$5.21 million (\$4.70 million - 31 December 2019).

#### *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 2020 and 2019 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.

2020						
	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	-	40,094	158,644	722,655	265,956	1,187,349
Financial assets at amortized cost	6,120	2,495	96,620	44,132	14,961	164,328
Total financial assets	6,120	42,589	255,264	766,787	280,917	1,351,677
Financial liabilities						
Financial liabilities at amortized cost	225	525	1,207	442	-	2,399
Lease liability	13	25	117	341	-	496
Total financial liabilities	238	550	1,324	783	-	2,895
Net maturity gap	5,882	42,039	253,940	766,004	280,917	1,348,782
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

### *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 2020 was at 3.88 (3.96 – 31 December 2019). CGIF's overall strategy remains unchanged from prior year.

### *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):

	<u>2020</u>	<u>2019</u>
Certificates of Deposit	<u>83,000</u>	<u>45,000</u>
Time Deposits	<u>-</u>	<u>76,000</u>
FVTOCI		
Government-related-entity or government-guaranteed obligations (GGO)	<u>1,076,196</u>	<u>946,055</u>
Corporate obligations	<u>111,153</u>	<u>109,157</u>
Total FVTOCI	<u>1,187,349</u>	<u>1,055,212</u>
Total Investment	<u>1,270,349</u>	<u>1,176,212</u>

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 2020, based on the portfolio held at the beginning and end of each month without the effect of change in fair value was 2.21% (2.34% - 31 December 2019).

The investment revaluation reserve of \$52,853 in the statement of financial position as of 31 December 2020 (\$15,337 – 31 December 2019) is composed of the unrealized gain on FV of investments measured at FVTOCI and its credit loss allowance.

The estimated fair value and amortized cost of the investments by contractual maturity as of 31 December 2020 and 2019 are as follows (in \$'000):

	<b>2020</b>		<b>2019</b>	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
Due in less than one year	281,738	279,744	186,036	186,132
Due in one to five years	722,655	687,398	776,153	764,089
Due more than five years	265,956	251,265	214,023	210,688
<b>TOTAL</b>	<b>1,270,349</b>	<b>1,218,407</b>	<b>1,176,212</b>	<b>1,160,909</b>

#### *Fair Value Disclosure*

The fair value of the investments as of 31 December 2020 and 2019 are as follows (in \$'000):

	<b>2020</b>	<b>Fair Value Measurements</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Certificates of Deposits	83,000	-	83,000	-
Government-related-entity or GGO	1,076,196	1,045,104	31,092	-
Corporate obligations	111,153	111,153	-	-

	<b>2019</b>	<b>Fair Value Measurements</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
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	-	-

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.

For the years ended 31 December 2020 and 2019, there were no inter-level transfers.

#### *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):

	<b>2020</b>	<b>2019</b>
Balance at beginning of the year	34	17
Loss allowance recognized in profit or loss under impairment losses during the year on:		
Assets originated	70	14
Reversals	(1)	(2)
Change in credit risk	808	5
	<u>877</u>	<u>17</u>
Balance at end of the year	<u>911</u>	<u>34</u>

During the year, all transactions are classified to Stage 1 and there are no transfers between stages.

#### *Accrued Interest Income*

The details of accrued interest income from investments as of 31 December 2020 and 2019 are as follows (in \$'000):

	<b>2020</b>	<b>2019</b>
FVTOCI	7,425	6,650
Certificates of Deposits	132	338
Time Deposits	-	204
Guarantee	6	-
TOTAL	<u>7,563</u>	<u>7,192</u>

## **NOTE 6 – GUARANTEES**

As of 31 December 2020, CGIF has issued guarantees covering bonds denominated in Vietnamese Dong, Singapore Dollar, Thai Baht, Japanese Yen, Philippine Peso and Cambodian Riel. The total outstanding amount of the guarantees issued under the related bonds was \$2,308 million as of 31 December 2020 (\$2,090 million – 31 December 2019). The guarantees are inclusive of coupon payments. The USD guarantee obligation below is for a KHR issued bond where all payments will be in USD converted at a fixed exchange rate agreed at inception.

