



Credit Guarantee &
Investment Facility

An Asian Bond Markets Initiative

A black and white photograph of three athletes climbing a thick rope. The athletes are in various stages of the climb, with one at the top, one in the middle, and one at the bottom. They are wearing athletic gear and are focused on their task. The background is a cloudy sky.

**CONQUERING
CHALLENGES
TOGETHER**

**ANNUAL
REPORT
2022**





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ABOUT THE COVER:

“Conquering Challenges Together”

The year 2022 was a challenging year for many industries and sectors. Two years after the global pandemic that shook the entire world, we are still coping with the aftermath. Through hard work and sheer determination, Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (CGIF), tackled the many difficult tasks that came with the fallout from the ensuing health crisis.

This year’s cover conveys working together and pulling oneself up and others to overcome the hurdles. This is a symbolism of hard work, courage, and a sense of vertical progression. While the market remains tough and more obstacles still lie ahead, we are confident that we will conquer all these challenges together. We will still realize our goals. We value and promote a culture of action within CGIF, and we remain committed to our ongoing developmental and sustainable work in the region.

For 2023 and all the years ahead, CGIF will continue to maintain its vision, innovation, and commitment to driving meaningful change in the ASEAN+3 region.

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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
ASEAN6	-	Indonesia, Malaysia, Philippines, Singapore, Thailand, and Viet Nam
AWTS	-	Approval Workflow and Tracking System
BOD	-	Board of Directors
BPPMS	-	Budget, Planning, Personnel and Management Systems
CAP	-	Corrective Action Plan
CAR	-	Capital Adequacy Ratio
CGIF	-	Credit Guarantee and Investment Facility
DOD	-	Deal Operations Department
EAP	-	External Advisory Panel
EQAR	-	External Quality Assessment Review
ESDD	-	Environmental and Social Due Diligence
ESG	-	Environmental, Social, and Governance
ESMS	-	Environmental and Social Management System
ESS	-	Environmental and Social Safeguards
ESSPR	-	Environmental and Social Safeguards Performance Report
FVTOCI	-	Fair Value Through Other Comprehensive Income
FX	-	Foreign Exchange
GCB	-	General-Purpose Corporate Bond
GCP	-	Guarantee Concept Proposal
GDP	-	Gross Domestic Product
GHG	-	Greenhouse Gas
GIC	-	Guarantee and Investment Committee
GUP	-	Guarantee Underwriting Proposal
HRIS	-	Human Resource Information System
ICRMC	-	Internal Control and Risk Management Committee
IFRS	-	International Financial Reporting Standards
IMS	-	Integrity Management System
IOS	-	Instrument of Subscription
IRG	-	Institutional Risk Group
ISDA	-	International Swaps and Derivatives Association

JICA	-	Japan International Cooperation Agency
LCY	-	Local Currency
MBS	-	Medium-term Business Strategy
MOC	-	Meeting of Contributors
MTN	-	Medium-term Note
NRA	-	Natural Retirement Age
NRC	-	Nomination and Remuneration Committee
OAI	-	Office of Anti-corruption and Integrity
OP	-	Operational Policies
ORM	-	Office of Risk Management
PER	-	Performance Evaluation and Review
PIP	-	Preliminary Information Pack
PRC	-	People's Republic of China
RCSA	-	Risk and Control Self-Assessment
REIT	-	Real Estate Investment Trust
RMD	-	Risk Management Department
RMF	-	Risk Management Framework
SAA	-	Strategic Assets Allocation
SDG	-	Sustainable Development Goals
SEHK	-	Stock Exchange of Hong Kong
S&P	-	Standard & Poor's
TKMS	-	Training and Knowledge Management System
TOR	-	Terms of Reference

CURRENCY UNITS

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

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





CGIF AT A GLANCE

◎ SUMMARY

BACKGROUND

The Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (CGIF), was established by the ASEAN+3¹, together with the Asian Development Bank (ADB), on 12 November 2010. The facility is part of the Asian Bond Markets Initiative (ABMI), 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).

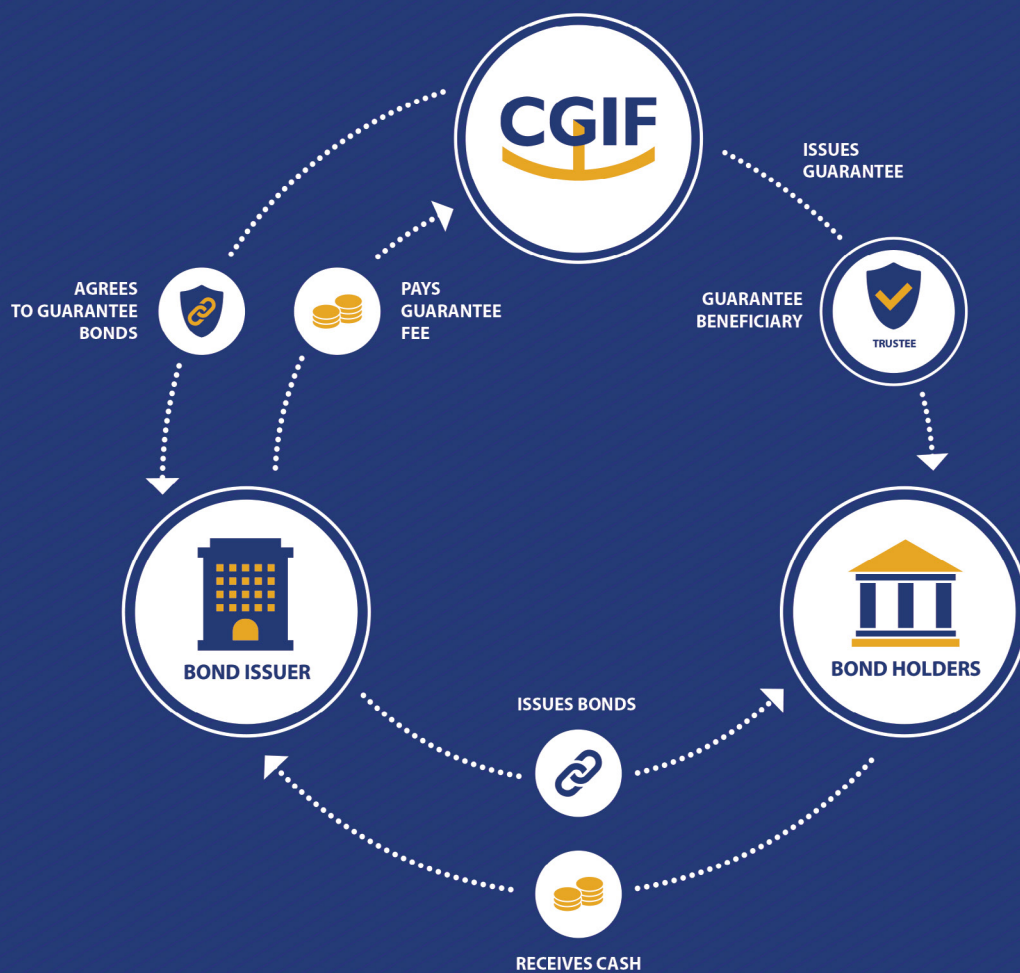
This Annual Report includes the Independent Auditor's report and the Financial Statements for 2022.

Note:

¹The Association of Southeast Asian Nations (ASEAN) is composed of Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Republic of the Union of Myanmar, Philippines, Singapore, Thailand, and Viet Nam. The ASEAN +3 is composed of the ASEAN nations plus the People's Republic of China, Japan (Japan Bank for International Cooperation), and the Republic of Korea.

OUR BUSINESS

GENERAL BOND GUARANTEE STRUCTURE*



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

OUR CONTRIBUTORS

CGIF is owned by the governments of the ASEAN+3 (the member countries of the ASEAN, 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 authorized capital from \$700 million to \$1.2 billion. The Contributors have until the end of 2023 (or such later date as the BOD may determine) to fully pay for newly subscribed shares. CGIF has also extended the deadline for Contributors to submit their Instruments

of Subscription (IOS) for unallocated shares to 30 September 2023 and the deadline for the reallocation of unallocated shares to 30 November 2023.

As of 31 December 2022, the paid-in capital of CGIF is \$1,148.9 million, divided into 11,489 shares, with a nominal value of \$100,000 per share.

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

TABLE 1: 2022 SHAREHOLDING STRUCTURE

CGIF Contributors	Initial Paid-in Capital (\$)	Additional Paid-in Capital as of 31 December 2022 (\$)	Total Capital Contribution as of 31 December 2022 (\$)	Percentage of Shareholdings
People's Republic of China	200,000,000	142,800,000	342,800,000	29.84%
Japan	200,000,000	142,800,000	342,800,000	29.84%
Republic of Korea	100,000,000	71,400,000	171,400,000	14.92%
Brunei Darussalam	5,600,000		5,600,000	0.49%
Cambodia	100,000	100,000	200,000	0.02%
Indonesia	12,600,000	9,000,000	21,600,000	1.88%
Lao People's Democratic Republic	100,000	100,000	200,000	0.02%
Malaysia	12,600,000	5,000,000	17,600,000	1.53%
Republic of the Union of Myanmar	100,000		100,000	0.01%
Philippines	12,600,000	9,000,000	21,600,000	1.88%
Singapore	12,600,000	9,000,000	21,600,000	1.88%
Thailand	12,600,000	8,900,000	21,500,000	1.87%
Viet Nam	1,100,000	800,000	1,900,000	0.17%
Asian Development Bank	130,000,000	50,000,000	180,000,000	15.67%
Total	700,000,000	448,900,000	1,148,900,000	100.00%

CGIF CREDIT RATINGS

As a credit guarantor, CGIF unconditionally and irrevocably assumes the liability of its guaranteed-bond issuers that default on obligations to their guaranteed bond investors. The higher 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 Association of Southeast Asian Nations (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	24 February 2022
RAM Ratings (Malaysia)	Global ASEAN National	gAAA seaAAA AAA	Stable	13 December 2022
TRIS Ratings (Thailand)	National	AAA	Stable	28 November 2022
Fitch Ratings (Indonesia)	National	AAA	Stable	20 May 2022
Pefindo	National	idAAA	Stable	26 July 2022

● 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 Board of Directors (BOD)

2011

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



2012

- CGIF's initial capital of \$700 million was fully paid-in
- Mr. Xinqiang Zhu was elected as the first Chairperson of the BOD
- Guarantee Operations commenced in May
 - Business Plan and Risk Management Framework were approved by CGIF's 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



- Five bonds guaranteed¹
 - 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

2014



- Mr. Liu Lange became the new Chair of the BOD



- CGIF successfully issued its first and second guarantees
 - To the bonds issued by:
 - Noble, a Hong Kong-based commodities supply chain manager
 - BCAF, an auto finance company in Indonesia

2013

- 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



- Eight bonds guaranteed¹
 - 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 bonds guaranteed¹
 - 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 \$1.1 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

• 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 bonds guaranteed¹

- 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 bonds guaranteed¹

- 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 bonds guaranteed¹

- 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



• Mr. Hongwei Wang joined as the new Chief Executive Officer

Four bonds/sukuku guaranteed¹

- To bonds/sukuku issued by:
 - **Polytama**, one of the leading and growing petrochemical companies providing polypropylene resin in Indonesia under the Masplene® brand name
 - **CEG**, a leading global vocational education group with footprints in China, Australia, and United Kingdom
 - **First REIT**, Singapore's first healthcare real estate investment trust with a vision to become Asia's premier healthcare trust

2022

• Mr. Noriyasu Matsuda became the new Chair of BOD

• 12 bonds/sukuku guaranteed¹

- To bonds/sukuku issued by:
 - **Triasmitra**, the leading submarine and inland network infrastructure provider in Indonesia and engaged in fiber optic cable system development, deployment, sales, and maintenance
 - **JWD**, a leading logistics service provider in three industry sub-sectors, namely automotive and parts, chemicals and dangerous goods, and food and cold chain
 - **HSC**, a leading solar power, chemical, and advanced materials company focusing on providing sustainable energy and materials solutions
 - **Telcotech**, a leading digital communication company and internet service provider in Cambodia
 - **HQCL**, one of the main solar photovoltaic (PV) manufacturing facilities of Hanwha Q Cells, which is one of the world's largest and most recognized solar PV manufacturers in the world, known for its high-performance, high-quality solar cells and modules
 - **Polytama**, one of the leading and growing petrochemical companies providing polypropylene resin in Indonesia under the Masplene® brand name
 - **TFG**, a vertically integrated food producer specializing in the production of chicken and swine with operations in Thailand and Viet Nam

2021

Note: ¹Each bond/sukuk tranche issued is recorded as one bond/sukuk guaranteed.

● HIGHLIGHTS



PT POLYTAMA PROPINDO

PT POLYTAMA PROPINDO

Following successful guaranteed issuances of both conventional bonds and Ijarah Sukuk by PT Polyrama Propindo ("Polyrama") in 2021, CGIF has once again extended its support for Polyrama for the guaranteed IDR220.5 billion 3-year and 5-year Medium-term Notes (MTN) Ijarah Sukuk issuances in 2022. The MTN Ijarah Sukuk was rated ^{id}AAA_{(sy)(cg)} by PEFINDO and was successfully issued on 4 March 2022 via private placement.

Polyrama is a leading manufacturer of polypropylene (PP) resin. Based in Indonesia, it has over 25 years of experience in the petrochemical industry, under the well-known brand name of Masplene®. The transaction is expected to aid the company in diversifying funding sources for its growth in the petrochemical industry in Indonesia. In guaranteeing Polyrama's issuances, CGIF was able to promote the use of recycled materials and lessen Indonesia's import dependence.

The MTN Ijarah Sukuk issuance is part of CGIF's efforts to regularly support sukuk issuances as well as expand its presence in the Indonesian bond market. CGIF also appreciates that the transaction is the first guaranteed IDR MTN sukuk issued via private placement in Indonesia. Moreover, CGIF believes the transaction marks a positive step toward the development of the sukuk market. It also reflects that a CGIF guarantee enables Indonesian issuers to access the Indonesian Rupiah (IDR) sukuk capital market and provides a safe and attractive investment option to shariah-compliant investors in particular.

"We express our sincere gratitude to CGIF for the support and the successful issuance of the Medium-term Notes (MTN) Ijarah Sukuk. The CGIF guarantee and the issue rating of ^{id}AAA_{(sy)(cg)} by PEFINDO enable Polyrama to diversify our access of funding in Indonesia and successfully introduce Polyrama's credit into private placement market and shariah-compliant investor group. This transaction has supported Polyrama's mission to become a leading polypropylene sector in Indonesia. Polyrama is committed to making a positive contribution to the environment and continuing its support for the development of the petrochemical industry."

*- Mr. Uray Azhari,
Finance Director of PT Polyrama Propindo*





CHINA EDUCATION GROUP HOLDINGS LIMITED

China Education Group Holdings Limited (“CEG”) is a leading higher vocational education group with a total of 14 schools operating in China, Australia, and United Kingdom. With a vision to provide quality tertiary and vocational education through innovation, CEG operates in three business segments, namely, higher vocational education segment, secondary vocational education segment, and global education segment. The company was listed in the Stock Exchange of Hong Kong (SEHK) in 2017 and is currently the largest listed higher and secondary vocational education group in China.

