RAM

CREDIT RATING RATIONALE

JANUARY 2013

CREDIT GUARANTEE AND INVESTMENT FACILITY

- Global Financial Enhancement Ratings
- ASEAN Financial Enhancement Ratings
- Financial Enhancement Ratings

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RAM RATINGS

CREDIT RATING RATIONALE

FINANCIAL ENHANCEMENT RATINGS

JANUARY 2013

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Principal Activity:
Provides credit guarantee to bond issuers in the ASEAN+3 region

Rating Type:
Financial Enhancement Ratings

CREDIT GUARANTEE AND INVESTMENT FACILITY – Initial Rating

Summary

RAM Ratings has assigned the following financial enhancement ratings to Credit Guarantee and Investment Facility ("CGIF" or "the Fund"):

Rating Type	Rating Action	Long-Term Rating	Short-Term Rating	Rating Outlook
Financial Enhancement Ratings				
National Ratings	Assigned	AAA	P1	Stable
ASEAN Ratings	Assigned	$_{sea}$AAA	$_{sea}$P1	Stable
Global Ratings	Assigned	$_{g}$AAA	$_{g}$P1	Stable

CGIF is a fund established under the Asian Bond Market Initiative ("ABMI") through contributions from the governments of 10 ASEAN[1] countries, the People's Republic of China, the Republic of Korea, Japan[2] (collectively known as "ASEAN+3") and Asian Development Bank ("ADB"). The Fund functions as a multilateral institution and has a mandate to promote the issuance of local-currency-denominated bonds by issuers in the ASEAN+3 nations. The Fund is also given the crucial role of developing efficient and liquid local-currency markets in ASEAN+3.

Given CGIF's pivotal role in developing and strengthening the regional bond markets to meet the important objectives of re-channelling Asian savings into the region and to promote the resilience of the region's financial markets, it is deemed strategically important to these nations. Following the Asian financial crisis, there had been a call for more developed and deeper local-currency bond markets. CGIF had been set up for this role under the ABMI. Its other objective is to facilitate the issuance of longer-term debt securities to match the gestation periods of projects. With the exception of ADB, the rest of CGIF's shareholders are sovereign governments or government-related entities. The People's

1 The Association of South-east Asian Nations, comprising Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.
2 Represented by Japan Bank for International Cooperation.

Republic of China and Japan Bank for International Cooperation are the Fund's largest contributors, each with 28.6%. Besides its 18.6%-share as a contributor, ADB also acts as a trustee for all of CGIF's funds and properties. We understand that the capital may increase from the initial contribution of USD700 million if demand increases for CGIF's guarantees.

CGIF is expected to operate with a very conservative leverage ratio. This is a key driver of its ratings. In the initial stage of its operations, the Fund's leverage ratio is not expected to exceed 1 time.[3] As agreed among the contributors, CGIF will reinsure its excess contingent liabilities if the guarantees extended exceed its net capital.[4] Reinsurance companies must be highly rated. RAM Ratings will closely monitor the Fund's leverage, taking into account its growth, prudence in underwriting and investment strategies, and efforts to reinsure its excess contingent liabilities when assessing any future impact on CGIF's ratings.

CGIF's development functions include guaranteeing bonds that hold at least investment-grade ratings (as rated by the relevant domestic rating agencies in the ASEAN+3 region) as well as making investments for the development of the ASEAN+3 bond markets. By providing credit enhancement to eligible issuers, CGIF protects bond investors against the risk of issuer default. With the Fund's guarantees, companies with good credit standing but unable to access the local bond market, or where the issuer's rating is constrained by a sovereign rating ceiling, can now raise funds, especially in the more matured capital markets.

CGIF is also guided by prudent underwriting and investment policies. ADB provides strong operational support in these areas. CGIF's country and currency limits will moderate the concentration risks arising from its guarantee portfolio, particularly in the initial years of its operations. CGIF is also expected to maintain a conservative stance on its investment portfolio including investments in low-risk and highly liquid assets. These liquid assets may be used to pledge as collateral for added liquidity in the repo market, if required. Given its 1 time leverage, we opine its liquidity risk to be well mitigated. In addition, CGIF has the right to continue the repayment schedule if the issuer defaults. This arrangement provides CGIF with sufficient time to liquidate its assets to make the necessary payments.