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

<b>31 December 2020</b>				
	Local Currency		Total Obligation	USD Equivalent of Total Obligation
	Principal	Coupon		
VND	14,338,000,000	6,055,675,743	20,393,675,743	881,812
SGD	695,000	112,964	807,964	607,583
THB	12,600,000	1,188,807	13,788,807	457,022
JPY	15,400,000	762,300	16,162,300	155,691
PHP	6,223,600	765,908	6,989,508	145,457
KHR	127,200,000	23,876,137	151,076,137	37,493
USD	19,670	3,570	23,240	23,240
				<u>2,308,298</u>

<b>31 December 2019</b>				
	Local Currency		Total Obligation	USD Equivalent of Total Obligation
	Principal	Coupon		
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
				<u>2,090,350</u>

As of 31 December 2020, a guarantee liability of \$83.4 million (\$73.2 million - 31 December 2019) was reported on the Statement of Financial Position. As of 31 December 2020 and 2019, the reported liability is composed of the following (in \$'000):

	<b>2020</b>	<b>2019</b>
Unamortized balance of present value of total guarantee fees	73,158	70,500
Allowance for ECL	10,223	2,704
<b>TOTAL</b>	<u>83,381</u>	<u>73,204</u>

The total amount of loss allowance for guarantee obligations determined through ECL amounted to \$32.0 million as of 31 December 2020 (\$7.8 million – 31 December 2019). The unamortized balance of guarantee liabilities is compared against the required ECL on a per instrument basis and the higher between the two will be reflected as the guarantee liability in the statement of financial position. The allowance for ECL on the above table represents the total differences between the higher ECL that was computed vs the unamortized balances of guarantee liabilities. As of 31 December 2020, there are two accounts in the portfolio that were classified into stage 2 (one – 31 December 2019).

The reported guarantee fee receivable of \$67.90 million represents the present value of the stream of total guarantee fees expected to be received for the guarantee outstanding as of 31 December 2020 (\$65.6 million – 31 December 2019) net of allowance for credit losses.

As of 31 December 2020 and 2019, 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. The carrying amount of guarantees approximates its fair value. 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 2020 and 2019 were summarized below:

	<b>Valuation Technique</b>	<b>Unobservable Input</b>	<b>2020</b>	<b>Range 2019</b>
Guarantee receivable	Discounted cash flows	Discount rates	1.35% to 9.70%	3.15% to 9.70%

There were no inter-level transfers during the year ended 31 December 2020 and 2019.

#### *Impairment Losses*

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

	<b>2020</b>	<b>2019</b>
Balance at beginning of the year	280	164
Loss allowance recognized in profit or loss under impairment losses during the year on:		
Assets originated	199	128
Reversals	(25)	(31)
Additions	935	19
	<u>1,109</u>	<u>116</u>
Balance at end of the year	<u>1,389</u>	<u>280</u>

As of 31 December 2020, there are two accounts in the portfolio that were classified into stage 2 (one – 31 December 2019).

## **NOTE 7—LEASES**

CGIF recognized right of use- lease asset related to the office rental contract with ADB. This is initially measured at cost and is subsequently depreciated on a straight-line basis for two years. In December 2020, CGIF and ADB agreed to extend the lease contract upon expiry for 3 years ending 31 January 2024. Since the extension of lease term did not add the right to use a new underlying asset, it is not accounted for as a separate lease. Accordingly, the lease liability is remeasured on 31 December 2020 and a corresponding adjustment was made to the ROU Lease Asset.

The details of the amount presented in the Statement of Financial Position are as follows:

Cost	
1 January 2019	-
Addition	<u>317</u>
31 December 2019	317
Remeasurement	<u>496</u>
31 December 2020	<u>813</u>
Accumulated depreciation	

1 January 2019	-
Depreciation	<u>(145)</u>
31 December 2019	(145)
Depreciation	<u>(160)</u>
31 December 2020	<u>(305)</u>
NET Balance at 31 December 2020	<u>508</u>
NET Balance at 31 December 2019	<u><u>172</u></u>

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):

	<b>Office Furniture and Equipment</b>	<b>IT and Communications</b>	<b>Building Improvement</b>	<b>TOTAL</b>
<b>Cost</b>				
1 January 2019	296	266	5	567
Additions	56	83	-	139
Disposals	(3)	-	-	(3)
31 December 2019	349	349	5	703
Additions	10	35	-	45
Disposals	-	(5)	-	(5)
31 December 2020	359	379	5	743
<b>Accumulated Depreciation/Amortization</b>				
1 January 2019	(212)	(187)	(5)	(404)
Depreciation	(36)	(49)	-	(85)
Amortization	-	-	-	-
Disposals	3	-	-	3
31 December 2019	(245)	(236)	(5)	(486)
Depreciation	(29)	(52)	-	(81)
Amortization	-	-	-	-
Disposals	-	5	-	5
31 December 2020	(274)	(283)	(5)	(562)
<b>NET, 31 December 2020</b>	<b>85</b>	<b>96</b>	<b>-</b>	<b>181</b>
<b>NET, 31 December 2019</b>	<b>104</b>	<b>113</b>	<b>-</b>	<b>217</b>

