RAM

CREDIT RATING RATIONALE

JANUARY 2014

CREDIT GUARANTEE AND INVESTMENT FACILITY

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

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CREDIT RATING RATIONALE

FINANCIAL ENHANCEMENT RATINGS

JANUARY 2014

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Principal Activity:
Financial guarantee insurer

Last Rating Action:
21 January 2013

CREDIT GUARANTEE AND INVESTMENT FACILITY – Rating Review

Summary

RAM Ratings has reaffirmed the following financial enhancement ratings of 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	Reaffirmed	AAA	P1	Stable
ASEAN Ratings	Reaffirmed	$_{sea}$AAA	$_{sea}$P1	Stable
Global Ratings	Reaffirmed	$_{g}$AAA	$_{g}$P1	Stable

CGIF is a fund established under the Asian Bond Market Initiative (ABMI) through the contributions of the governments of ASEAN+3 and Asian Development Bank (ADB). The Fund's ratings are anchored by its government sponsorship and conservative leverage, which mitigate CGIF's lack of operating track record.

Based on RAM's rating methodology for government-linked entities, CGIF benefits from a "high" likelihood of extraordinary support from its key capital contributors, i.e. the People's Republic of China, Japan and the Republic of Korea (which collectively own 71.4% of the Fund), as well as ADB (18.6%), which acts as the Fund's trustee. The support is premised on CGIF's mandate to facilitate the development and integration of local-currency bond markets in ASEAN, so as to reduce reliance on foreign-currency funding. CGIF's board of directors comprises officials from its capital-contributor governments and ADB. ADB, which had been involved in the development of the Fund's policy framework, continues to provide operational support. The ratings are also supported by CGIF's conservative and highly liquid investment profile, along with its measured approach to underwriting and risk management.

Since commencing operations in May 2012, CGIF has issued 2 guarantees equivalent to approximately US$125 million; several other potential transactions are in the pipeline. We expect the Fund to maintain its measured approach to franchise building, by emphasising portfolio quality ahead of growth in the early stages of its operations. Furthermore, CGIF will only guarantee issuers with at least investment-grade ratings on local-currency domestic rating scales; both its existing issuers carry strong local-currency ratings. This will allow the Fund to partly mitigate the risk of a small portfolio.

As at end-December 2013, CGIF's leverage came in approximately at a low 0.16 times. To achieve a more meaningful developmental impact on its mandate, the Fund has obtained its contributors' approval to scale up its leverage (i.e. guarantee capacity) to a gross ceiling of 2.5 times (or net of 2.0 times with reinsurance). Based on CGIF's intended portfolio, the higher prospective leverage remains within RAM's benchmark limit for an AAA-rated financial guarantor. We expect CGIF's risk appetite and underwriting standards to remain prudent to support its current ratings.

■ Company Profile

Strong mandate to develop region's bond markets

Established in November 2010 under the ABMI, CGIF has been mandated to facilitate the development of local-currency bond markets within ASEAN. Credit enhancement by CGIF enables viable ASEAN companies to issue cross-border local-currency bonds, and for regional investors to subscribe to them. The Fund's US$700 million capital base is jointly contributed by the People's Republic of China and Japan Bank for International Cooperation (28.6% each), ADB (18.6%), the Republic of Korea (14.3%) and 10 ASEAN countries (collectively, 10.0%). ADB acts as trustee for the Fund and provides support services in the management of CGIF's capital resource investments. As a multilateral organisation, the Fund is exempted from national jurisdiction and regulations that govern insurance companies in their respective home countries.

■ Business Strategies

Promoting intra-regional capital flows

In line with its mandate, CGIF prioritises transactions with a developmental impact[1] on the respective domestic bond markets. Transactions that would meet this objective include cross-border transactions, first-time issuers, tenure extensions and new instruments. In the last 18 months, the bulk of eligible opportunities for CGIF's screening have been cross-border issues of local-currency bonds by regional companies and first-time issuers. These 2 areas, particularly cross-border transactions that promote greater capital flows and integration within ASEAN, will remain CGIF's key focus. Other potential areas of opportunity considered by the Fund include infrastructure project financing and

[1] As opposed to merely delivering arbitrage cost savings to issuers.

securitisation.