On 22 March 2022, CEG issued a 500 million CGIF-guaranteed CNH-denominated dim sum bond with a 3-year maturity. Issued under the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF), the bond allows CEG to tap ASEAN+3 long-term liquidity while accessing international investors in its operating currency—a key policy objective of CGIF.



This successful transaction was marked as ASEAN+3’s first international bond by an issuer from the higher education sector and it actively demonstrates CGIF’s continued support for social infrastructure like education, which is an essential sector in the ASEAN+3 region. The bond will build capacity and enhance capabilities in this segment, facilitating the government’s objective to achieve a higher university enrollment rate.

“We are thrilled to be the first Chinese company to collaborate with CGIF for our debut offshore CNH bond issuance. CGIF’s support reinforces our ability to execute the mission to deliver high-quality education and maintain a flagship position in the industry.”

*- Mr. Yu Guo, Co-Founder and Co-Chairman
of China Education Group Holdings Limited*



FIRST REIT

ASIA'S PREMIER HEALTHCARE TRUST

FIRST REAL ESTATE INVESTMENT TRUST

First Real Estate Investment Trust ("First REIT") is Singapore's first healthcare real investment trust (REIT). Its diverse portfolio comprises yield-accretive healthcare and healthcare-related real estate assets, such as hospitals and nursing homes, which are located across Indonesia, Japan, and Singapore.

In its maiden bond guarantee to a REIT issuer, CGIF's credit enhancement enabled First REIT to issue a 5-year SGD100 million social bond on 7 April 2022. This issuance attracted keen interest from institutional and private bank investors amid rising interest rates, demonstrating CGIF's market acceptance. The issuance also facilitates the lengthening of First REIT's average debt tenor and aligns its social mission and sustainability strategy with its funding strategy.

The transaction is ASEAN's first healthcare social bond to be publicly distributed and denominated in an ASEAN local currency—marking a milestone for CGIF and the ASEAN corporate bond market alike. Moreover, this showcases CGIF's continuing support for ASEAN's healthcare sector, which is pivotal in the region's efforts to contain the COVID-19 pandemic, while the social bond label validates CGIF's push for more thematic bonds in the region.

Issued under the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF), the social bond also underpins several key policy objectives of CGIF, namely, inter-ASEAN financial integration, catalyzing sustainable financing, and risk-sharing partnership with arrangers.



"This social bond issuance is an important milestone that is aligned with First REIT's 2.0 Growth Strategy, serving to strengthen the Trust's capital structure to remain resilient through the diversification of funding sources, while the Trust rides on Environmental, Social, and Governance megatrends that are unique to the healthcare sector."

- Mr. Victor Tan, Executive Director and Chief Executive Officer of First REIT Management Limited, the Manager of First Real Estate Investment Trust

CGIF Support in ASEAN+3 Thematic Bond Market

One of the growth focus areas in CGIF's Medium-term Business Strategy (MBS), which dictates the developmental work in the region and basis for operations, is the promotion of financial innovation by providing guarantees to new types of bond instruments. Included in these debt instruments are thematic bonds that have been increasingly attracting attention from both investors and issuers.

Thematic bonds, also known as GSS+ (Green, Social, Sustainability, and Sustainability-linked); environmental, social, and governance (ESG); or sustainable bonds, are fixed-income securities issued to raise financing for projects and activities related to a specific theme, such as climate change, education, housing, ocean and marine conservation, and the Sustainable Development Goals (SDG)¹. The thematic bond market started in 2008 with the issuance of the first green bond by the World Bank to support lending for eligible climate-focused projects and the growth of the market since 2015 has been exponential. In the ASEAN+3 region, rapid development of the market was also witnessed in the past three years with the outstanding bonds amounting to \$521.6 billion as of 30 September 2022 nearly tripled the \$193.4 billion in 3Q 2019.

Note:

¹ The World Bank. (2022). SOVEREIGN GREEN, SOCIAL AND SUSTAINABILITY BONDS: Unlocking the Potential for Emerging Markets and Developing Economies. <https://thedocs.worldbank.org/en/doc/4de3839b85c57eb958dd207fad132f8e-0340012022/original/WB-GSS-Bonds-Survey-Report.pdf>



The growing thematic bond market includes the following categories:

Green bonds are issued to finance projects that are expected to have positive environmental impact. Projects eligible for financing from green bond proceeds include renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of living natural resources and land use, terrestrial and aquatic biodiversity, clean transportation, sustainable water and wastewater management, climate change adaption, circular economy adapted products, and green buildings, among others.² **Blue bonds** are considered a subcategory of green bonds which fund projects aimed at ocean and marine conservation.¹

Social bonds are issued to finance projects with expected positive social outcomes. Social project categories include affordable basic infrastructure, access to essential services, affordable housing, employment generation, food security and sustainable food systems, and socioeconomic advancement and empowerment.³ **Gender bonds** are considered a subcategory of social bonds that focus exclusively on gender equality.¹

Sustainability bonds are issued to support a combination of green and social projects.⁴

Sustainability-linked bonds are debt instruments for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ESG objectives. Issuers thereby commit to future improvements in sustainability outcome within a predefined timeline.⁵

Transition bonds are a relatively new class that aim to help companies in industries with high greenhouse gas (GHG) emissions raise capital specifically to finance decarbonization.

Notes:

² ICMA. (2021). Green Bond Principles Voluntary Process Guidelines for Issuing Green Bonds. <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/green-bond-principles-gbp/>

³ ICMA. (2021). Social Bond Principles Voluntary Process Guidelines for Issuing Social Bonds. <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/social-bond-principles-sbp/>

⁴ ICMA. (2021). Sustainability Bond Guidelines. <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/>

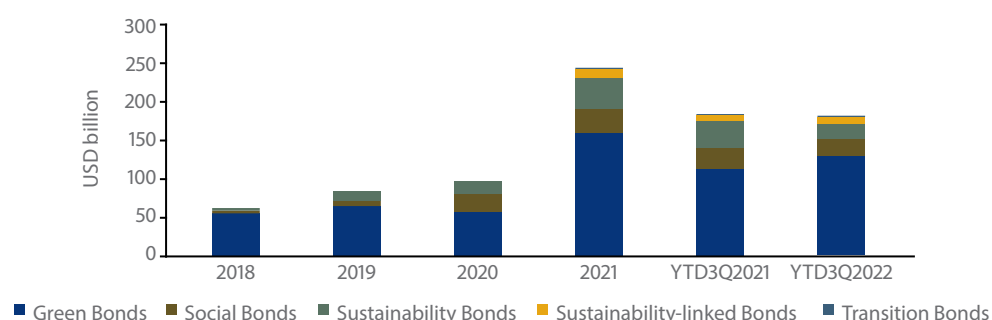
⁵ ICMA. (2020). Sustainability-Linked Bond Principles Voluntary Process Guidelines. <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-linked-bond-principles-slbp/>

Trends and Opportunities

Investors have shown strong demand for thematic bonds with increasing understanding of ESG-related risk and widening presence of the market. Similarly, on the issuers' side, interest is rising as these bonds provide opportunities to diversify their investor base, highlight their commitment to sustainability, differentiate themselves from their peers, and benefit from 'greenium' (i.e. difference in funding costs between conventional debt and bonds linked to ESG efforts). These benefits to both investors and issuers have stimulated the demand for thematic bonds in the recent years. Even before COVID-19, sustainable bonds have been gaining traction with green bonds dominating the market. The impact of the pandemic also resulted to the rise in issuances of social and sustainability bonds driven by an increasing need to finance projects with broader range of environmental and social benefits.

In the report of AsianBondsOnline on ASEAN+3 Sustainable Bonds as of 3Q 2022⁶, issuances in ASEAN+3 reached \$181.5 billion, slightly lower than \$182.4 billion in the same period in 2021, due to uncertainties in the economy and the tightening monetary conditions within the region as well as globally. Green bonds remain to have the highest share in the market accounting for 71% of the issuances, followed by social bonds and sustainability bonds at 11.50% and 11%, respectively.

FIGURE 1: SUSTAINABILITY BONDS ISSUANCE VOLUME IN ASEAN+3



Source: AsianBondsOnline

With increasing presence within the ASEAN+3 sustainable bond market, the ASEAN markets, accounting for 8% of the market, have outpaced their comparable share of 5.50% in the region's overall bond market as of 3Q 2022. ASEAN markets have significant contribution particularly in the sustainability and sustainability-linked bonds space, accounting for 19.60% and 14.80% of the respective outstanding amounts. The People's Republic of China leads regional green and sustainability-linked bond markets while Japan and the Republic of Korea dominate the social bond segment of the region.

At end of 3Q 2022, private sector issuers dominated the ASEAN+3 sustainable bond market, accounting for 88.70% of bonds outstanding compared to comparable share of 24.10% in the region's overall bond market. While local currency (LCY) bonds accounted for 61% of sustainable bonds outstanding in the region, this was still lower than the 95% share in the overall ASEAN+3 bond market, which also suggests growth potential.

Note:

⁶ AsianBondsOnline. (2022). ASEAN+3 Sustainable Bonds Highlights November 2022. <https://asianbondsonline>.

CGIF-Supported Thematic Bond Issuances

In line with CGIF's commitment toward the development and growth of the thematic bond market in ASEAN+3, CGIF has supported several thematic bond issuances in the recent years.

First in the list is the PHP10.7 billion 10-year bond, the first Climate Project Bond in Asia, issued in 2016 by AP Renewables, Inc. ("APRI") which operates two geothermal energy facilities with total capacity of 676 MW. The transaction was in cooperation with ADB and has been internationally recognized and received numerous awards such as "Green Bond Deal of The Year" in Green Bond Awards 2017 and "Project Bond of The Year" by Environmental Finance Magazine's Green Bond Awards.

Also in cooperation with ADB, CGIF supported the THB1.5 billion 7-year green bonds issued in 2019 by Energy Absolute Public Company Ltd., the largest renewable energy company in Thailand. This transaction was CGIF's first investor-procured guarantee and marked CGIF's first transaction supporting wind power.

In 2021, two new green bonds were added in CGIF's portfolio: Korean-based Hanwha Solutions Corporation ("HSC"), a leading solar power, chemical, and advanced materials company, issued a CNH1 billion 3-year green dim sum bond (i.e. offshore RMB bond in the Singapore bond market) while its Malaysia subsidiary Hanwha Q Cells Malaysia Sdn. Bhd. ("HQCL") issued a MYR150 million 3-year green bond. The bond proceeds were allocated for eligible green projects under the company's Green Financing Framework.

In the same year, CGIF supported Thaifoods Group Public Company Limited's ("TFG's") THB1 billion 5-year social bond. In addition to being the first social bond guaranteed by CGIF, this was the first social bond issuance under the ASEAN Social Bond Standards by a non-financial corporate issuer.

In 2022, CGIF guaranteed the first-ever healthcare social bond in Singapore issued by Perpetual (Asia) Limited, the trustee of First Real Estate Investment Trust ("First REIT"). The issuance of SGD100 million 5-year social bond also marked CGIF's first guarantee for a social bond issued within the Singapore real estate investment trust (REIT) market.

The thematic bond market in ASEAN+3 represents only a small proportion of the region's total bond market, highlighting the opportunities for expansion. As the demand for the thematic bonds remains strong considering shifts in market preferences to sustainability, CGIF remains committed to support issuances in the region and further development of the market.

FINANCIAL SUMMARY

FIGURE 2: NET INCOME

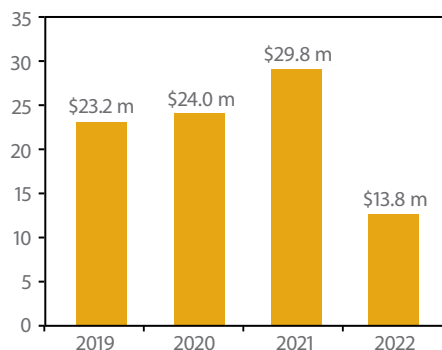


FIGURE 3: INVESTMENT INCOME

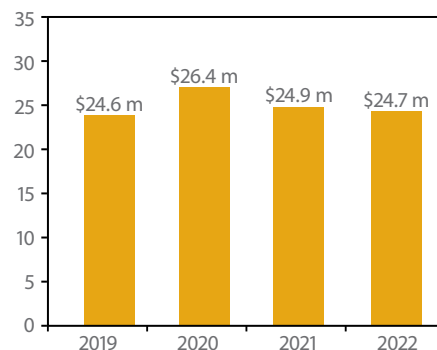


FIGURE 4: GUARANTEE INCOME

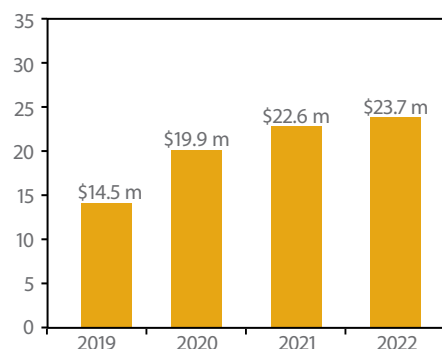
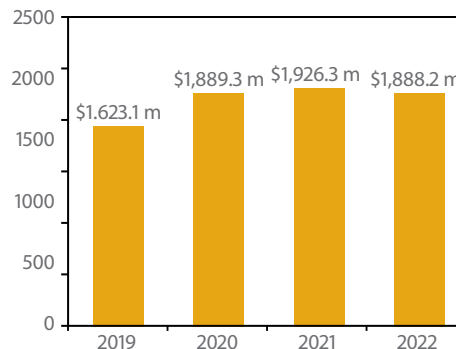
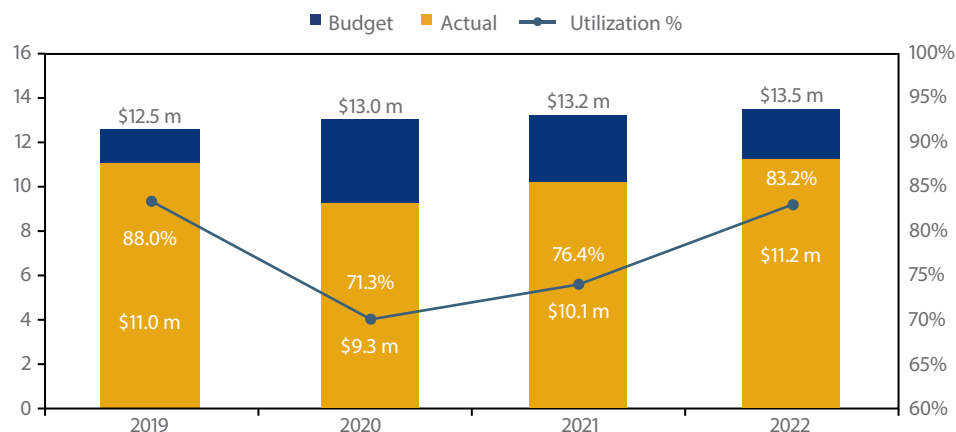


FIGURE 5: OUTSTANDING GUARANTEE ISSUED



Note: Outstanding guarantee to bondholders with principal only.