CGIF is led by an experienced management team with solid backgrounds and track records in the credit market. That said, we acknowledge that the Fund is a new set-up and the lack of an operating track record gives rise to uncertainties with regard to market demand for its guarantees as well as the credit quality of its future guarantee portfolio.

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[3] Leverage ratio = Total guarantee exposure / (Total capital – Foreign-exchange loss reserve – Credit loss reserve)

[4] Net capital = Total paid in capital + Retained earnings – Reserves – Illiquid investments

Rating Approach

We have assessed CGIF in accordance with RAM Ratings' methodology on financial enhancement ratings for Financial-Guarantee Insurance Companies ("FGIC"). For further details, please refer to our methodology, *Approach to Rating A Financial Guarantee Insurance Company*, published in May 2009.

Ownership and Financial Flexibility

Strong mandate to develop region's bond markets

CGIF is a start-up FGIC, established by ASEAN+3 and ADB in November 2010. Given that it is a multilateral institution, CGIF is not subject to any national or international regulatory oversight. Like ADB, the Fund enjoys similar privileges, immunities and exemptions such as tax exemption. CGIF has an authorised paid-up capital of USD700 million. Admittedly, the Fund size is small currently. No callable capital was established but its contributors may increase its paid-up capital if required. The Fund's *raison d'être* is to develop and strengthen local-currency bond markets in ASEAN+3, to enable the region's investment-grade companies seeking long-term funding to tap the liquidity in the region's capital markets and reduce reliance on foreign-currency funding. CGIF provides financial-guarantee insurance to bond issuers, to protect their investors against default. The financial-guarantee policy acts as a form of credit enhancement for the bond issue, and assures the bondholders of full and timely payments. CGIF may consider offering partial forms of guarantee subject to the market demand and/or requirement for such a product in the respective markets in the future. The guaranteed bonds will carry CGIF's ratings, thus reflecting the unconditional and irrevocable guarantee provided to the debt securities.

Trust fund of ADB

ADB acts as the Fund's trustee ("the Trustee") and holds in trust all of CGIF's funds and properties, in accordance with the provisions under the Articles of Agreement dated 11 May 2010. Any legal suit initiated against the Fund will be defended by the Trustee. However, the satisfaction of any claim or lawsuit against CGIF will be limited to the Fund's paid-in capital and other assets and properties. Investors/bondholders do not have legal recourse to either CGIF's contributors or the Trustee, unless the Trustee is found to have breached its duties.

Benefits from strong operational support from ADB

As a start-up FGIC, the Fund benefits from strong operational support from ADB, its trustee and 18.6% contributor. This is evident in capital-resource management, consultation on risk-management frameworks, as well as accounting and technical assistance, part of which are rendered by ADB. Under a secondment policy, CGIF can also receive qualified staff from its contributors at the expense of the latter.

Only regional FGIC in ASEAN+3

CGIF is currently the sole regional FGIC. It has been entrusted with its pivotal role of developing and strengthening the regional bond markets. The nations of ASEAN+3 have taken almost a decade to conceptualise and establish CGIF; the Fund is considered to be of strategic importance to these nations. With the exception of ADB, the rest of CGIF's shareholders are sovereign governments or government-related entities. The People's Republic of China and Japan[5] are the Fund's largest contributors, each accounting for 28.6%.

Meeting of Contributors – highest decision-making body

The highest decision-making body of CGIF is the Meeting of Contributors, comprising all of CGIF's contributors, which meet annually. The board of directors, a non-executive body and the second-highest decision-making authority, oversees policies drawn up by the management of CGIF. The 8-member board comprises the chief executive officer of CGIF, 2 representatives each from the People's Republic of China and Japan, and 1 each representing ASEAN, the Republic of Korea and ADB. These individuals are either representatives from the ministries of finance or development financial institutions/policy banks. The board meets on a quarterly basis.