Emphasis on building franchise

At this early stage of its operations, CGIF's business strategy is underpinned by franchise building and sustainability ahead of portfolio growth. The Fund targets viable businesses with at least investment-grade ratings in their domestic markets. Since the Fund commenced its underwriting operations in May 2012, it has garnered enquiries from 65 potential issuers.

Plans to scale up operations

CGIF's management viewed its initial 1.0 time leverage ceiling and the consequential country and currency sub-limits to the portfolio as constraints against achieving a meaningful progress to fulfil its mandate. Consequently, the management has proposed to increase CGIF's leverage to a gross ceiling of 2.5 times (or net of 2.0 times with reinsurance), which was approved by the board in September 2013 and subsequently by the contributors in November 2013. This enables CGIF to continue evaluating potential opportunities moving forward following the inaugural guarantees in a particular market. We have evaluated the impact of this change based on RAM's *Leverage Guidelines for Financial Guarantee Insurance Companies,* published on 23 January 2014.

■ Insured Portfolio

Table 1: CGIF's current portfolio

No.	Entity (country)	Sector	Amount		Status
			(US$ equivalent)	(Local currency)	
1	Noble Group Limited (Singapore)	Industrial	100 million	THB2.9 billion	Issued
2	PT BCA Finance (Indonesia)	Consumer finance	25 million	IDR300 billion	Issued

Source: CGIF

Guaranteed 2 issues in 2013

To date, CGIF has issued 2 guarantees to the tune of US$125 million equivalent. Its maiden guarantee in April 2013 was for the equivalent of US$100 million of Thai Baht-denominated debentures issued by Noble Group Limited (rated AA_2/Stable/- by RAM), a Singapore-listed global commodities supply-chain manager. In December 2013, CGIF issued a guarantee to an equivalent US$25 million Indonesian Rupiah Medium Term Note issued by PT BCA Finance, one of the leading auto-finance companies in Indonesia which was placed to a Japanese institutional investor. These initial transactions have led to other cross-border transactions that are currently in the pipeline; the management anticipates to issue up to about US$540 million of guarantees by end-June 2014. In line with its stated strategy, CGIF's intended portfolio is expected to comprise issuers with high investment-grade ratings in the domestic markets.

Capital Adequacy and Leverage

Conservative current leverage

Given its monoline business and small portfolio, CGIF's capital adequacy and leverage, in particular, are pertinent rating considerations. The Fund's leverage, defined as the notional value of the net total sum insured over total available capital, remained conservative at approximately 0.16 times as at end-December 2013. Should all of its pipeline deals materialise, the Fund's leverage may rise to about 0.8 times by end-2014.

Prospective leverage consistent with AAA-rated FGIC

We has assessed the impact of the proposed increase of CGIF's guarantee capacity, or its leverage to a gross ceiling of 2.5 times (or net of 2.0 times with reinsurance), based on RAM's *Leverage Guidelines for Financial Guarantee Insurance Companies,* published on 23 January 2014. Based on CGIF's intended portfolio of investment-grade issuers and measured approach to underwriting, the prospective leverage falls within the benchmark limit for an $_{g}$AAA-rated financial guarantee insurance company. The higher leverage ceiling is likely to be reached beyond 2015.

Robust margin of safety

CGIF's margin of safety,[2] as computed in accordance with RAM's Capital Adequacy Model, is estimated to reach a robust 47 times by end-June 2014, assuming all the pipeline deals materialise. This level more than meets our minimum benchmark of 1.3 times for an $_{g}$AAA-rated financial guarantee insurance company.

Risk Management

Prudential limits in credit-risk management

CGIF has established various prudential limits to manage its key credit, market and currency risks. These policies have been developed in consultation with ADB, and are therefore broadly consistent with the latter's. With respect to its insured portfolio, CGIF has established prudential limits for country and currency exposures. These were originally capped at 20% and 40% of its capital, and after the approval of the scaling up plan, its guarantee capacity respectively. Further caps such as sub-sectoral and group exposure limits were also introduced.

Internal scoring model to screen issuers

To assess credit risk, CGIF relies on a risk-rating system procured from a reputable third-party vendor. Prospective companies are rated on a 10-grade rating scale (with grade 10 being the most risky). CGIF will only consider insuring companies that meet an internal rating of 7 or below. Meanwhile, reserves on credit losses are set in accordance with the internal rating.