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



Notes:

- (i) Recognition of utilized amount is based on Budgeting Procedures Manual and may not be equal to the reported expenses in the Financial Statements.
- (ii) Budget figures are excluding contingency amounts.
- (iii) Budget utilization in 2022 increased due to the annual salary adjustments; higher legal services and technical due diligence costs for guarantee transactions; engagement of executive recruitment firm; gradual resumption of business travel as COVID-19 mobility restrictions eased; and increase in administrative expenses such as IT & Communications, Office Supplies, and Repairs & Maintenance as staff return to office on a hybrid working arrangement.



MESSAGE FROM THE CHAIRPERSON OF THE BOARD OF DIRECTORS (BOD)

In the year 2022, industries affected by the COVID-19 global health crisis focused on one thing: recovery. While lockdowns have ceased and safety measures have toned down, most economies still struggled. Understandably, market conditions have changed, and we have all had to learn to adjust and pivot given the new environment.

For the past two years, CGIF has doubled all efforts to make certain that we overcome all the challenges that the pandemic has brought—from lockdowns, travel restrictions, and social distancing to, more importantly, weak economic growth across all sectors. Directors, Management, and employees have shown incredible teamwork and tenacity through everything.

The Global Economic Prospects of the World Bank estimated a 2.9% growth for the global economy in 2022; this is considered a slowdown compared to 2021's and several macroeconomic factors contribute to this. However, some countries in the ASEAN region, like Viet Nam, Philippines, Indonesia, and Singapore, still experienced economic growth. In terms of the bond market, it was indeed a difficult year for the region: total bond market size of ASEAN6 bond market increased by only 2% y-o-y in the third quarter of 2022.

MESSAGE

As such, the market outlook for 2023 is still quite bleak: high inflation may still persist and cautious macroeconomic strategies will be necessary. CGIF is well-armed to conduct business even in these less-than-stellar conditions. We will continue to engage in market development and support more companies, especially first-time issuers, to access the bond market.

We will do this thanks to the support of our Contributors, the guidance of our Board of Directors (BOD), and the tenacious work of our Management and staff.

Our Contributors have always believed in CGIF's mission to provide guarantees to corporate bonds, mainly in local currencies, issued by creditworthy ASEAN+3 domiciled corporations. Our Contributors have also been supportive with their capital contributions, which are critical in performing CGIF's mandate. As of 31 December 2022, the paid-in capital of CGIF is \$1,148.9 million.

My fellow Directors have also played extremely vital roles. The BOD has always been dedicated in protecting the interests of our Contributors and in leading and guiding the CGIF Management.

Last but most definitely not the least, our Management and staff have consistently shown their commitment to our important work in the region. The new year also brings in a new leader: Chief Executive Officer, Mr. Hongwei Wang, who has over 26 years of experience in the financial industry. I am confident that under Mr. Wang's leadership, CGIF will continue to conquer challenges and contribute to our region's growth.

As always, I will continue to stand behind CGIF's goal to deliver and execute our Medium-term Business Strategy (MBS). CGIF is well-poised—and is expected to contribute—to realizing the policy objectives set out by the Asian Bond Markets Initiative (ABMI). As Chairperson, I fully support CGIF's priority to guarantee bond issuances to finance investment that sustain regional integration; green bonds for financing of infrastructure projects or infra-related corporate bonds; and promotion of bond issuances under the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF) and thematic bonds like green bonds, social bonds, and sustainability bonds.

For 2023 and all the coming years, CGIF will remain committed to our developmental work so we can help more creditworthy companies in the region. We will continue to strive to achieve significant and sustainable goals. With focus and a strength of purpose, we can realize our mandate to create meaningful change in the region.

松田 宣康

Mr. Noriyasu Matsuda
Chairperson,
Board of Directors

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER (CEO)

Two years after COVID-19 deeply impacted many industries and economies, we are still reeling from the effects of the global health pandemic. The year 2022 was when we all slowly started to regain our footing, but market conditions remained challenging and several economies worldwide showed little to no growth.

Towards the end of 2022, persistent high inflation resulted in monetary tightening policies of many central banks, even in the ASEAN region. In ASEAN, policy rates drastically increased from

end of December 2021 to end of December 2022. According to Asian Bonds Online's December 2022 Monthly Roundup Report, the Philippines' policy rate increased by 3.5%, Indonesia's by 2%, Viet Nam's by 2%, Malaysia's by 1%, and Thailand's by 0.75%. Most of these policy rate hikes happened towards the latter part of 2022 in response to US Federal Reserve's hawkish monetary stance. In addition, the US Dollar (USD) appreciated against other currencies, which compounded the challenging situation of financial markets, especially those of less developing countries.

CGIF was not immune to the after-effects. Market volatility and reduced investor appetite, among others, contributed to us not meeting our business goals for the year. Our net income for 2022 was \$13.8 million, a significant decrease by 54% or \$16 million lower from past year's. Maturity of guarantees coupled with less issuances and the depreciation of local currencies against the USD contributed to the drop in outstanding guarantee issued: as of year-end 2022, it is at \$1,888.2 million, 2% lower than 2021's.

The year ended with guarantees issued to 1 existing issuer (two additional tranches of Ijarah Sukuks for PT Polytama Propindo) and 2 new ones (dim sum bond for China Education Group Holdings Limited and social bond for First Real Estate Investment Trust). Guarantee amount for these 4 bonds/sukuks amounted to \$167 million. To date, CGIF's cumulative guarantee footprint is at \$2,762 million, equivalent to 38 issuers supported with 56 bonds/sukuks guaranteed.

In 2022, CGIF saw the successful redemption of bonds from ASA Philippines Foundation Inc. (two of the three tranches), Mobile World Investment Corporation, Fullerton Healthcare Corporation Limited, and Boonthavorn Ceramic 2000 Co., Ltd.. By year-end, a total of 16 CGIF-guaranteed bonds amounting to \$662 million by 12 corporate issuers was fully redeemed.

By end of 2022, CGIF reached a record high of 21 Guarantee Concept Proposals (GCPs) approved—the first and only time we exceeded the 20+ mark. For two consecutive years, CGIF has beaten its record of most number of GCPs approved in a single year, demonstrating CGIF's more efficient origination and deal processing strategy. While



MESSAGE

GCP approvals are not among the yearly target, we always strive to get this number higher and higher every year to build a sizeable and more robust pipeline of deals.

As of 31 December 2022, 10 deals were actively being processed at the due diligence stage comprising of potential issuances in the currencies of PHP (\$136 million), VND (\$125 million), CNH (\$125 million), SGD (\$75 million), THB (\$65 million), IDR (\$50 million), and KHR (\$30 million), for an aggregate prospective issuance amount of \$606 million in equivalent. Among these 10 deals, 3 have their Guarantee Underwriting Proposals (GUPs) being finalized for submission to the Guarantee and Investment Committee by the first quarter of 2023.

All deals that were supposedly for closing in the last quarter of 2022 were pushed back to 2023, and Management has undertaken new strategies for marketing and business growth to ensure the new targets are met. Coming from the challenges of 2022, we are determined, more than ever, to do the hard work—and we have begun. Our teams have started reaching out to potential clients and building a larger pipeline pool for 2023.

For 2023, there will be several keywords to keep in mind, foremost of which is **change**.

For one, we are changing our strategy to focus on high-quality business growth. With pandemic measures steadily loosening, we can expect more economic activity and, hopefully, Gross Domestic Product (GDP) growth in the ASEAN+3 region. This early on, several ASEAN nations already look promising. We undertook our own analysis of market sectors and have determined where we'll be active for 2023. We will expand our presence in Malaysia, Indonesia, and Philippines since these have lower representation in our portfolio. CGIF will likewise continue to grow our product suite with new deals in areas like securitization, project bonds, and sukuk. To meet demand, we will also prioritize thematic bonds as more investors are looking for such investments.

We will also change our marketing approach to implement our new strategy. We will be more proactive: establish direct contact with clients and start a client-centered marketing strategy

that underscores their needs. This will allow us to create more opportunities to meet quality clients; they are crucial in any business, but more so in ours.

We will also change the way we evaluate—and reward—staff performance. We will focus on results, and we will change the parameters in performance evaluations. We also need to analyze accountability. We want a team with members who know what they are accountable for. The CGIF workforce has always been determined, committed, and hardworking, and we want to continue to embrace a culture of action. I firmly believe that it is only after you take actions that you will get results. Without action, you get nothing.

One thing we will not change is our efficient risk management criteria. Even while operating in a very challenging environment and a very high-risk market, we did well in managing risks—and we will adhere to this system and strategy.

The last few years changed a lot of things. CGIF has worked harder because of this and, in 2023 and the coming years, we will work even harder and adapt to this new environment. We will continue to implement our Medium-term Business Strategy (MBS), pursue milestone deals and market development, and strengthen our work in the region.

I am confident that we can achieve what we have set out to accomplish. CGIF is well-positioned to move forward. We have a good starting point: we have an extremely strong capital base and a well-established team. We have everything in place, and we just need to do what we need to do—and do them wisely. This will be the key to our success for 2023 and beyond.

With focus, teamwork, and determination, we can conquer any and all challenges. And with the support of our Contributors and stakeholders, CGIF will remain steadfast in realizing our vision for the ASEAN+3 region.



Mr. Hongwei Wang
Chief Executive Officer



BUSINESS AND OPERATIONAL REVIEW

GUARANTEE OPERATIONS

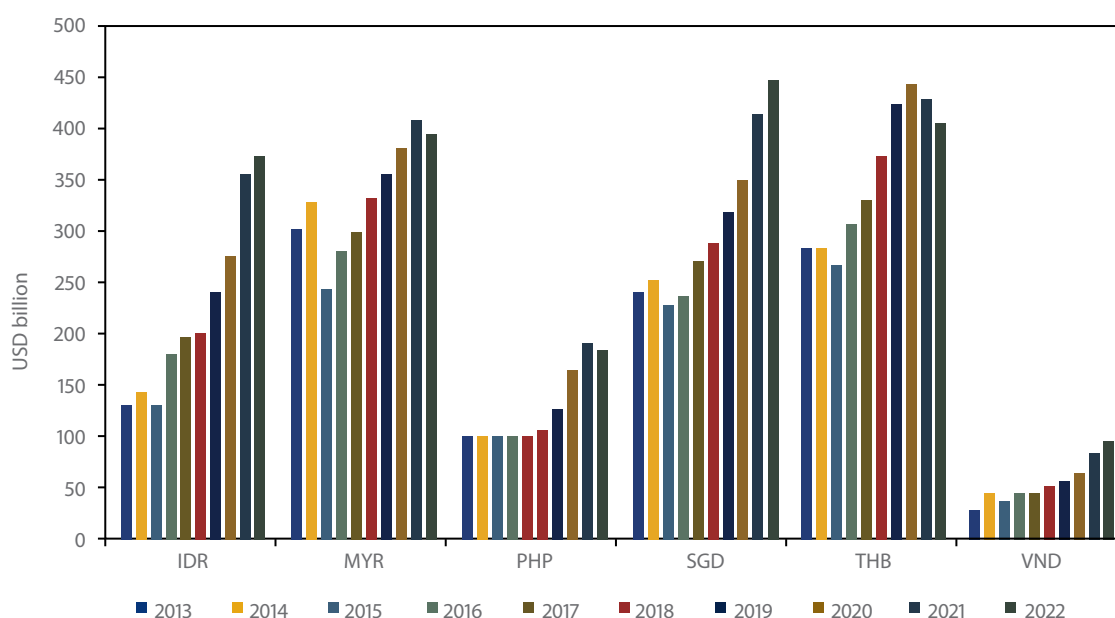
MACROECONOMIC OVERVIEW IN 2022

The Global Economic Prospects of the World Bank estimated that the global economy would reach growth of 2.90% in 2022.¹ This is considered a slowdown compared to 2021's global growth rate of 5.90%. This slowdown is due to a myriad of macroeconomic factors, such as the tightening of monetary policies among advanced economies, strong US Dollar (USD), effects of the geopolitical tensions, and high inflation experienced in many economies.

Despite these, some countries in the ASEAN region still posted economic growth, since many of the member countries pursued to lift the restrictions from the COVID-19 pandemic and thus fully opening their economies. Viet Nam's economy grew by 8% in 2022 because of strong exports and retail sales. The Philippines experienced a 7.60% economic growth in 2022, buoyed by high household consumption. Indonesia expanded by 5.30% in 2022, which was largely contributed by high travel-related spending. Singapore also recorded a modest economic growth rate of 3.60% in 2022.

ASEAN6 BOND MARKET OVERVIEW²

FIGURE 7: LCY BOND MARKET SIZE IN ASEAN6



Source: Asian Bonds Online, 2023. Data are as of 3Q of every year.

Total bond market size of ASEAN6 bond market reached \$1.9 trillion, as of 3Q of 2022. As of 3Q of 2022 the share of government bonds and central bank bills took up 74% of the total bond market in ASEAN6 region, and corporate bonds took the remaining 26%. In terms of growth, the total bond market of the region grew by only 2% y-o-y in 3Q of 2022 in terms of the USD-equivalent issue size. It

can be said that the year 2022 was a tough year for ASEAN's bond market, as the region was negatively affected by macroeconomic conditions.

In terms of values of bonds in their respective local currencies, the government bond markets of ASEAN6 grew modestly, with growth rates ranging from 6% to 17% y-o-y in 3Q of 2022. The Philippine

Notes:

¹The World Bank. Global Economic Prospects (January 2023). <https://openknowledge.worldbank.org/handle/10986/38030>

²ASEAN6 refers to Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam.

government bond market grew fastest, followed by the government bond markets of Indonesia and Thailand with y-o-y growth rates of 14% and 13%, respectively.

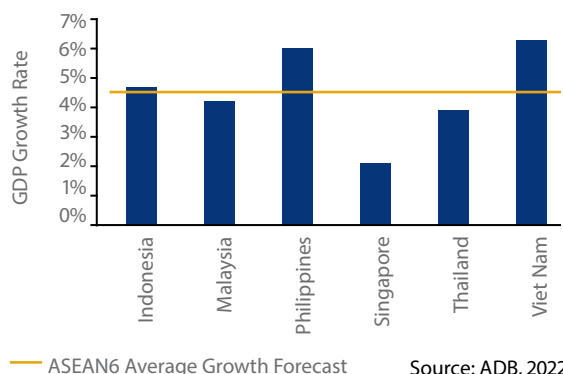
On the other hand, the growths of corporate bond market in ASEAN are more volatile depending on countries than those of the government bond markets. Viet Nam's corporate bond market recorded the highest y-o-y growth rate in 3Q of 2023 at 46%, followed by the corporate bond markets of Thailand and Indonesia with y-o-y growth rates of 9% and 8%, respectively. On the other hand, the Philippine corporate bond market contracted by 1% y-o-y during the same period.

MARKET OUTLOOK

The outlook for 2023 is a decelerated growth. The World Bank forecasts more monetary tightening to fight against the persistent high inflation. However, this is expected not to be as tight as it was in 2022. Nevertheless, continual contractionary monetary policies may be detrimental to companies trying to access the financial markets.