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):

	<b>Information Systems Software</b>
Cost	
1 January 2019	970
Additions	2
Disposals	-
31 December 2019	972
Additions	10
Disposals	(1)
31 December 2020	981
Accumulated Depreciation/Amortization	
1 January 2019	(814)
Amortization	(128)
Disposals	-
31 December 2019	(942)
Amortization	(24)
Disposals	1
31 December 2020	(965)
NET, 31 December 2020	16
NET, 31 December 2019	30

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 \$1.09 million (\$0.97 million – 31 December 2019), recorded in other miscellaneous expense was accrued in other liabilities. ADB's administration fee is equivalent to 10 bps of contributions received. ADB's administration fee for 2020 will be settled subsequently in May 2021. Key management personnel total compensation of short-term employee benefits for 31 December 2020 amounted to \$3.21 million (\$2.88 million – 31 December 2019).

## 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 2020 and 2019 are as follows (in \$'000):

	<b>2020</b>	<b>2019</b>
Authorized capital (12,000 shares)	<u>1,200,000</u>	<u>1,200,000</u>
Subscribed	1,149,000	1,149,000
Unsubscribed	<u>51,000</u>	<u>51,000</u>
Total authorized capital	<u>1,200,000</u>	<u>1,200,000</u>
Subscribed capital comprises:		
Amounts received	1,102,200	1,077,600
Amounts not yet due	<u>46,800</u>	<u>71,400</u>
Total subscribed capital	<u>1,149,000</u>	<u>1,149,000</u>

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

The details of CGIF capital as of 31 December 2020 and 2019 are as follows (in \$'000 except for number of shares):

<b>31 December 2020</b>				
<b>Contributor</b>	<b>No. of shares</b>	<b>Subscribed</b>	<b>Amount received</b>	<b>Amount not yet received</b>
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	1,900	-
	1,120	112,000	89,000	23,000
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	147,600	23,800
	8,570	857,000	833,200	23,800
<b>Total</b>	<b>11,490</b>	<b>1,149,000</b>	<b>1,102,200</b>	<b>46,800</b>

<b>31 December 2019</b>				
<b>Contributor</b>	<b>No. of shares</b>	<b>Subscribed</b>	<b>Amount received</b>	<b>Amount not yet received</b>
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

Contributor	31 December 2019			
	No. of shares	Subscribed	Amount received	Amount not yet received
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

#### NOTE 14— RESERVE

The allocation to Reserve of the 2019 net income in retained earnings was approved by the Contributors at the 19 May 2020 Meeting of Contributors, per Resolution No. 2020-A-03.

#### NOTE 15— INTEREST INCOME

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

	2020	2019
FVTOCI	24,634	21,747
Time Deposits	593	2,473
Guarantee	2,477	1,594
Certificates of Deposits	1,141	339
Others	7	24
	28,852	26,177

#### NOTE 16— MISCELLANEOUS INCOME

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

## NOTE 17— ADMINISTRATIVE AND OPERATIONAL EXPENSE

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

	2020	2019
Staff Related Expenses	7,543	6,771
Financial and Legal Services	687	1,444
Short Term Staff Consultants	424	890
Business Travel	29	363
Recruitment Expense	9	335
Depreciation and Amortization – Fixed Assets	104	213
Depreciation – ROU Assets	159	145
MOC and BOD Expenses	12	185
Others	391	476
	<u>9,358</u>	<u>10,822</u>

## NOTE 18— REINSURANCE

In 1 October 2016, CGIF has entered into a quota share reinsurance treaty with a consortium of reinsurers. The reinsurance treaty was annually renewed to cover 1-year period. As of December 2020, a new treaty was signed to cover 2021 guarantees.

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.

The commission from reinsurance reported in the statement of profit and loss represents the commission income of 27.5% for the premium ceded and a profit commission on the annual profit derived from all the fees ceded under a 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— SUBSEQUENT EVENTS

CGIF received capital injection of \$3 million from Indonesia last 5 January 2021 raising the capital to \$1,105.2 million. In addition, on 19 February 2021, Indonesia subscribed to 90 additional shares amounting to \$9 million under the second stage of capital increase.

CGIF's management recognizes the potential impact of the political unrest in Myanmar on CGIF's credit guarantee portfolio. CGIF's lone Myanmar-based account, currently classified under Stage 2 and placed under stringent monitoring by the management, may be adversely affected by this situation. The magnitude of impact of the unrest on CGIF's financials is contingent on the duration and magnitude of the socio-economic-political instability that remains uncertain as at date of this report.



## Credit Guarantee and Investment Facility

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