Subject to operational reviews

During the initial phase of its operations, CGIF's guarantee portfolio will be limited to its paid-up capital of USD700 million and an initial leverage ratio of 1 time. After this phase, anticipated to span over 2 years, the Fund will be subject to an operational review by its board. The operational review will entail an evaluation on the effectiveness of its initial operations, together with the proposed mechanism that will allow full operations by CGIF if the initial phase has been successful. Additionally, the Fund will be subject to an operational review on its 10th anniversary. The board of directors will review CGIF's role, organisational structure and operations to evaluate the suitability and effectiveness of the Fund's operations. Based on the outcome of each review, the Meeting of Contributors will consider and determine the requisite changes to the role, organisational structure and operations of CGIF, including its possible termination (i.e. termination of new guarantee underwriting operations), as appropriate.

■ Management and Business Strategies

Helmed by experienced management team

CGIF is led by a team of seasoned professionals with a wealth of experience in development banking, risk management and credit assessment. Chief Executive Officer Kiyoshi Nishimura had held various senior positions at the European Bank for Reconstruction and Development, Japan Bank for International Cooperation, Export-Import Bank of Japan and the International Monetary Fund. He is supported by Chief Risk Officer Aarne Dimanlig, who had previously headed the market risk-management unit at the Bank of the Philippines Islands.

[5] Contributions were made by Japan Bank for International Cooperation on behalf of the Japanese Government

Vice President of Operations Boo Hock Khoo, had formerly been the deputy chief executive of Malaysia's first FGIC, Danajamin Nasional Berhad.

Initial focus on 5 countries

Initially, CGIF will concentrate on countries where the domestic capital markets are relatively more matured, i.e. Indonesia, Malaysia, the Philippines, Singapore and Thailand. The Fund will prioritise investment-grade listed companies that require long-term funding and/or cross-border financing in local currencies.

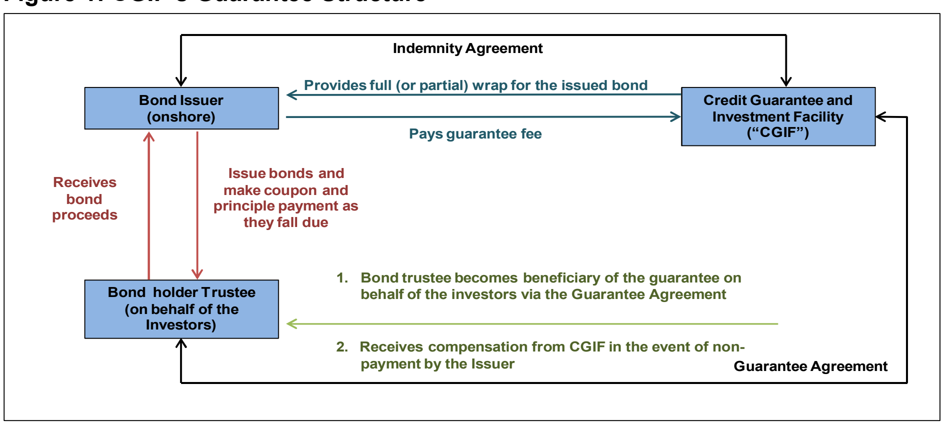
Slow start expected

As CGIF guarantees mainly local-currency bonds, its repertoire is restricted to investment-grade companies that transact in local currencies. Where exceptions are made in guaranteeing bonds that are not denominated in local currencies and issued by investment-grade-rated ASEAN+3 entities, the latter must be naturally hedged or financially hedged in such currencies. At the same time, CGIF's small fund will also limit its ability to attract larger corporations that may wish to raise greater amounts of money. Given these limitations, CGIF's guarantee operations may need some time to gain traction.