As of December 2022, ADB, through its Asian Development Outlook publication, presented its economic growth forecasts in ASEAN6. The region is forecasted to grow by 4.70% in 2023, with Viet Nam and the Philippines as the lead gainers in the region.³

FIGURE 8: ASEAN6'S GDP GROWTH FORECAST FOR 2023



Note:

³ Asian Development Bank. Asian Development Outlook (Supplement) December 2022: Economic Forecasts. <https://www.adb.org/outlook>

Overall, 2023 will be a test for prudent macroeconomic strategies of ASEAN6. High inflation remains as the significant threat to the region since this dampens consumer and business confidence and prompts central banks to pursue rate hikes. Such a situation will present challenges for both issuers and investors in the bond market.

Through these challenges, CGIF will continue to be involved in market development activities by helping more companies to access the bond market, particularly the first-time issuers who would like to explore new financing options. One possible area is encouraging companies to pursue sustainable bond issuance, as market awareness for these bond products is increasing.

GUARANTEE OPERATIONS

CGIF helped corporates issue two Ijarah Sukuks and two bond transactions in 2022. These were deployed in the local currency bond markets of Indonesia and Singapore, with an aggregate guarantee amount of \$167 million. New milestones were attained with these issuances, demonstrating CGIF's positive contribution to the capital markets in the ASEAN+3 region.

Follow-on tranches by a sukuk issuer. Following a multi-tranche issuance in 2021, PT Polyrama Propindo ("Polyrama") successfully issued two additional tranches of Ijarah Sukuks in March 2022 with a total issue size of IDR220.5 billion in 3- and 5-year maturities. This transaction is a debut of guaranteed sukuk in the Indonesian private placement market, which reflects CGIF's continued support for the advancement of Indonesia's sukuk market.

ASEAN+3's first international bond by an issuer from the higher education sector. China Education Group Holdings Limited's ("CEG's") maiden issuance of 3-year CNH500 million dim sum bond marks the first time an international bond was launched by an issuer from the

vocational education sector among the countries of ASEAN+3, breaking new ground in the corporate bond market space. In line with CGIF's mandate to mobilize funds across the region, this is the second Offshore Renminbi transaction guaranteed by CGIF.

First healthcare social bond denominated in an ASEAN local currency. CGIF extended its guarantee to the 5-year SGD100 million social bond issued by First Real Estate Investment Trust ("First REIT"), the first healthcare-focused real estate investment trust (REIT) in Singapore. This transaction is CGIF's first support for a REIT issuer, which hopefully will encourage other REIT entities to tap the local currency bond market with a CGIF guarantee. Moreover, this is the second CGIF-guaranteed social bond, contributing to the growing number of thematic bonds supported by CGIF.

The general slowdown in the bond markets due to the excessive volatility in the interest rates resulted to a decrease in the number of issuances. The issuers and investors in the bond markets adopted a cautious stance, which resulted in lower issuances from corporates in 2022 across all ASEAN markets. This has allowed CGIF to understand future trends and maintain focus on developing new markets and products in line with our development mandate.

Focus for 2023 will be to expand presence in Malaysia, Indonesia, and Philippines as these have lower representation in our portfolio. CGIF will continue to focus on expanding our product suite beyond vanilla bonds as new deals are being pursued in areas like securitization, project bond, and sukuk. CGIF will also prioritize thematic bonds as more investors in the region are looking for such investments.

Efforts have been directed toward portfolio monitoring during uncertain times. The interest rate movements and geopolitical tensions have

caused problems in certain sectors. Attention has also been on companies that are highly leveraged as well as those that are dependent on market borrowings for repaying outstanding liabilities. CGIF is actively managing one case where a guarantee call has been exercised and aims to ensure adequate recovery.

GUARANTEE PORTFOLIO

With the addition of new issuances in CGIF's guarantee portfolio, cumulative notional guarantee amount since commencement of guarantee operations in 2012 reached \$2,762 million comprising 52 bonds and 4 sukuk transactions issued by 38 corporates from 12 economies and denominated in 9 of 13 local currencies of ASEAN+3 countries.

By end-2022, total outstanding guarantee exposure marginally contracted to \$1,968 million¹ from \$2,009 million¹ in 2021 as a result of maturities and redemptions exceeding the amount of new guarantees issued.

GEOGRAPHICAL DISTRIBUTION OF INQUIRIES IN 2022

CGIF received a total of 32 Preliminary Information Packs (PIPs) from corporates in 8 of 13 ASEAN+3 countries, with the most number of submissions coming from Singapore. These PIPs contain profiles of new prospective issuers while a small percentage are from existing clients that are keen to collaborate with CGIF for a second time.

Country-wise distribution of these PIPs is detailed in Figure 9.

Note:

¹ Composed of principal amounts only, including KNM exposure.

TABLE 3: GUARANTEE PORTFOLIO AS OF 31 DECEMBER 2022

Guarantee Issue Date	Bond Issuer	Country of Origin (Issuer)	Bond Issuance Venue (Bond Market)
7-Apr-22	First Real Estate Investment Trust	 Singapore	 Singapore
22-Mar-22	China Education Group Holdings Limited	 China	 Singapore
4-Mar-22	PT Polytama Propindo	 Indonesia	 Indonesia
4-Mar-22	PT Polytama Propindo	 Indonesia	 Indonesia
1-Dec-21	JWD InfoLogistics Public Company Limited	 Thailand	 Thailand
11-Nov-21	Thaifoods Group Public Company Limited	 Thailand	 Thailand
8-Sep-21	PT Polytama Propindo	 Indonesia	 Indonesia
8-Sep-21	PT Polytama Propindo	 Indonesia	 Indonesia
8-Sep-21	PT Polytama Propindo	 Indonesia	 Indonesia
8-Sep-21	PT Polytama Propindo	 Indonesia	 Indonesia
1-Sep-21	Hanwha Q Cells Malaysia Sdn. Bhd.	 Malaysia	 Malaysia
25-Aug-21	Telcotech Ltd.	 Cambodia	 Cambodia
19-Apr-21	Hanwha Solutions Corporation	 Korea	 Singapore
5-Mar-21	JWD InfoLogistics Public Company Limited	 Thailand	 Thailand

Note: 'Refers to Ijarah Sukuk issuances.

	Bond Issue Size (LCY)	Bond Issue Size (USD equivalent)	Percentage Guaranteed by CGIF	Issue Rating (Agency)	Bond Tenor
	SGD100 million	\$74 million	100%	AA (S&P)	5 years
	CNH500 million	\$78 million	100%	AA (S&P)	3 years
	IDR110.3 billion ¹	\$8 million	100%	AAA (Pefindo)	3 years
	IDR110.3 billion ¹	\$8 million	100%	AAA (Pefindo)	5 years
	THB1.2 billion	\$36 million	100%	AAA (Fitch)	9 years
	THB1 billion	\$30 million	100%	AAA (TRIS Rating)	5 years
	IDR96.5 billion	\$7 million	100%	AAA (Pefindo)	3 years
	IDR223 billion	\$16 million	100%	AAA (Pefindo)	5 years
	IDR104 billion ¹	\$7 million	100%	AAA (Pefindo)	3 years
	IDR56 billion ¹	\$4 million	100%	AAA (Pefindo)	5 years
	MYR150 million	\$36 million	100%	AAA (RAM)	3 years
	KHR80 billion	\$20 million	100%	Unrated	5 years
	CNH1 billion	\$153 million	100%	AA (S&P)	3 years
	THB700 million	\$23 million	100%	AAA (Fitch)	5 years

Guarantee Issue Date	Bond Issuer	Country of Origin (Issuer)	Bond Issuance Venue (Bond Market)
8-Jan-21	PT Ketrosden Triasmitra	 Indonesia	 Indonesia
8-Jan-21	PT Ketrosden Triasmitra	 Indonesia	 Indonesia
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 ²	 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

Note: ² 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)	Bond Tenor
	IDR415 billion	\$30 million	100%	AAA (Pefindo)	3 years
	IDR168 billion	\$12 million	100%	AAA (Pefindo)	5 years
	JPY15.4 billion	\$149 million	100%	AA (S&P)	9 years
	KHR127.2 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
	VND1.2 trillion	\$50 million	100%	Unrated	10 years
	VND400 billion	\$17 million	100%	Unrated	5 years
	VND2.2 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
	VND2.3 trillion	\$100 million	100%	Unrated	10 years
	THB2.2 billion	\$70 million	100%	AAA (TRIS Rating)	5 years

Guarantee Issue Date	Bond Issuer	Country Of Origin (Issuer)	Bond Issuance Venue (Bond Market)
07-Dec-18	Siamgas and Petrochemicals Public Company Limited	 Thailand	 Thailand
16-Nov-18	AEON Credit Service (Philippines) Inc.	 Philippines	 Philippines
05-Oct-18	Hoan My Medical Corporation	 Viet Nam	 Viet Nam
05-Oct-18	Hoan My Medical Corporation	 Viet Nam	 Viet Nam
10-Sep-18	The PAN Group Joint Stock Company	 Viet Nam	 Viet Nam
28-Feb-18	Siamgas and Petrochemicals Public Company Limited	 Thailand	 Thailand
10-Jan-18	ASA Philippines Foundation, Inc.	 Philippines	 Philippines
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 ³	 Indonesia	 Singapore

Note: ³ 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)	Bond Tenor
	THB2 billion	\$61 million	70%	A (TRIS Rating)	5 years
	PHP100 million	\$2 million	100%	Unrated	5 years
	VND1.4 trillion	\$60 million	100%	Unrated	7 years
	VND930 billion	\$40 million	100%	Unrated	5 years
	VND1.1 trillion	\$50 million	100%	Unrated	5 years
	THB2 billion	\$64 million	85%	A (TRIS Rating)	5 years
	PHP500 million	\$10 million	75%	Unrated	5 years
	VND1 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 9: PRELIMINARY INQUIRIES RECEIVED BY DOMICILE (YEAR 2022)

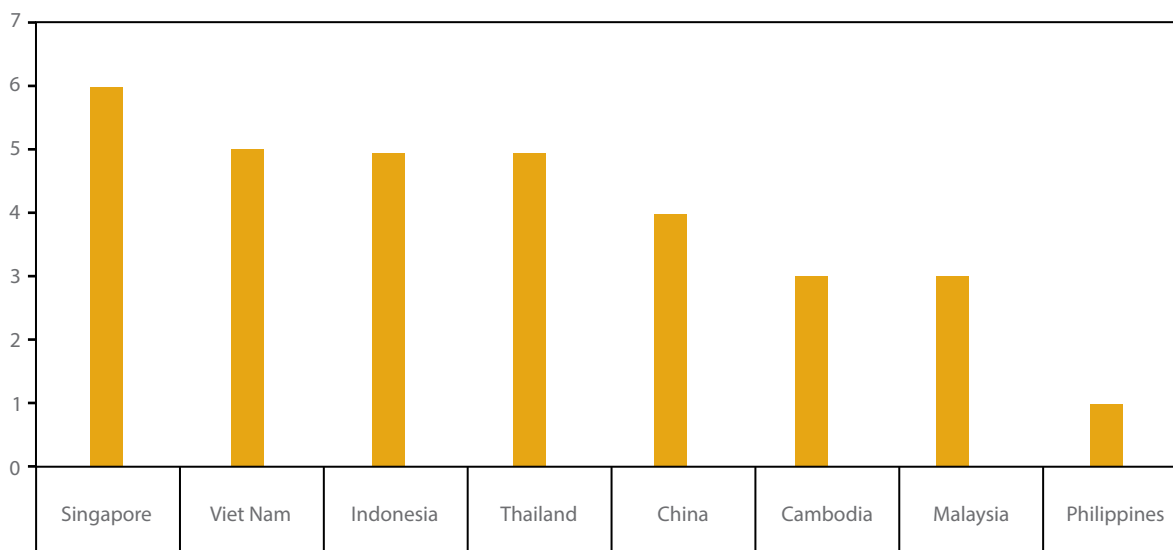
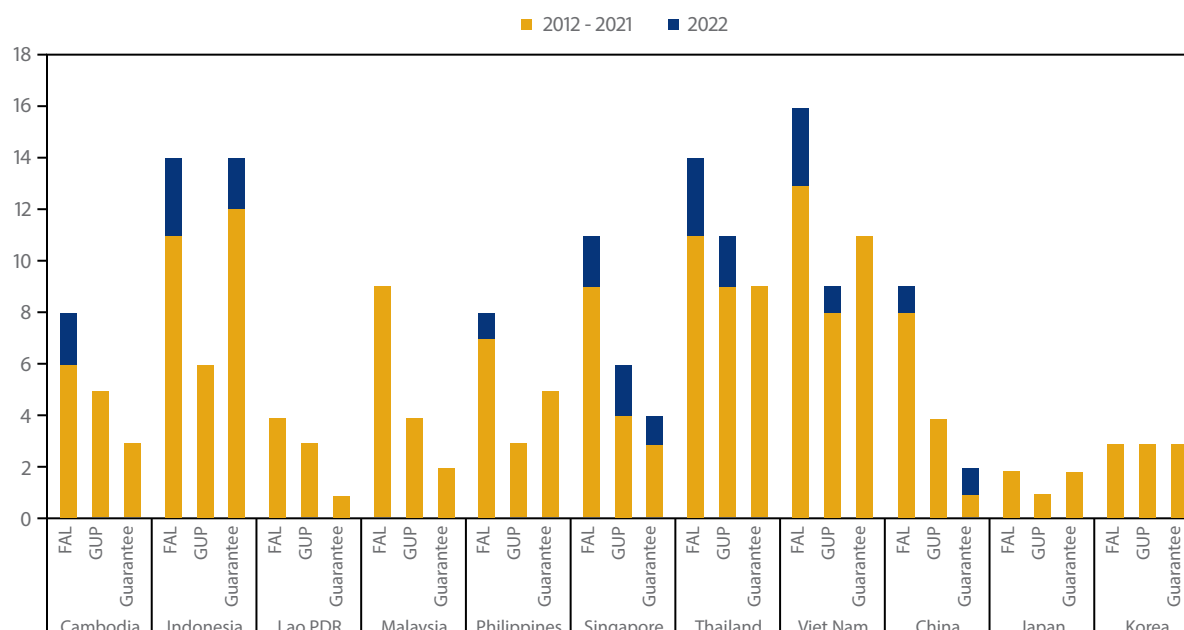


FIGURE 10: APPLICATIONS RECEIVED¹, UNDERWRITING PAPERS APPROVED, AND BONDS GUARANTEED² BY DOMICILE (2012-2022)³



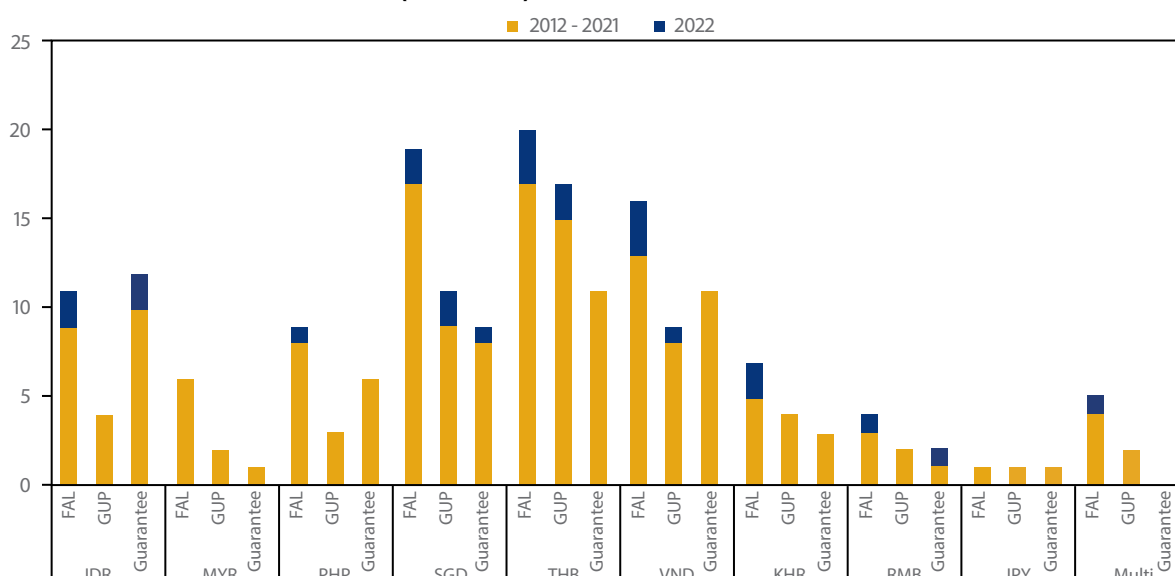
Notes:

¹FAL refers to Formal Application Letters received from clients; GUP refers to Guarantee Underwriting Papers approved by the BOD.