[2] Margin of safety = Capital before the estimated credit loss on the portfolio of guaranteed bonds / Estimated credit loss on the portfolio of guaranteed bonds

Contractual terms offer flexibility

CGIF's guarantees are irrevocable and unconditional, covering full payment of principal and interest in the event of non-payment by the issuer. However, the Fund has the contractual flexibility to opt for repayment as per the original schedule or on an accelerated basis. Defaults other than the issuer's failure to pay will not trigger an obligation on the part of CGIF, therefore further safeguarding its position. For added security, CGIF may require collateral.

Currency risk moderated via FX reserving

Meanwhile, CGIF's exposure to foreign-currency risk is moderated by a contractual option to pay in US$, in case of market disruption and CGIF is unable to purchase the required local currencies. Foreign exchange risk is addressed via a FX reserve where CGIF's capital base in calculating CGIF's leverage ratio is adjusted net of the FX reserves. The Fund also strives to eliminate foreign exchange risk in its periodic guarantee fee receipts by entering into hedging arrangements. Currency risk is measured on a quarterly basis when the foreign-exchange reserve requirements are reported as well as when each guarantee proposal is being considered for approval.

Exploring reinsurance

The Fund is also talking to a reinsurance provider, to explore reinsurance for a certain project in the pipeline. We note that finding suitable collaborative partners could be a challenge, and that the set of criteria for reinsurance is still being developed.

■ Investment Asset Profile and Liquidity

Diversified portfolio of highly rated securities

The Fund's asset base predominantly comprises its investments. As at end-June 2013, almost its entire US$703 million of fixed-income investments were invested in a globally diversified pool of highly rated securities, nearly all of which carried minimum AA ratings (global scale). These predominantly consisted of financial institutions, with a small 2% in corporates. The remainder of CGIF's investments constituted cash deposits. CGIF is exposed to fluctuations in investment valuation due to interest-rate movements, although its short duration (1.2 years on average) limited the adverse impact of a yield spike in 2013.

Minimal liquidity risk

Given its conservative leverage and investment profile, CGIF's liquidity risk is deemed low. To further improve its liquidity position, the Fund is embarking on repurchase agreements as an avenue of contingent liquidity.

■ Financial Performance

Low investment returns but steady income expected

CGIF's financial performance reflects the returns on its fixed-income investments, as its underwriting fees are still minimal. Excluding the effect of fair-value movements, its investments yielded a return of 1.08% in 1H FY Dec 2013, commensurate with its conservative portfolio. As the Fund does not invest in equities, its investment revenue is expected to be steady.

Higher expenses as positions get filled

CGIF's gross revenue expanded to US$4.1 million in 1H FY Dec 2013 (1H FY Dec 2012: US$3.7 million). Notably, the Fund recorded US$108,000 of guarantee fees for the period. On the other hand, its net profit dipped to US$1.5 million (1H FY Dec 2012: US$2.3 million), attributable to an increase in staff costs as various vacant positions were filled. Meanwhile, management fees payable by CGIF to ADB amount to US$700,000 annually (being 0.1% of the Fund's total capital).

■ Corporate Information – Credit Guarantee & Investment Facility

Date of Establishment:	November 2010	
Commencement of Business:	1 May 2012	
Capital contributors (as at 31 December 2013):	People's Republic of China Japan Bank for International Cooperation Republic of Korea ASEAN countries Asian Development Bank	28.6% 28.6% 14.3% 10.0% 18.6%
Directors:	Mr Xinqiang Zhu (People's Republic of China) Mr Chen Shixin (People's Republic of China) Mr Kouji Kawashima (Japan) Mr Nao Kawakami (Japan) Mr June Shik Moon (Republic of Korea) Mr Robert Pakpahan (ASEAN) Ms Christine Engstorm (ADB) Mr Kiyoshi Nishimura (Credit Guarantee and Investment Facility)	
Auditor:	Deloitte & Touche LLP	
Listing:	Not listed	
Key Management:	Mr Kiyoshi Nishimura Mr Aarne Dimanlig Mr Boo Hock Khoo Mr TongSop Song Mr Gene Soon Park Mr Hou Hock Lim Ms Jackie Bang	Chief Executive Officer Chief Risk Officer Vice President, Operations Chief Financial Officer General Counsel Controller & Head of Budget, Personnel & Management Systems Internal Audit
Major Subsidiaries:	None	