Simple and clear guarantee structure

In its standard operations, CGIF aims to provide full guarantees on a clean basis[6]; the guarantees will be on an irrevocable and unconditional basis, covering full payment of principal and interest in the event of non-payment by the issuer (including instances of fraud). Full payment will be made within 10 (*indicative*) business days from the date of receipt of a valid claim notice from the investors/bondholders. We understand that this is likely to be the period for most of CGIF's transactions, unless the norm in a particular market dictates otherwise. Moreover, CGIF retains the right to decide if the payments under the guarantee should be as per the original repayment schedule, or accelerated. Guarantees will be provided to investment-grade issuers (as rated by the relevant domestic rating agencies on the respective national scales) and in sectors not prohibited by CGIF.

Figure 1: CGIF's Guarantee Structure



Source: CGIF

[6] Certain transactions may be secured, in line with market practice (such as project finance and securitization).

Lower priority on return on equity moderates risky behaviour

CGIF does not pursue a profit-maximising strategy; we understand that there is minimal expectation of return on capital. The overriding objective of the Fund is to develop the region's bond markets and bridge the inherent credit gaps. On this score, CGIF will expand its business prudently.

■ Underwriting

Seeks to insure only investment-grade credits

Similar to most FGICs, the Fund's guarantee portfolio is based on the "minimal loss" underwriting concept, with the assumption that the guaranteed bonds will have a low likelihood of default under a normal operating environment. As such, financial-guarantee losses are expected to be minimal and limited by the investment-grade quality of its guarantee portfolio. An issuer is deemed to have met the criterion on investment-grade rating if its credit rating comes up to 7 or better under CGIF's internal risk-rating scale. In the initial phase of its operations, CGIF will simultaneously obtain a bilateral rating of the prospective issuer[7] from an international rating agency, until such time when the consistency of its internal ratings with that of international technical standards can be established. The probability of default and, by extension, the general provisions for credit losses will be on the basis of the internal ratings.

Concentration risk balanced by country and currency limits

Initially, CGIF's guarantee portfolio will inevitably exhibit some concentration risk. We envisage its guarantee portfolio to comprise medium-to-large listed companies within the region. With its initial paid-up capital of USD700 million and until this can be increased, CGIF is envisaged to guarantee no more than 10 issuers during the life of the Fund, or 2 issues per focus country. The Fund may guarantee companies outside the focus countries to raise funds in the focus country. The Fund's concentration risk is also moderated somewhat by a country limit of 20% (or USD140 million) of its capital and a currency limit of 40% (or USD280 million) of its capital.

Exposed to currency risk

CGIF is exposed to currency risk as it provides guarantees to bonds denominated in various local currencies in the region. To minimise foreign-exchange and currency risks, CGIF will pay all claims in the same currency as the particular bond issue. If CGIF is unable to obtain a sufficient amount of the bond issue's currency at the time of payment, the Fund retains the right to pay in US dollars; full disclosure on the method of calculating the exchange rate will be set out in the documentation at the onset. CGIF will mark its guarantees to the market on a monthly basis, and allocate a contingency foreign-exchange reserve to moderate these risks.

[7] At the expense of CGIF.

Investment Strategies and Liquidity

Guided by conservative investment policies

CGIF is expected to maintain a conservative stance on its investment portfolio. In this respect, RAM Ratings anticipates the Fund to invest in low-risk and highly liquid assets, such as government securities and/or highly rated securities, to meet its liquidity requirements. These liquid assets may be used to pledge as collateral for added liquidity in the repo market, if required. Given its 1 time leverage, we opine its liquidity risk to be well mitigated. In addition, CGIF has the right to continue the repayment schedule if the issuer defaults. This arrangement provides CGIF with sufficient time to liquidate its assets to make the necessary payments. Meanwhile, CGIF may also maintain lines of credit from banks to boost its liquidity position if such an option is cost efficient.