²Each bond/sukuk tranche issued is recorded as one bond/sukuk guaranteed.

³Inconsistency(ies) from past report(s), if any, is(are) due to CGIF's internal process of reclassifying the country tag based on pre-determined criteria from time to time. Country tagging per the graph above is up-to-date as of 31 December 2022.

FIGURE 11: APPLICATIONS RECEIVED¹, UNDERWRITING PAPERS APPROVED, AND BONDS GUARANTEED² BY CURRENCY (2012-2022)³



Notes:

¹FAL refers to Formal Application Letters received from clients; GUP refers to Guarantee Underwriting Papers approved by the BOD.

²Each bond/sukuk tranche issued is recorded as one bond/sukuk guaranteed.

³Inconsistency(ies) from past report(s), if any, is(are) due to updates/changes to currency tag of prospective issuances only.

Currency tagging per the graph above is up-to-date as of 31 December 2022.

LOOKING AHEAD

Most global economies have reopened in 2022 after 2 years of lockdowns and border closures brought by the COVID-19 pandemic. However, despite this, uncertainty and volatility have continued to rock the markets amid runaway inflation, geopolitical tensions, and unprecedented rate hikes by central banks. Higher than expected borrowing costs have led to subdued activity in the bond markets. Lack of liquidity in the dollar markets coupled with lower interest rate differentials between US dollar and local currency issuances will lead to corporate and institutions exploring options in the local capital markets. In line with its mandate, CGIF is well-positioned to capitalize on this opportunity to support new issuers and promote the deepening of the local currency bond markets.

Despite this positive outlook, CGIF recognizes that it is important to remain prudent as it navigates a

post-pandemic world. As such, CGIF will continue undertaking a cautious approach in the sourcing and processing of guarantee applications. Preferred companies are those that are deemed to be in defensive sectors that are resilient even in times of economic uncertainties.

CGIF has made progress in developing the BCLM¹ bond markets, having supported several transactions particularly in Cambodia in the past year. Moving into 2023, the development of these nascent local currency markets continues to be in heavy focus. CGIF will maintain its strong support for the private sector in Cambodia. In addition, it will continue to showcase Brunei as a center for raising financing and look at supporting companies in ASEAN+3 with their investment plans in Laos. Meanwhile, CGIF acknowledges that there are constraints brought by the political and economic conditions in Myanmar.

Note:

¹Refers to the countries of Brunei Darussalam, Cambodia, Lao People's Democratic Republic, and Republic of the Union of Myanmar.

CGIF will also continue to support thematic bonds such as green and social bonds as it has done increasingly so in the last 3 years. With the CGIF guarantee, these types of financial instruments will not only help diversify the investor bases of issuers but also help address and facilitate environmental and social solutions for a more sustainable economy in the wake of climate change. CGIF also envisions to regularly support sukuks in 2023 as it is active in two of the largest sukuk markets (Malaysia and Indonesia) in the world.

Collaboration will also be a priority in 2023. CGIF will expand partnerships with multilateral development banks, development finance institutions, and other institutions that are active in the ASEAN region. Amid an increase in green and climate financing projects due to regional commitments made in line with UN Climate Change Conference (COP26), CGIF has already established contact with like-minded institutions in the green and climate space and will continue to explore innovative ways of collaborating with agencies focused in this area.

In terms of monitoring, CGIF has adopted more stringent and frequent reviews of outstanding accounts impacted by the pandemic and global geopolitical issues. CGIF will continue this prudent and proactive approach to portfolio management. Meanwhile, recovery efforts from KNM (i.e. CGIF's first guarantee call) remain a priority.

Lastly, CGIF has also kickstarted marketing efforts to raise bond market awareness by organizing events and forums in several ASEAN countries such as Indonesia, Thailand, and Cambodia in the last 2 years. As travel has already normalized, most market development efforts will be conducted physically in 2023. CGIF believes that reaching potential and existing stakeholders through these events is an integral part in the understanding and appreciation of CGIF and its activities.

FINANCE

FINANCIAL CONTROL

Financial Control supports 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 continual 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 the regular preparation of financial reports. 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 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.

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 reports for its investment portfolio and external transactions. As indicated in the Operational Policies (OP), CGIF Treasury cross-checks the ADB valuation reports 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 CGIF's capital resources. 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 the Contributors approved the capital increase proposal in December 2017 and CGIF has started receiving new capital contributions, the size of the paid-in capital to be managed has grown from \$700 million to \$1,149 million as of end of 2022.

EVOLUTION OF THE INVESTMENT PORTFOLIO

Table 4 shows that the investment portfolio's asset allocation and duration have been in line with the SAA. Some variations of the actual investment portfolio against the SAA are inevitable and can be intentionally taken in consideration of market view and guarantee portfolio situations. The BOD approved 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. Figures 12, 13, 14, and 15 show the evolution of the investment portfolio in terms of credit rating, geographical distribution of investments, distribution by sectors, and maturity distribution in previous years.

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%	2.00-4.00
31 December 2020	17%	4%	57%	22%	3.01
31 December 2021	12%	3%	63%	23%	2.93
31 December 2022	7%	7%	69%	17%	2.87

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

FIGURE 12: EVOLUTION OF INVESTMENT PORTFOLIO I

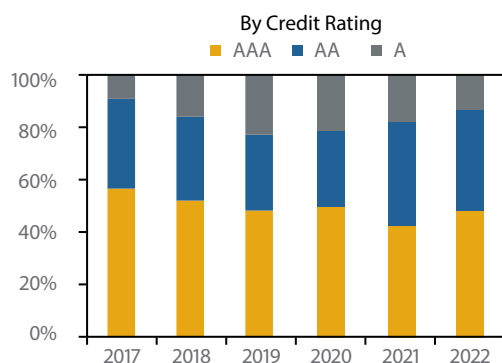


FIGURE 13: EVOLUTION OF INVESTMENT PORTFOLIO II

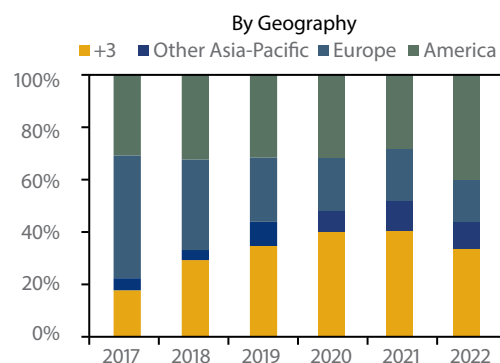


FIGURE 14: EVOLUTION OF INVESTMENT PORTFOLIO III

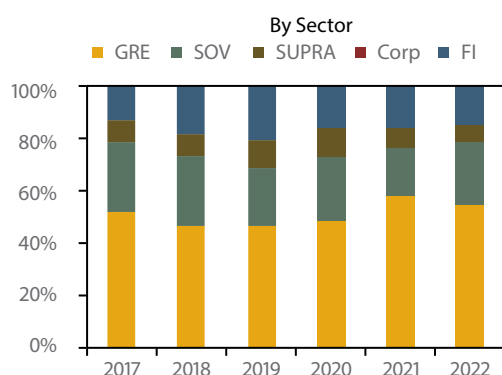
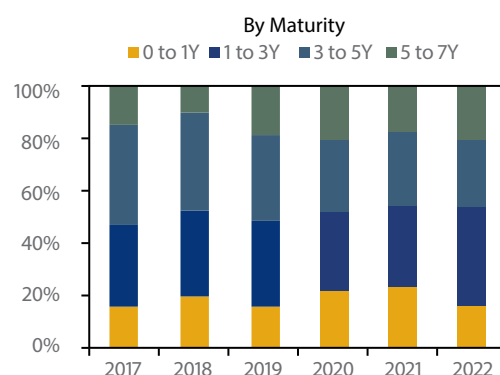


FIGURE 15: EVOLUTION OF INVESTMENT PORTFOLIO IV



INVESTMENT INCOME IN 2022

Realized investment income for 2022 was \$24.7 million, representing a yield of 1.97% without the effect of change in fair value. It is lower than the yield achieved in 2021 (1.98%) but higher than the original target of 2022 (1.65%). Table 5 provides a

quarterly breakdown of investment income for the year 2022, as well as the annual income of 2021 and 2022. ADB suggested a target yield of 2.50% for 2023 in consideration of higher investment yields following the series of interest rate hikes of the US Federal Reserve in 2022.

TABLE 5: 2021-2022 INVESTMENT INCOME

Investment Income (\$'000)	2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022
Debt Securities	24,232	5,365	5,420	6,044	6,866	23,695
Time Deposits and CDs	627	203	301	265	263	1,033
Total	24,860	5,568	5,721	6,310	7,129	24,727

Note: Numbers may not sum up precisely because of rounding.

FX TRANSACTIONS

As CGIF's functional currency is USD, CGIF converts to US Dollar (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 2022, CGIF has no outstanding FX derivative positions. For FX transactions, CGIF confirms local FX regulations and provides supporting documents if required.

ASEAN CORPORATE BOND MARKET RESEARCH

In 2022, the Research Unit provided updates on the published corporate bond market research papers. The Research Unit also drafted the ASEAN corporate bond market research, which is the consolidated version of the country-level corporate bond market research papers. These research materials are uploaded in CGIF website.

For 2023, the Research Unit will look into the cross-border corporate bond market in the ASEAN+3 region, which aims to show the trends in issuing cross-border corporate bonds. The Research Unit will also research on China's corporate bond market, in which the objective is similar with previous country research papers. More importantly, the Research Unit will intensify efforts to support the Deals Operations Department. Internal researches will be conducted to understand the opportunities in ASEAN+3's corporate bond markets.

RISK MANAGEMENT

GOVERNANCE

The Board of Directors (BOD) is the highest internal control and risk management governing body in CGIF. Based on recommendations of its Internal Control and Risk Management Committee (ICRMC), the BOD establishes appropriate policies on internal control and assures 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 involve 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 prioritizes the management of these risks.

The ICRMC is composed of three Directors representing Japan, the Republic of Korea, and the Association of Southeast Asian Nations (ASEAN). The Director representing the Republic of Korea serves as the ICRMC Chair. The Meeting of Contributors (MOC) approves the appointment of the Chairperson. Unless it delegates authority to the Guarantee and Investment Committee (GIC), the BOD approves Guarantee Underwriting Proposals (GUPs) 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 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 the BOD's 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 GUP approval stage, and up to the guarantee portfolio management stage, CGIF's Deal Operations Department (DOD) bears the principal responsibility of identifying credit risk factors relating to prospective guaranteed bond issuers and to outstanding guaranteed accounts.

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 Proposal (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 GUP is submitted to the GIC for approval and, if required, for 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, the GIC, and the BOD.

With the endorsement of Management's GIC, the BOD deliberates on the GUPs for final approval. Under the Alternative Guarantee Approval Process, the BOD delegates to the GIC its authority for final approval of GUPs when (i) the proposed guarantee amount does not exceed \$50 million; (ii) the proposed guarantee tenor does not exceed 5 years; (iii) the prospective bond issuer's credit rating is BB or better in the international rating scale; (iv) the use of guaranteed bond proceeds is not classified as Category A as per CGIF's Environmental and Social Management System; and (v) the CRO has approved the proposed guarantee.

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. Leverage ratio and credit guarantee concentrations are likewise monitored. By policy, CGIF's leverage ratio—the ratio of credit guarantee exposure to CGIF equity—should not exceed 2.50. 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 of 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 cession of guarantees that do not meet these criteria.

MANAGEMENT OF MARKET RISK AND CREDIT RISK OF INVESTMENTS

As Trustee, ADB manages CGIF's capital resources, pursuant to CGIF's OP and 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. All investments should be marketable within a reasonable time so that liquidity is always available to meet potential calls on the guarantees issued.

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 management action trigger for unrealized loss of the investment portfolio is set at 1% 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 not be lower than A-1. Credit concentration of investments is 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

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 9 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 the largest guarantees that represent 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 most of CGIF's assets are investments in USD securities that, in turn, represent Contributors' equity in CGIF. In 2017, the 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 quarterly 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 leverage ratio should not exceed 2.50:1. By policy, CGIF's CAR should not fall below 8.80%.

ENVIRONMENTAL AND SOCIAL SAFEGUARDS RISK MANAGEMENT

CGIF's Environmental and Social Management System (ESMS) is an integral part of the RMF and was approved by the CGIF Management in February 2019 and updated in July 2020 and April 2021. It was further updated in October 2022 to enhance understanding and implementation procedures related to ESMS processing, including time-defined period for electronic

archiving of documents, appointment of external Environmental and Social Due Diligence (ESDD) consultants, and compliance monitoring requirements.

CGIF Institutional Risk Group (IRG) supported the issuance of two guarantee transactions, both of which were classified as General-Purpose Corporate Bond (GCB) transactions for safeguards risk assessment purposes. During the full year 2022, the IRG team worked on 31 new transactions received at Preliminary Information Pack (PIP) stage, undertaking initial ESDD screening and assessment on 24 of these that progressed beyond the concept approval stage. Of these transactions, 5 completed extensive ESDD and are pending completion of ESMS development work prior to issuance of the respective guarantees, 12 have ongoing ESDD work and/or pending prospective issuer clarifications, and 7 transactions did not proceed further. In addition, the CGIF IRG team also completed the review of 27 annual Environmental and Social Safeguards Performance Report (ESSPR) submissions from outstanding issuers to ensure ongoing compliance to the Environmental and Social Safeguards (ESS) Policy requirements.