Capital History:

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

FINANCIAL SUMMARY

Credit Guarantee and Investment Facility – Company

STATEMENT OF FINANCIAL POSITION (USD million)	31-Dec-11	31-Dec-12	*unaudited* 30-Jun-13
Net Property, Plant & Equipment	0.22	0.45	0.59
Investment Property	0.00	0.00	0.00
Investments in Subsidiaries & Associates/Jointly-Controlled Entities	0.00	0.00	0.00
Goodwill & Intangible Assets	0.00	0.00	0.00
Reinsurance Assets	0.00	0.00	0.00
Insurance Receivables	0.00	0.00	1.48
Financing Receivables	0.00	0.00	0.00
Cash & Bank Balances	1.33	1.71	0.97
Financial Investments	685.93	711.99	711.28
Other Assets	0.09	0.54	0.35
Total Assets	**687.57**	**714.70**	**714.67**
Share Capital	681.10	700.00	700.00
Equity-Like Hybrid Capital	0.00	0.00	0.00
Reserves*	(1.05)	3.22	0.41
Retained Profits/(Accumulated Losses)	6.53	10.64	12.10
Total Equity	**686.58**	**713.86**	**712.51**
Insurance Contract Liabilities	0.00	0.00	1.67
Insurance Payables	0.00	0.00	0.00
Taxation	0.00	0.00	0.00
Borrowings	0.00	0.00	0.00
Debt-Like Hybrid Capital	0.00	0.00	0.00
Other Liabilities	0.99	0.84	0.49
Total Liabilities	**0.99**	**0.84**	**2.16**
Total Equity + Total Liabilities	**687.57**	**714.70**	**714.67**

*Available-for-sale reserves

FINANCIAL SUMMARY
Credit Guarantee and Investment Facility – Company

STATEMENT OF COMPREHENSIVE INCOME (USD million)	31-Dec-11	31-Dec-12	30-Jun-13 *unaudited*
Operating Revenue	**0.00**	0.00	0.00
Gross Earned Premiums	0.00	0.00	0.11
Premiums Ceded to Reinsurers	0.00	0.00	0.00
Net Earned Premiums	**0.00**	**0.00**	**0.11**
Fee and Commission Income	0.00	0.00	0.00
Investment Income	3.41	8.01	3.93
Realised Gains/(Losses)	3.64	0.00	0.00
Fair Value Gains/(Losses)	0.00	0.00	0.00
Other Operating Revenue/(Expenses)	0.48	0.00	0.07
Other Revenue	**7.54**	**8.01**	**4.00**
Gross Benefits and Claims Paid	0.00	0.00	0.00
Claims Ceded to Reinsurers	0.00	0.00	0.00
Gross Change to Contract Liabilities	0.00	0.00	0.00
Change in Contract Liabilities Ceded to Reinsurers	0.00	0.00	0.00
Net Benefits and Claims	**0.00**	**0.00**	**0.00**
Management Expenses	(0.60)	(2.94)	(2.15)
Fee and Commission Expenses	0.00	0.00	0.00
Finance Costs	0.00	0.00	0.00
Other Operating Expenses	(1.09)	(0.96)	(0.50)
Other Expenses	**(1.69)**	**(3.90)**	**(2.64)**
Pre-Tax Profit/(Loss)	**5.85**	**4.11**	**1.46**
Taxation	0.00	0.00	0.00
Net Profit/(Loss)	**5.85**	**4.11**	**1.46**
Other Comprehensive Income/(Loss)	(1.04)	4.27	(2.81)
Total Comprehensive Income/(Loss)	**4.81**	**8.38**	(1.35)
Additional Disclosure			
Dividends - Ordinary Shares & Preference Shares	0.00	0.00	0.00