Capital Adequacy

Exceptional capitalisation

CGIF's exceptional capitalisation is a key rating driver. Its business operations are guided by a very conservative leverage ratio of 1 time. The management anticipates CGIF to be able to guarantee up to 10 issues, without exceeding its net capital, in its first 2 years of operations. However, we understand that plans are afoot to scale up the Fund's capital to increase the volume of business in the near future, if demand for its guarantees exceeds expectations. While such plans have yet to be firmed up at this juncture, the management is mindful of the need to always maintain the Fund's credit standings.

■ Corporate Information – Credit Guarantee & Investment Facility

Date of Establishment:	November 2010
Commencement of Business:	1 May 2012

Major Shareholders (as at 31 December 2012):

People's Republic of China	28.6%
Japan Bank for International Cooperation	28.6%
Republic of Korea	14.3%
ASEAN countries	9.9%
Asian Development Bank	18.6%

Directors:

Mr Xinqiang Zhu (People's Republic of China) (Chairman)
Mr Chen Shixin (People's Republic of China)
Mr Zenko Shinoyama (Japan)
Mr Kouji Kawashima (Japan)
Mr June Shik Moon (Republic of Korea)
Ms Chularat Suteethorn (ASEAN)
Mr Philip Erquiaga (Asian Development Bank)
Mr Kiyoshi Nishimura (Credit Guarantee and Investment Facility)

Auditor:	Deloitte & Touche LLP
Listing:	Not listed

Key Management:

Mr Kiyoshi Nishimura	Chief Executive Officer
Mr Aarne Dimanlig	Chief Risk Officer
Mr Boo Hock Khoo	Vice President, Operations
Mr TongSop Song	Chief Financial Officer
Mr Gene Soon Park	General Counsel
Mr Hou Hock Lim	Controller

Major Subsidiaries: None

Capital History:

Year	Remarks	Amount (USD '000)	Cumulative Total (USD '000)
2012	Paid-up capital	700,000	700,000

RAM RATINGS

CREDIT RATING DEFINITIONS

Financial Enhancement Ratings

A Financial Enhancement Rating ("FER") is RAM Ratings' current opinion on the overall capacity of a financial guarantee insurance company ("FGIC") to meet its financial obligations to policy/contract holders on a timely basis. The opinion is not specific to any particular policy/contract, as it does not take into account the expressed terms and conditions of any specific policy/contract.

Long-Term Ratings

AAA	A FGIC rated AAA has a superior capacity to meet its financial obligations to policy/contract holders. This is the highest long-term FER assigned by RAM Ratings.
AA	A FGIC rated AA has a strong capacity to meet its financial obligations to policy/contract holders. The FGIC is resilient against adverse changes in circumstances, economic conditions and/or operating environments.
A	A FGIC rated A has an adequate capacity to meet its financial obligations to policy/contract holders. The FGIC is more susceptible to adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories.
BBB	A FGIC rated BBB has a moderate capacity to meet its financial obligations to policy/contract holders. The FGIC is more likely to be weakened by adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories. This is the lowest investment-grade category.
BB	A FGIC rated BB has a weak capacity to meet its financial obligations to policy/contract holders. The FGIC is highly vulnerable to adverse changes in circumstances, economic conditions and/or operating environments.
B	A FGIC rated B has a very weak capacity to meet its financial obligations to policy/contract holders. The FGIC has limited ability to withstand adverse changes in circumstances, economic conditions and/or operating environments.
C	A FGIC rated C has a high likelihood of defaulting on its financial obligations to policy/contract holders. The FGIC is highly dependent on favourable changes in circumstances, economic conditions and/or operating environments, the lack of which would likely result in it defaulting on its financial obligations to policy/contract holders.
D	A FGIC rated D is currently in default on either all or a substantial portion of its financial obligations to policy/contract holders, whether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the FGIC that could jeopardise the payment of financial obligations to policy/contract holders.