COVID-19-related challenges continued to be an issue in early 2022, particularly related to travel restrictions in carrying out site visits and ESDD for prospective issuers or annual review monitoring for outstanding issuers. CGIF and its third-party consultants have continued to adopt and enhance flexible approaches for site visits to limit health and safety risks for all parties, while maintaining its support for prospective issuers wishing to raise finance. Corporate level interviews and desktop information gathering by CGIF and third-party consultants have utilized conference and videoconference facilities or virtual site-visits using either live video stream facilities or photo and video documentary options to support our understanding of site conditions and risk management. In addition to processing of new guarantees, the IRG team also review the annual ESSPR submissions from outstanding issuers

for ongoing compliance with conditions and/or covenants, including assessment of deferral or extension requests from outstanding issuers for these conditions (where required). CGIF did not experience any ESSPR submission delays in 2022 for its outstanding issuers and there are no recorded breaches of annual ESSPR submission in 2022. The ongoing impact of COVID-19 was still a minor issue for a small number of issuers, and it has impacted the rollout of issuers' ESMS enhancements or completion of corrective action plans, especially where they involved community outreach and engagement activities. Despite these challenges experienced by CGIF issuers, no breaches to corrective action plan requirements (as extended) were reported in 2022.

The Principal Safeguards Specialist appointed in May 2021 has been promoted, as of October 2022, to also encompass the role of Head of Institutional Risk responsible for both Safeguards and Integrity Risk Management. As part of this role, continued promotion and enhancement of ESS and ESMS skills and expertise were developed within the CGIF teams. This is in addition to the delivery of safeguards-related training through on the job and specific tailored sessions in conjunction with subject matter experts from ADB. The training in 2022 was focused on developing the knowledge around safeguards risk assessment and risk differentiation for i) Category A or B transactions and ii) Involuntary Resettlement impacts in transactions. Training is aimed at enhancing knowledge through technical information sharing by using existing project experience to enhance safeguards capacity at all levels across the organization. ESS training sessions were also developed for the CGIF BOD and external government-related entities where CGIF provided knowledge sharing.

In 2022, no material non-compliances to the ESS Policy have been identified across both prospective and outstanding issuers.

INTEGRITY RISK MANAGEMENT

CGIF continued to develop and implement the Integrity Policy and associated procedures developed as part of the Integrity Management System (IMS). These are a constituent part of CGIF's RMF to ensure that its guarantees will not be utilized to facilitate money laundering, financing of terrorism, fraud, corruption, and tax evasion. The internal IMS, which defines the process and procedures for integrity risk management, was updated and enhanced in October 2022 covering i) alignment with the Environmental and Social Management System structure and elements, ii) Stakeholder engagement and grievances sections and iii) revised requirements for ADB Office of Anti-corruption and Integrity (OAI) collaboration.

The Integrity team continued to enhance their activities under the appointment of the new Principal Safeguards Specialist in 2022 including on the job training and development for deal operations team members. IRG now has three experienced integrity professionals to identify, assess, address, and mitigate integrity and reputational risks to comply with both CGIF Integrity policy and global standards. IRG closely collaborated with the counterparts in OAI in development and sharing of knowledge and experience within CGIF and in providing support for transactions or issuers where required.

IRG integrity assessments were carried out across the same prospective and outstanding issuers as noted above for safeguards. Of the two issued guarantees, one issuer was rated Low-Medium risk for Integrity, with the other rated Medium risk. In both cases, appropriate risk mitigation conditions were included in the bond guarantee agreement. During the year, all 27 outstanding issuers, and 5 Credit Risk Mitigant providers (re-insurers) were reviewed to identify any significant changes, across both integrity and reputational risk, to ensure they continue to comply with the CGIF Integrity Policy and any conditions or covenants imposed in guarantee agreements.

No non-compliances to the Integrity Policy were identified for either prospective or outstanding issuers.

STAFFING AND ORGANIZATION STRUCTURE

The approved staff number for CGIF in 2022 is 69 staff members, excluding secondees. Table 6 shows the updated staff complement by category as of the end of December 2022.

TABLE 6: STAFF RESOURCES BY CATEGORY

Staff Category	Head Count
Executive Staff	8
Professional Staff	11
National Staff	24
Administrative Staff	25
Total	68

By the end of 2022, a total of 68 positions were filled, compared to the 64 positions filled in 2021. During 2022, one executive staff, two national staff, and three administrative staff members left CGIF, while one executive staff, six national staff, and three administrative staff members joined. These new staff members were distributed between CEO Office, Deal Operations Department, Internal Audit 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 16: STAFF GENDER

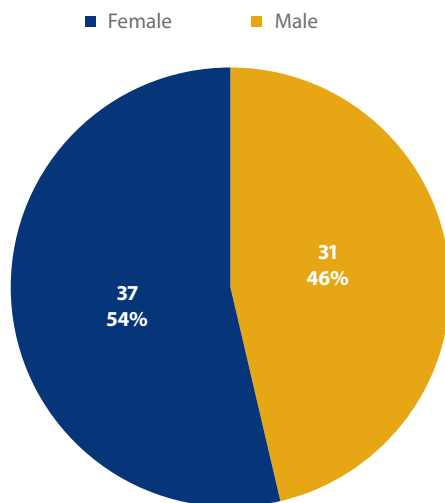


FIGURE 17: STAFF CATEGORY

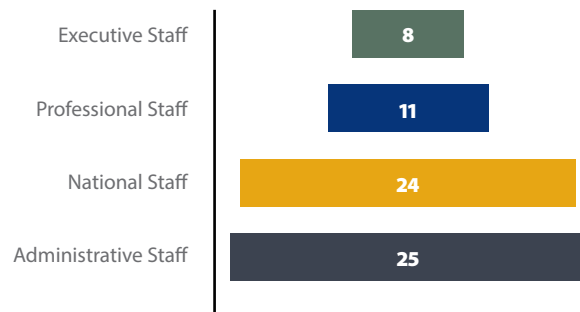
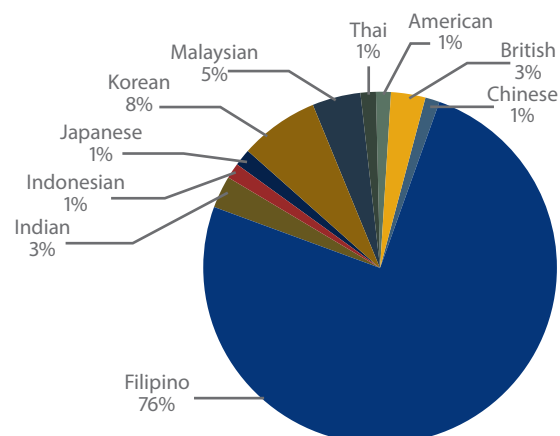


FIGURE 18: STAFF NATIONALITIES



INSTITUTIONAL INFRASTRUCTURE

The institutional infrastructure in 2022 is mainly focused on key areas to support the return of staff to the office—after more than two years of purely working from home due to the pandemic—and to make the hybrid work-from home setup more efficient and productive.

1. **Implementation of Medium-term Business Strategy (MBS).** CGIF Management continues to pursue the plans laid out in the MBS approved in August 2017. The MBS clarified CGIF's roles, operational focus, country-specific business strategies and growth path until 2027. In 2022, CGIF continued to pursue these plans despite the headwinds brought about by the global economic slowdown that began in 2020 due to the COVID-19 pandemic.
2. **Conversion of Small Meeting Room to Workstations.** In 2022, CGIF converted one of its small meeting rooms to workstations to ensure workspace is available for staff recruited in the recent years when the workforce returned to the office. CGIF is facing office space constraints in ADB and plans to address this in 2023. Additional door access controls have also been installed for the security and safety of its staff and information stored within the room.
3. **Selective Hardware Refresh.** CGIF regularly replaces hardware such as servers, laptops, and other IT and Communication equipment that have reached their useful lives. This is critical to ensure business continuity and prevent interruptions due to technology downtime.

4. **Application Development and Improvement.**

To drive greater efficiency and functional resilience, the Information Technology Unit has successfully delivered the following workflow applications and optimization projects in 2022:

- a. **Human Resource Information System (HRIS) Optimization** – Inclusion of Work from Home Monitoring, Tracking, and Reporting
- b. **Approval Workflow and Tracking System (AWTS) Optimization** – SharePoint Integration
- c. **Training and Knowledge Management System (TKMS) Optimization** – Inclusion of Training Application and Approval Process Functionality

BUDGET

Budget utilization ratio (before contingency) for 2022 is 83% (or \$11.2 million), an increase from 76% (or \$10.1 million) in 2021. The increase in utilization reflects the reopening of economies and easing of mobility restrictions due to the COVID-19 pandemic. Missions for deal origination resumed in Q2 and staff returned to office on a hybrid working arrangement in Q3.

The Board of Directors (BOD), in its November 2022 meeting, approved the 2023 budget amounting to \$14.9 million, committing the necessary resources to support the 2023 Work Program.

FINANCIAL HIGHLIGHTS

In 2022, CGIF generated a net income of \$13.8 million, which is 54% or \$16 million lower than 2021's. The substantial increase in impairment losses, particularly from the defaulted account in previous year, dragged down the net income, resulting to the lowest bottom line in the last 5 years. Of the total revenue of \$49.8 million, \$24.7 million was contributed from investment income and \$23.7 million from guarantee income. The gross revenue of 2022 merely increased by 2%. As a result of fewer number of deals closed coupled with maturity of guaranteed bonds, the increase in income from guarantees was only at 4% this year—from \$22.6 million to \$23.7 million. Total expenses ended at \$35.9 million due to the higher provision for impairment losses to set aside for a bigger allowance this year. Additional provision for impairment based on the expected credit losses in 2022 amounted to \$16.2 million, significantly higher than the previous year's and the highest since CGIF started providing allowance.

Outstanding guarantee issued as of year-end 2022 amounted to \$1,888.2 million, 2% lower than 2021's \$1,926.3 million. This is mainly due to the maturity of guarantees combined with less issuances and the depreciation of local currencies against the US Dollar (USD). Net guarantee fee receivables recorded amounted to \$57.2 million while guarantee liability was recorded at \$66.4 million. The guarantee liability is inclusive of additional provision for the guarantee obligation amounting to \$3.7 million. Net receivable from the guarantee that defaulted amounted to \$45.3 million after an allowance of \$25.4 million by year end.

Total Member's Equity decreased to \$1,223.2 million in 2022, 5% decrease from last year's \$1,292.4 million, despite the additional contributions received this year. Including this year's net income of \$13.8 million, CGIF's Retained Earnings and Reserve, which is the accumulation of allocated retained earnings since its establishment, stood at \$153.1 million

FIGURE 19: REVENUE VS. EXPENSES

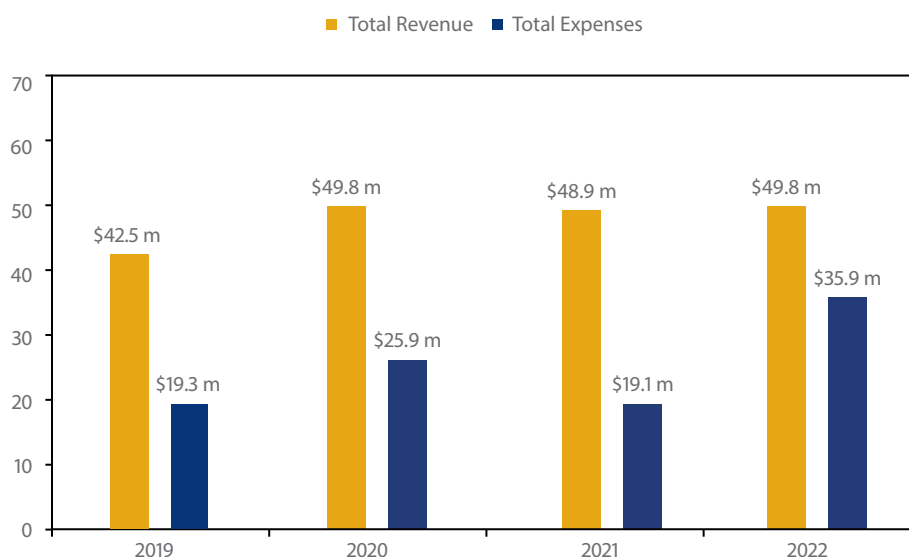


FIGURE 20: ADMINISTRATIVE AND OPERATIONAL EXPENSES

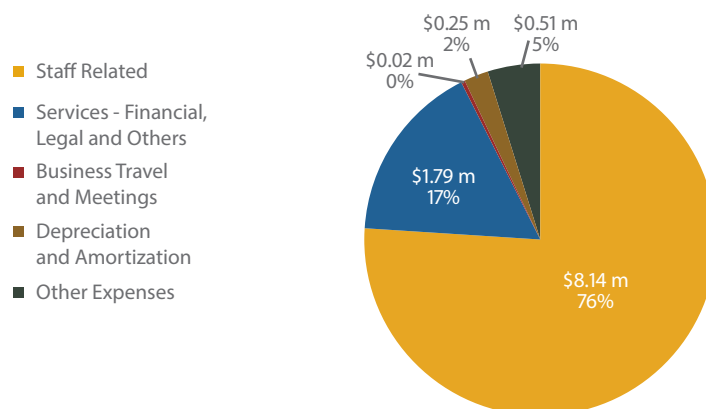


FIGURE 21: GUARANTEE LIABILITY

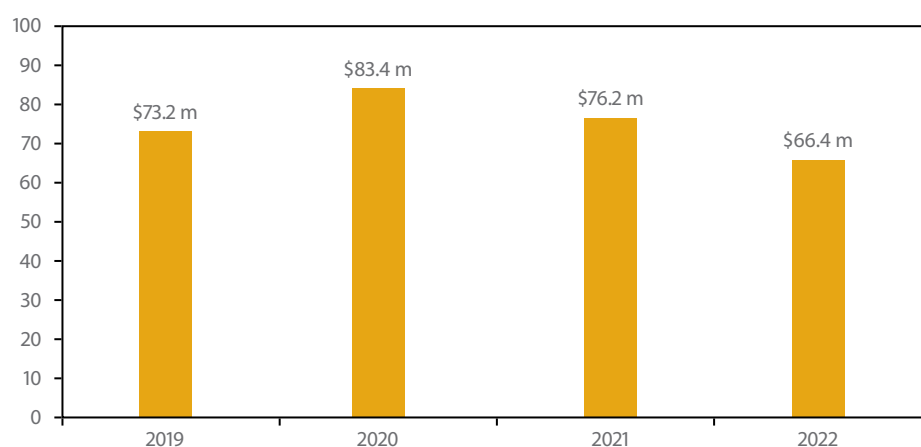
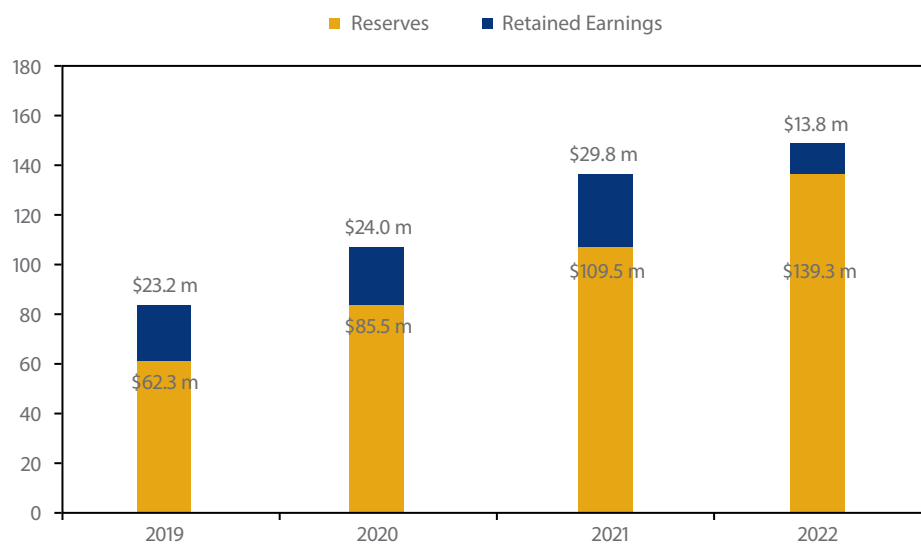


FIGURE 22: RETAINED EARNINGS AND RESERVES







OUR PEOPLE

◎ BOARD OF DIRECTORS



Chairperson
Board of Directors

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



Chairperson
Nomination and Remuneration Committee

Ms. Jiandi Ye
Deputy Director General
International Economic Relations Department
Ministry of Finance PRC



Chairperson
Internal Control and Risk Management
Committee

Mr. Taebum Kim
Director
Financial Investment Department
The Export-Import Bank of Korea



Chairperson
Audit Committee

Mr. Yee Ping Yi
Deputy Secretary
Planning
Singapore Ministry of Finance



Mr. Kunihiko Nakanishi

Director
Promotion of Regional Cooperation
International Bureau
Ministry of Finance Japan



Mr. Yuchuan Feng

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



Mr. Craig Roberts

Senior Advisor
Private Sector Operations Department
Asian Development Bank



Mr. Hongwei Wang

Chief Executive Officer
Credit Guarantee and Investment Facility

◎ MANAGEMENT TEAM



Hongwei Wang
Chief Executive Officer

Mr. Hongwei Wang is the Chief Executive Officer (CEO) of CGIF. Prior to joining the Company, Mr. Wang was the Deputy General Manager of the Sovereign Business Department of the Export-Import Bank of China. He was involved in the development of CGIF's legal framework, shareholding, and Board of Directors (BOD) structure in its formative years.