FINANCIAL RATIOS
Credit Guarantee and Investment Facility – Company

KEY FINANCIAL RATIOS	31-Dec-11	31-Dec-12	30-Jun-13
			unaudited
PROFITABILITY (%):			
Gross Underwriting Margin	n.a.	n.a.	100.00%
Net Underwriting Margin	n.a.	n.a.	(2,304.00%)
Investment Yield (av.)	1.03%	1.15%	1.10%
Claims Ratio	n.a.	n.a.	0.00%
Expense Ratio	n.a.	n.a.	2,446.30%
Combined Ratio	n.a.	n.a.	2,446.30%
Investment Income Ratio	n.a.	n.a.	3,700.93%
Operating Ratio	n.a.	n.a.	(1,254.63%)
Pre-tax Profit Margin	n.a.	n.a.	1,354.63%
Pre-tax Return on Assets (av.)	0.68%	0.59%	0.41%
CAPITALISATION/LEVERAGE (times):			
Net Premiums / Total Equity	n.a.	n.a.	0.0
Net Leverage	n.a.	n.a.	0.14
Total Equity / Total Assets (%)	99.86%	99.88%	99.7%
Risk-Based Regulatory Capital Adequacy Ratio (%)	n.a.	n.a.	n.a.
INVESTMENT RISK (%):			
Cash & Bank Deposits / Total Invested Assets	0.19%	0.24%	0.14%
Fixed Income Securities / Total Invested Assets	99.81%	99.76%	99.86%
Equity Securities / Total Invested Assets	0.00%	0.00%	0.00%
LIQUIDITY (times):			
Cash & Cash Equivalent / Net Technical Reserves	n.a.	n.a.	0.58
Liquid Assets / Net Technical Reserves	n.a.	n.a.	426.75
RESERVES ADEQUACY (%):			
Net Claims Reserves / Net Earned Premiums	n.a.	n.a.	1545.4%
Net Technical Reserves / Net Earned Premiums	n.a.	n.a.	1545.4%
Cash & Bank Deposits / Net Claims Reserves	n.a.	n.a.	58.3%
Net Technical Reserves / Total Equity	n.a.	n.a.	0.2%
Net Technical Reserves + Total Equity / Net Earned Premiums	n.a.	n.a.	661276.85%
OTHER PERFORMANCE RATIO (%):			
Retention Ratio	n.a.	n.a.	100.00%

FINANCIAL RATIOS
Credit Guarantee and Investment Facility – Company

KEY FINANCIAL RATIOS	FORMULAE
PROFITABILITY:	
Gross Underwriting Margin	(Net Earned Premiums - Net Claims Incurred) / Net Earned Premiums
Net Underwriting Margin	(Gross Underwriting Profit/(Losses) - Expenses) / Net Earned Premiums
Total Invested Assets	Financial Investments + Investment Property
Investment Yield	(Investment Income + Realised Gains/(Losses) + Fair Value Gains/(Losses) + Net Accretion of Discounts on Investments) / Total Invested Assets (av.)
Claims Ratio	Net Claims Incurred / Net Earned Premiums
Expense Ratio	Expenses / Net Earned Premiums
Combined Ratio	Claims Ratio + Expense Ratio
Investment Income Ratio	Investment Income / Net Earned Premiums
Operating Ratio	Combined Ratio - Investment Income Ratio
Pre-Tax Profit Margin	Pre-Tax Profit/(Loss) / Net Earned Premiums
Pre-Tax Return on Assets (av.)	Pre-Tax Profit/(Loss) / (Total Assets - Reinsurance Assets) (av.)
CAPITALISATION AND LEVERAGE:	
Net Leverage	(Total Net Notional Insured Value - Loss Reserves) / (Shareholders Equity + Capital Reserves)
Risk-Based Regulatory Capital Adequacy Ratio	Total Capital Available / Total Capital Required
LIQUIDITY:	
Cash & Cash Equivalent / Net Technical Reserves	(Cash and Bank Balances + Deposits + Government Securities) / (Net Claims Liabilities + Net Premium Liabities)
Liquid Assets / Net Technical Reserves	(Cash and Bank Balances + Deposits + Fair Value Througn Profit and Loss Investments + Available-For-Sale Investments) / (Net Claims Liabilities + Net Premium Liabities)
RESERVES ADEQUACY:	
Net Claims Reserves / Net Earned Premiums	Net Claims Liabilities / Net Earned Premiums
Net Technical Reserves / Net Earned Premiums	(Net Claims Liabilities + Net Premium Liabities) / Net Earned Premiums
OTHER PERFORMANCE RATIO:	
Retention Ratio	Net Premiums / Gross Premiums

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.

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.

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