Short-Term Ratings

P1	A FGIC rated P1 has a strong capacity to meet its short-term financial obligations to policy/contract holders. This is the highest short-term FER assigned by RAM Ratings.
P2	A FGIC rated P2 has an adequate capacity to meet its short-term financial obligations to policy/contract holders. The FGIC is more susceptible to the effects of deteriorating circumstances than those in the highest-rated category.
P3	A FGIC rated P3 has a moderate capacity to meet its short-term financial obligations to policy/contract holders. The FGIC is more likely to be weakened by the effects of deteriorating circumstances than those in higher-rated categories. This is the lowest investment-grade category.
NP	A FGIC rated NP has a doubtful capacity to meet its short-term financial obligations to policy/contract holders. The FGIC faces major uncertainties that could compromise its capacity for payment of financial obligations.
D	A FGIC rated D is currently in default on either all or a substantial portion of its financial obligations to policy/contract holders, whether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the FGIC that could jeopardise the payment of financial obligations to policy/contract holders.

For long-term ratings, RAM Ratings applies subscripts 1, 2 or 3 in each rating category from AA to C. The subscript 1 indicates that the FGIC ranks at the higher end of its generic rating category; the subscript 2 indicates a mid-ranking; and the subscript 3 indicates that the FGIC ranks at the lower end of its generic rating category.

ASEAN RATINGS - CREDIT RATING DEFINITIONS

Financial Enhancement Ratings

An ASEAN Financial Enhancement Rating ("AFER") is RAM Ratings' current opinion on the overall capacity of a financial guarantee insurance company ("FGIC") to meet its financial obligations to policy/contract holders in foreign and local currency on a timely basis on an ASEAN regional scale. The opinion is not specific to any particular policy/contract, as it does not take into account the expressed terms and conditions of any specific policy/contract.

Long-Term Ratings

$_{sea}$**AAA**	A FGIC rated AAA has a superior capacity to meet its financial obligations to policy/contract holders. This is the highest long-term AFER assigned by RAM Ratings.
$_{sea}$**AA**	A FGIC rated AA has a strong capacity to meet its financial obligations to policy/contract holders. The FGIC is resilient against adverse changes in circumstances, economic conditions and/or operating environments.
$_{sea}$**A**	A FGIC rated A has an adequate capacity to meet its financial obligations to policy/contract holders. The FGIC is more susceptible to adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories.
$_{sea}$**BBB**	A FGIC rated BBB has a moderate capacity to meet its financial obligations to policy/contract holders. The FGIC is more likely to be weakened by adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories. This is the lowest investment-grade category.
$_{sea}$**BB**	A FGIC rated BB has a weak capacity to meet its financial obligations to policy/contract holders. The FGIC is highly vulnerable to adverse changes in circumstances, economic conditions and/or operating environments.
$_{sea}$**B**	A FGIC rated B has a very weak capacity to meet its financial obligations to policy/contract holders. The FGIC has limited ability to withstand adverse changes in circumstances, economic conditions and/or operating environments.
$_{sea}$**C**	A FGIC rated C has a high likelihood of defaulting on its financial obligations to policy/contract holders. The FGIC is highly dependent on favourable changes in circumstances, economic conditions and/or operating environments, the lack of which would likely result in it defaulting on its financial obligations to policy/contract holders.
$_{sea}$**D**	A FGIC rated D is currently in default on either all or a substantial portion of its financial obligations to policy/contract holders, whether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the FGIC that could jeopardise the payment of financial obligations to policy/contract holders.

Short-Term Ratings

$_{sea}$**P1**	A FGIC rated P1 has a strong capacity to meet its short-term financial obligations to policy/contract holders. This is the highest short-term AFER assigned by RAM Ratings.
$_{sea}$**P2**	A FGIC rated P2 has an adequate capacity to meet its short-term financial obligations to policy/contract holders. The FGIC is more susceptible to the effects of deteriorating circumstances than those in the highest-rated category.
$_{sea}$**P3**	A FGIC rated P3 has a moderate capacity to meet its short-term financial obligations to policy/contract holders. The FGIC is more likely to be weakened by the effects of deteriorating circumstances than those in higher-rated categories. This is the lowest investment-grade category.
$_{sea}$**NP**	A FGIC rated NP has a doubtful capacity to meet its short-term financial obligations to policy/contract holders. The FGIC faces major uncertainties that could compromise its capacity for payment of financial obligations.
$_{sea}$**D**	A FGIC rated D is currently in default on either all or a substantial portion of its financial obligations to policy/contract holders, whether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the FGIC that could jeopardise the payment of financial obligations to policy/contract holders.