Mr. Wang has over 26 years of experience in the financial industry and is well-versed in both domestic and international, commercial, and policy banking businesses. He served as General Manager of Chongqing Export-Import Guarantee Financing Company. Prior to this, he was the CEO of the Advisory Company of the China-Central and Eastern Europe Development Fund and Chief Operating Officer (COO) of China-ASEAN Capital Advisory Company Ltd. He gained extensive managerial experience in the banking industry throughout his career, particularly in credit guarantee, investment management, corporate lending, and bond issuance. Mr. Wang graduated from Beijing Foreign Studies University with a Bachelor of Arts in English.



Mitsuhiro Yamawaki
Deputy Chief Executive Officer / Chief Risk Officer

Mr. Mitsuhiro Yamawaki is the Deputy Chief Executive Officer / Chief Risk Officer of CGIF. Prior to joining CGIF, Mr. Yamawaki was a Senior Advisor of the Credit Risk Analysis Division of the Japan International Cooperation Agency (JICA).

As Director of the Credit Risk Assessment Division at the Office of Risk Management (ORM) when CGIF was established, Mr. Yamawaki was also involved in the risk assessment of ADB's investment in the Company. When he was promoted to Head – ORM of ADB, he was responsible for overseeing all private sector transactions and portfolio management as well as safeguarding ADB's capital adequacy framework and all risk policies and guidelines. He also held managerial positions such as General Manager of the Investment Banking Division for the Americas at the Bank of Tokyo-Mitsubishi UFJ in New York, USA, prior to his assignments at ADB. Mr. Yamawaki holds a Bachelor of Political Science from Waseda University in Tokyo, Japan.



Aarne Dimanlig
Chief Credit-risk Officer

Mr. Aarne Dimanlig has been with CGIF for 11 years. Before CGIF, he had 16 years of risk management and investment banking experience. His 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, Santa Barbara, for his Ph.D. in Economics. He earned a Master of Science in Industrial Economics and a Bachelor of Science 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 an attorney at the largest law firm in Korea (Kim and Chang), where he gained hands-on experience in capital market transactions, cross-border financial transactions, and project financing. He has served as General Counsel 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.

During more than a decade of being in CGIF, Mr. Park covered all legal matters of bond guarantee, treasury, internal institutions, and human resources, as well as governance, and policy issues as Board Secretary, functioning as the middle office keyman.

Mr. Park attended the Law School of Seoul National University (for his Bachelor, Master, and Ph.D. in banking and securities regulation), and the Law School of Stanford University (master's degree in 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 the Company, 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 Touche Tohmatsu in Melbourne, Australia doing corporate advisory work for regional mergers and acquisitions, regional restructuring, and global transaction services; Danajamin, a bond guarantor in Malaysia as the Director overseeing the functions of Finance, Treasury, Administration, and IT; and Affin Investment Bank Berhad as Chief Financial Officer.

Mr. Lim attended Monash University (Clayton) Australia for his Bachelor of Commerce in Accounting and Finance and the Harvard Business School's Senior Management Development Program. More recently, he completed a Strategic HR Management Program at the National University of Singapore. He is a qualified member of the Australian Society of CPAs and the Malaysian Institute of Accountants.



Jackie Jeong-Ae Bang

Internal Auditor

Ms. Jackie Jeong-Ae Bang is the Head of Internal Audit of CGIF. Ms. Bang was the Senior Vice President of Singapore-based Citibank Internal Audit Department for 9 years, covering ASEAN+3 regions along with the Indian subcontinent and Australia/New Zealand. She has over 20 years of extensive banking experience in audit, credit risk management, client relationship, and securities and funds services in Standard Chartered Bank and Citibank, Seoul and Singapore.

Ms. Bang attended Seoul National University for BA in English Language and Literature, the Graduate School of Yonsei University for MBA, and Thunderbird School of Global Management for Master of International Management. She 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 after having extensive experience in the capital markets with a primary focus on fixed-income securities (and their derivatives) in Samsung Asset Management, Samsung Life, and Credit Suisse. With his good performance and reputation in the regional fixed-income market, he was awarded "The Most Astute G3 Bond Investor" from the 2006 Asset Benchmark Survey.

Mr. Rhee attended Korea Advanced Institute of Science and Technology for his Ph.D. in Finance and has published several papers associated with financial risk management and asset management, including "Strategic Asset Allocation of Credit Guarantors." He 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

As Vice President for Operations, Mr. Anuj Awasthi oversees CGIF's 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 Engineering in Mechanical and finished his Post Graduation in Management from the Indian Institute of Management, Calcutta.





◎ OUR PEOPLE

CGIF, established by members of the ASEAN+3, prides itself in having a multicultural workforce. After more than a decade in the industry, its multicultural background has enabled CGIF to thrive. In the past year, this growth has resulted in the closure of successful deals, increased revenue, and the need for additional employees.

The past 2 years of lockdowns have forced most organizations worldwide to implement a hybrid work setup, primarily to protect their workforce from the COVID-19 virus while maintaining the same level of service despite the changes in work arrangements.

Until September 2022, CGIF staff worked remotely, ensuring minimal physical interaction among those who chose to work in the headquarters. As additional assistance for the unexpected rise in incidental expenses during the work-from-home period, Management continued to provide additional allowances to local staff every quarter.

After September 2022, CGIF implemented a hybrid work arrangement, with a 3-day-a-week requirement to be in the office. This has given CGIF's staff flexibility to choose which days they should report to work, considering the factors that would affect their daily commute.

In addition and as a result of 2022's interim benefits review, CGIF's medical plan with Cigna International has been expanded to include optical and dental coverages, beginning January 2023.







GOVERNANCE

● GOVERNANCE

30 May 2022

Mr. Noriyasu Matsuda was re-elected as the Chairperson of the Board of Directors.

Ms. Jiandi Ye was elected as the Chairperson of the Nomination and Remuneration Committee.

30 June 2022

Mr. Stefan Hruschka, Unit Head of Project Administration, Portfolio Management Division, Private Sector Operations Department of ADB, resigned as Director of CGIF. In his place, Mr. Craig Roberts, Senior Advisor of the Private Sector Operations Department of ADB, was nominated.

Ms. Mina Kajiyama, Director for Promotion of Regional Financial Cooperation Division, International Bureau of the Ministry of Finance of Japan, resigned as Director of CGIF.

01 July 2022

Mr. Kunihiro Nakanishi, Director for Promotion of Regional Financial Cooperation Division, International Bureau of the Ministry of Finance of Japan, was nominated as replacement of Ms. Mina Kajiyama.

22 November 2022

Mr. Mark Dennis Joven, Undersecretary, International Finance Group, Department of Finance, Philippines, resigned as Director of CGIF. In his place, Mr. Yee Ping Yi, Deputy Secretary of Planning of the Singapore Ministry of Finance, was nominated as the new Director of CGIF, representing ASEAN. Following practice, Mr. Yee also became the new Chairperson of the Audit Committee.

MEETING OF CONTRIBUTORS (MOC)

A Special Meeting of Contributors (MOC) was held on 06 April 2022 via video/teleconference. The Contributors present unanimously approved the extension of the term of Ms. Guiying Sun as Chief Executive Officer (CEO) until the earlier of 31 January 2023 or 1 month after a new CEO reports for duty.

The annual MOC for 2022 was held on 30 May 2022 via video and teleconference facility.

During the annual MOC for 2022, the Contributors present considered and approved the following recommendations of the Board of Directors (BOD):

1. Minutes of the last MOC held on 28 May 2021 and the Special MOCs held on 04 August 2021, 28 September 2021, and 06 April 2022 via teleconference
2. Annual Report for 2021 including the Audited Financial Statements
3. Allocation of the entire net income for 2021 of \$29,791,434.41 in Retained Earnings to Reserve
4. Election of the Chairperson of the BOD

5. Election of the Chairperson of the Nomination and Remuneration Committee (NRC)
6. External Auditor's Changes in Engagement Terms for Year 2022 Financial Statement Audit

The Contributors also discussed the Progress Report of CGIF and updates on CGIF's regulatory treatments report.

Another Special MOC convened on 29 September 2022 wherein the Contributors present unanimously approved the BOD's recommendation for the selection of Mr. Hongwei Wang as the new CEO of CGIF and to endorse this decision to the Trustee (ADB) for formal appointment pursuant to Clause 10.1.8 of the CGIF Articles of Agreement.

BOARD OF DIRECTORS (BOD)

In 2022, the Board of Directors (BOD) had a total of three regular meetings and two special meetings, all held via video/teleconference and/or via hybrid format.

In all meetings, the BOD provided oversight and supervision of CGIF's management and operations, which Management confirmed has been conducted in accordance with CGIF Operational Policies (OP) and applicable ADB Operational Policies. 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 its regular and special meetings for 2022 are summarized below:

28 February 2022 (Special BOD)

1. Approval of the Extension of Appointments of the Internal Auditor
2. Approval of the Extension of Appointments of CGIF Executive Staff: (i) Deputy Chief Executive Officer (CEO)/Chief Risk Officer and (ii) Chief Credit-risk Officer
3. Approval of the Performance Evaluation of Ms. Guiying Sun, CEO
4. Approval of the Extension of Appointment of the CEO for 6 months instead of a second term

22 April 2022

1. Approval of the minutes of the BOD meeting held on 26 November 2021 and 28 February 2022 via video/teleconference
2. Approval of the Annual Report for 2021
3. Approval of the allocation of the Net Income of \$29,791,434.41 to Reserve

4. Recommendation to the Meeting of Contributors (MOC) for the Appointment of the Chairperson of the BOD
5. Recommendation to the MOC for the Appointment of the Chairperson of the Nomination and Remuneration Committee (NRC)
6. Approval of the External Auditor's Changes in Engagement Terms for FY 2022 Financial Statement Audit

The Directors also noted and discussed the reports of the Chairs of the Audit Committee (AC), NRC, and Internal Control and Risk Management Committee (ICRMC) as well as the Progress Report on CGIF.

26 August 2022

1. Approval of the minutes of the BOD meeting held on 22 April 2022 via video/teleconference
2. Approval of the Extension of Appointment of CGIF Executive Staff: Vice President, Operations

The Directors deferred voting on the proposed update to the Terms of Reference (TOR) of the Head Credit Risk (HCR) and Head Institutional Risk (HIR) and related OP Changes. The BOD agreed that such proposal should be revised and resubmitted for electronic voting.¹

The Directors also noted and discussed the reports of the Chairs of the AC and ICRMC, Progress Report on CGIF, 10-Year Financial Projections: Capital Adequacy Ratio and Leverage Ratio, and results of the Capital Adequacy Stress Test.

Note:

¹The BOD thereafter electronically approved the revised proposal on 03 October 2022.

A Special BOD meeting also convened on 26 August 2022 via hybrid format (in-person and video/teleconference). During the Special BOD, the Directors unanimously approved to endorse to the MOC the selection of Mr. Hongwei Wang as the CEO of CGIF, and for the Chairperson of the NRC to finalize the remuneration package for the CEO candidate based on the BOD-approved terms of employment and benefits package.

25 November 2022

1. Approval of the minutes of the BOD meeting held on 26 August 2022 via hybrid format
2. Approval of the Business Plan, Work Program, and Budget 2023

The Directors deferred voting on the following proposals:

- Amendment of OP 227 with respect to CGIF's criteria for the procurement of bilateral risk rating², and
- Modification of External Advisory Panel (EAP) Service to the BOD.³

The Directors also noted and discussed the reports of the Chairs of the AC, NRC and ICRMC, Progress Report on CGIF, and results of the External Quality Assessment Review on Internal Audit. In respect of the report of the Chair of the NRC on the Interim Benefits Review, the BOD deliberated on the Natural Retirement Age (NRA) proposed therein and requested Management to further revise the said proposal.⁴

In 2022, through electronic voting, the BOD also deliberated and approved other CGIF Management proposals, including guarantee underwriting proposals (GUP), as follows:

1. Approval of the GUP for First Real Estate Investment Trust on 04 March 2022
2. Approval of the GUP for NR Instant Produce Public Company Limited on 15 March 2022
3. Approval to expand the currency issuance to include HKD and/or SGD in addition to CNH for the balance unissued bond amount of China Education Group Holdings Limited on 22 June 2022
4. Approval of the GUP for Phat Dat Real Estate Development Corporation on 22 November 2022

On 26 September 2022, the BOD was advised of the successful early redemption of the SGD50 million bonds of Fullerton Healthcare Corp. Ltd. due 07 July 2023. The early redemption was completed on 19 September 2022.

In connection with the failure by KNM Group Berhad ("KNM") to redeem its THB2.8 million bond, as a result of which CGIF received its first guarantee call, the BOD was regularly apprised of the fund raising and repayment plans of KNM, as well as the various remedies being explored and undertaken by CGIF in order to recover the funds paid under its guarantee obligations.

Notes:

²The BOD thereafter electronically approved the revised proposal on the amendment of OP 227 on 04 January 2023.

³ The EAP proposal has not been approved yet and still up for Board discussion.