For long-term ratings, RAM Ratings applies subscripts 1, 2 or 3 in each rating category from AA to C. The subscript 1 indicates that the FGIC ranks at the higher end of its generic rating category; the subscript 2 indicates a mid-ranking; and the subscript 3 indicates that the FGIC ranks at the lower end of its generic rating category.

GLOBAL RATINGS - CREDIT RATING DEFINITIONS

Financial Enhancement Ratings

A Global Financial Enhancement Rating ("GFER") is RAM Ratings' current opinion on the overall capacity of a financial guarantee insurance company ("FGIC") to meet its financial obligations to policy/contract holders in foreign and local currency on a timely basis on an international scale. The opinion is not specific to any particular policy/contract, as it does not take into account the expressed terms and conditions of any specific policy/contract.

Long-Term Ratings

$_g$AAA	A FGIC rated AAA has a superior capacity to meet its financial obligations to policy/contract holders. This is the highest long-term GFER assigned by RAM Ratings.
$_g$AA	A FGIC rated AA has a strong capacity to meet its financial obligations to policy/contract holders. The FGIC is resilient against adverse changes in circumstances, economic conditions and/or operating environments.
$_g$A	A FGIC rated A has an adequate capacity to meet its financial obligations to policy/contract holders. The FGIC is more susceptible to adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories.
$_g$BBB	A FGIC rated BBB has a moderate capacity to meet its financial obligations to policy/contract holders. The FGIC is more likely to be weakened by adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories. This is the lowest investment-grade category.
$_g$BB	A FGIC rated BB has a weak capacity to meet its financial obligations to policy/contract holders. The FGIC is highly vulnerable to adverse changes in circumstances, economic conditions and/or operating environments.
$_g$B	A FGIC rated B has a very weak capacity to meet its financial obligations to policy/contract holders. The FGIC has limited ability to withstand adverse changes in circumstances, economic conditions and/or operating environments.
$_g$C	A FGIC rated C has a high likelihood of defaulting on its financial obligations to policy/contract holders. The FGIC is highly dependent on favourable changes in circumstances, economic conditions and/or operating environments, the lack of which would likely result in it defaulting on its financial obligations to policy/contract holders.
$_g$D	A FGIC rated D is currently in default on either all or a substantial portion of its financial obligations to policy/contract holders, whether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the FGIC that could jeopardise the payment of financial obligations to policy/contract holders.

Short-Term Ratings

$_g$P1	A FGIC rated P1 has a strong capacity to meet its short-term financial obligations to policy/contract holders. This is the highest short-term GFER assigned by RAM Ratings.
$_g$P2	A FGIC rated P2 has an adequate capacity to meet its short-term financial obligations to policy/contract holders. The FGIC is more susceptible to the effects of deteriorating circumstances than those in the highest-rated category.
$_g$P3	A FGIC rated P3 has a moderate capacity to meet its short-term financial obligations to policy/contract holders. The FGIC is more likely to be weakened by the effects of deteriorating circumstances than those in higher-rated categories. This is the lowest investment-grade category.
$_g$NP	A FGIC rated NP has a doubtful capacity to meet its short-term financial obligations to policy/contract holders. The FGIC faces major uncertainties that could compromise its capacity for payment of financial obligations.
$_g$D	A FGIC rated D is currently in default on either all or a substantial portion of its financial obligations to policy/contract holders, whether or not formally declared. The D rating may also reflect the filing of bankruptcy and/or other actions pertaining to the FGIC that could jeopardise the payment of financial obligations to policy/contract holders.

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Published by RAM Rating Services Berhad

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