⁴The revised 2022 Interim Staff Benefits Review, with the exception of Part IV, Clause 20(c) regarding the NRA, was deemed approved by the BOD on 14 December 2022 through the "No-Objection" Approval Procedure of CGIF.

AUDIT COMMITTEE (AC)

The 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 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 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 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 of Contributors, AC's work is communicated to Contributors by reporting its roles and terms of reference; members' qualifications; number of meetings and attendance; and the report of its findings and discharge of its responsibilities.

CGIF's Operational Policies (OP) empower AC to monitor, review, and make recommendations to ensure:

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

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

Calendar Year 2022 Audit Committee Activities

AC convened five times in 2022 with one special video-teleconference meeting (on 8 February); one video-teleconference meeting (on 22 April); one electronically, via email (on 19 May); and two hybrid setup meetings (on 26 August and 25 November). AC discussed the Performance Evaluation Review (PER), and Extension of Appointment of the Internal Auditor in the

special meeting in February. AC discharged its independent oversight function during its periodic meetings through deliberations, which were reported to BOD by the Chairman, and were considered and unanimously adopted by BOD.

FINANCIAL REPORTING

AC reviewed and approved significant financial reporting issues and judgments that were made in the preparation of FS and disclosures by CGIF Management. Considering the view of the external auditor, 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.

AC approved CGIF's 2021 Audited FS on 22 April 2022. The external auditor, Deloitte & Touche Singapore (Deloitte), participated in a video-teleconference meeting without CGIF Management in attendance on 22 April 2022 to present the opinion of external auditor on CGIF's FS and to respond to the questions from AC.

Three quarterly unaudited FS were reported to AC for its review on 11 May, 1 August, and 7 November 2022, respectively.

EXTERNAL AUDIT

AC is responsible for overseeing the work of the external auditor and in making recommendations to BOD and Contributors on its appointment, reappointment, and removal. Deloitte is the external auditor selected by Contributors for

another term of 5 fiscal years (FY), from 2019 to 2023, as recommended by AC and BOD. ADB selected Deloitte as external auditor from 2019 to 2023, as approved by ADB BOD in November 2018.

Engagement terms were approved by AC, BOD, and Contributors at the time of external auditor selection in May 2019. Engagement terms include conduct of audit in accordance with International Standards on Auditing; CGIF Management's responsibilities over FS and internal accounting controls; and provisions on confidentiality of information, data protection, and publishing and reproduction of FS. New terms on anti-corruption were added in engagement terms for FY 2022 FS audit. AC and BOD approved the changes in engagement terms on 22 April 2022, and final approval from Contributors was obtained on 30 May 2022.

INTERNAL AUDIT

The Internal Auditor, as part of its responsibility and accountability to 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 AC. AC reviews and approves the internal audit function's remit and ensures that it has the necessary resources and access to information 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 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 2022, the Internal Auditor completed and released five 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 (CAPs) validation and completion status, and (iv) external quality assessment review (EQAR) status.

In its hybrid setup meeting on 25 November 2022, AC reviewed and approved the internal audit plan for 2023.

As part of management action plans (MAPs) from Independent Evaluation reported to BOD in April 2020, first EQAR of CGIF Internal Audit was to be conducted in 2022. The review was aimed to help CGIF audit practices to be in line with the Institute of Internal Auditors Standards and Code of Ethics, to evaluate the internal audit activity's efficiency and effectiveness, and to identify opportunities to enhance the internal audit function.

AC approved the conduct of EQAR as part of the 2022 Internal Audit Plan. The final report was issued on 8 November and presented to AC and BOD on 25 November 2022.

CGIF IA **Generally Conforms** to the definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards), including the Mission and Core Principles for the Professional Practice of Internal Auditing. The Generally Conforms assessment means that the policies and practices, taken as a whole, satisfy the requirements of the Standards and Code of Ethics. Seven CAPs were identified to improve IA practices, and the progress of CAP implementation will be reported to AC and BOD.

AC reviews and monitors CGIF Management's responsiveness to the Internal Auditor's findings and recommendations through the implementation of CAPs. The Internal Auditor monitors and validates the CAPs, which are reported to AC and BOD through the quarterly audit updates and the quarterly management report, respectively.

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) held virtual and hybrid meetings three times in 2022 (on 22 April, 26 August, and 25 November). Policies for internal control and risk management were deliberated and approved by the ICRMC at its virtual meetings.

Under the guidance of the ICRMC, the managerial and operational level responsibilities have been implemented by the Guarantee and Investment Committee (GIC) that is chaired by the Chief Risk Officer (CRO). In 2022, the GIC reviewed 25 Guarantee Concept Proposals (GCPs) and 9 Guarantee Underwriting Proposals (GUPs). One of the nine GUPs was a revalidation of a GUP approved by the Board in 2021. This revalidation request was granted final approval by the GIC and reported to the BOD. Of the eight new GUPs reviewed by the GIC in 2022, two were granted final approval through the Alternative Guarantee Approval Process (AGAP), and six were approved and endorsed to the BOD for final approval. Of the six GUPs endorsed to the BOD, three were granted final approval and three were still being voted on at end-2022. Of the six final GUP approvals by the BOD or by the GIC (through AGAP or revalidation) within 2022, one was issued and five were not yet issued at end-2022. The CRO, as the approving authority per RMF guidelines, approved 26 annual reviews in 2022.

Gross guarantee portfolio decreased to \$1,968 million in 2022 from \$2,009 million in 2021. Of the total guarantee portfolio amount at end-2022, \$160 million (\$167 million, if valued at respective guaranteed bond issuance dates) are new guarantees underwritten within the year. The redemption of five guaranteed accounts within 2022 reduced the portfolio by \$118 million. Principal amortizations and foreign exchange rate movements also contributed, though at a lesser extent, to the change in total portfolio value.

TABLE 7: GUARANTEES

In \$ millions	2021	2022
Guarantee Portfolio	2,009 ¹	1,968 ¹
Of which, underwritten within the year	374	160
Guarantee Portfolio, Net of Reinsurance	1,356	1,326

Note: ¹Composed of principal amounts only, including KNM exposure.

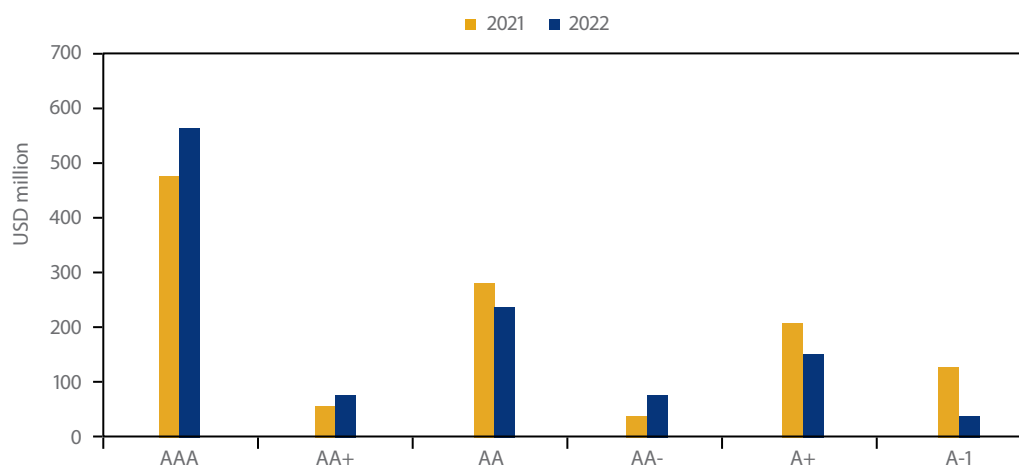
On account of capital infusions by CGIF Contributors and retained earnings, CGIF's maximum guarantee capacity increased to \$3,218 million at end-2022 from \$3,162 million at end-2021. At end-2022, CGIF's leverage ratio was at 1.12x versus 1.20x at end-2021, both well below the limit of 2.50x. CGIF's Capital Adequacy Ratio (CAR) at end-2022 increased to 4.35x from 4.28x at end-2021, both well above the limit of 1.10x.

TABLE 8: CAPACITY METRICS

	2021	2022
Maximum Guarantee Capacity, \$ Million	3,162	3,218
Leverage Ratio (ceiling, 2.5x)	1.20x	1.12x
Capital Adequacy Ratio (floor, 1.0x)	4.28x	4.35x

In 2022, CGIF issued guarantees to cover four tranches of bonds of three issuers. Five guaranteed bonds matured in 2022. At end-2022, there were 29 Issuers (30 at end-2021) whose bonds were guaranteed by CGIF.

CGIF's investment portfolio duration at end-2022 was 2.87 years versus 2.93 years at end-2021, both within the limit of 5 years. About 49% of the CGIF's investment portfolio is rated AAA. At end-2022, 83% of the portfolio is rated AA- or better versus 72% at end-2021. No investment concentration limit was breached in 2022. In 2022, as in 2021, CGIF passed tests for adequacy of liquidity under normal and stressed conditions.

FIGURE 23: INVESTMENT DISTRIBUTION BY RATING GRADE

THE NOMINATION AND REMUNERATION COMMITTEE (NRC)

The Nomination and Remuneration Committee (NRC) is comprised of three Board of Directors (BOD) members. The NRC is made up of three Directors from the People's Republic of China, the ADB, and Japan, with the China Director serving as Chairperson. The appointment of the Chairperson is approved by the Meeting of Contributors (MOC).

The NRC is responsible for evaluating and recommending to the BOD and the MOC matters pertaining to senior executive remuneration; pensions; and all other compensation in accordance with the organization's strategy, business environment, and industry best practices.

The NRC is primarily in charge of the following:

- a. succession plan in place for the Chief Executive Officer (CEO) and the Chairperson of the BOD;
- b. providing the BOD with the necessary recommendations for CGIF executives' retention, as well as their selection and appointment;
- c. providing the BOD with the necessary details to include executive appointment related issues in the CGIF's annual report;
- d. participation of the NRC Chairperson in the MOC on CEO selection and appointment; and
- e. submitting an annual report on its activities and recommendations to the BOD

22 April 2022, NRC Meeting via Teleconference

The committee took a report on the salary adjustment for 2022 under note.

20 July 2022, NRC Electronic Voting Only

The committee approved and recommended to the BOD the extension of appointment of one Executive Staff – Mr. Anuj Awasthi (Vice President, Operations) for another 3-year term.

21 July 2022, Joint NRC and ICRMC Electronic Voting Only

The NRC and ICRMC jointly approved the updated TOR of the Head Credit Risk (HCR) and Head Institutional Risk (HIR) following a reorganization of the Risk Management Department. Both positions will now be kept at professional staff levels to keep the Management Team lean. The Chief Risk Officer who previously assumed the HIR responsibilities will no longer do so following the appointment of an HIR. The BOD subsequently approved changes to the CGIF Operational Policies to reflect this change.

25 November 2022, NRC Meeting via Teleconference

The committee approved in part the proposed changes to the CGIF benefits scheme, which will take effect on 1 January 2023. CGIF has used ADB's benefits as a benchmark for market competitiveness since its inception. In light of the recent changes ADB made to its benefits, Management conducted a review of CGIF's benefits to remain market-competitive.



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 2022

**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 31 December 2022, 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 31 December 2022, 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.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 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

21 April 2023

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
Expressed in Thousands of United States Dollars

	NOTES	2022	2021
ASSETS			
CASH		9,342	9,154
INVESTMENTS	5	1,182,301	1,214,772
ACCRUED INTEREST INCOME	5	8,236	6,900
GUARANTEE FEE RECEIVABLE, NET	6	57,248	63,568
GUARANTEE RECEIVABLE, NET	6	45,335	73,079
REINSURANCE RECEIVABLE, NET		-	2,576
RIGHT OF USE – LEASE ASSET, NET	7	177	343
FURNITURE, FIXTURES AND EQUIPMENT, NET	8	135	140
INTANGIBLE ASSETS, NET	9	82	69
OTHER ASSETS	10	2,145	2,164
TOTAL ASSETS		1,305,001	1,372,765
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
GUARANTEE LIABILITY	6	66,435	76,200
UNEARNED INTEREST INCOME – GUARANTEES		1,041	936
LEASE LIABILITY	7	150	325
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	11	12,999	1,821
OTHER LIABILITIES	12	1,144	1,121
TOTAL LIABILITIES		81,769	80,403
MEMBERS' EQUITY			
CAPITAL STOCK			
PAID-IN CAPITAL	13	1,148,899	1,137,000
RETAINED EARNINGS		13,834	29,791
RESERVE	14	139,249	109,458
ACCUMULATED OTHER COMPREHENSIVE INCOME			
INVESTMENT REVALUATION RESERVE	5	(78,750)	16,113
TOTAL MEMBERS' EQUITY		1,223,232	1,292,362
TOTAL LIABILITIES AND MEMBERS' EQUITY		1,305,001	1,372,765

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF NET INCOME
For the year ended 31 December 2022
Expressed in Thousands of United States Dollars

	NOTES	2022	2021
REVENUE			
GUARANTEE FEES		20,034	19,420
INTEREST INCOME	15	28,458	27,276
REALIZED (LOSS) GAIN FROM SECURITIES		(19)	810
INCOME FROM REINSURANCE	18	1,577	2,759
MISCELLANEOUS INCOME	16	1,050	850
GROSS REVENUE		51,100	51,115
EXPENSES			
ADMINISTRATIVE AND OPERATIONAL EXPENSES	17	10,716	9,905
REINSURANCE EXPENSES	18	7,730	7,138
FINANCIAL EXPENSES		103	114
IMPAIRMENT LOSSES	5, 6	16,244	831
MISCELLANEOUS EXPENSES	12	1,144	1,121
TOTAL EXPENSES		35,937	19,109
NET OPERATING INCOME		15,163	32,006
LOSS FROM FOREIGN EXCHANGE		(1,329)	(2,215)
NET INCOME		13,834	29,791

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022
Expressed in Thousands of United States Dollars

	NOTES	2022	2021
NET INCOME		13,834	29,791
OTHER COMPREHENSIVE INCOME			
ITEM THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME:			
NET UNREALIZED LOSS ON INVESTMENTS MEASURED AT FVTOCI	5	(94,863)	(36,740)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(81,029)	(6,949)

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 2022
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 2021	1,149,000	(46,800)	23,963	85,495	52,853	1,264,511
ADDITIONAL SUBSCRIPTION (NOTE 13)	9,000	25,800	-	-	-	34,800
NET INCOME FOR THE YEAR	-	-	29,791	-	-	29,791
ALLOCATION OF PRIOR YEAR INCOME TO RESERVE	-	-	(23,963)	23,963	-	-
OTHER COMPREHENSIVE LOSS						
NET UNREALIZED GAIN ON INVESTMENTS MEASURED AT FVTOCI (NOTE 5)	-	-	-	-	(36,740)	(36,740)
BALANCE, 1 JANUARY 2022	1,158,000	(21,000)	29,791	109,458	16,113	1,292,362
ADDITIONAL SUBSCRIPTION (NOTE 13)	-	11,899	-	-	-	11,899
NET INCOME FOR THE YEAR	-	-	13,834	-	-	13,834
ALLOCATION OF PRIOR YEAR INCOME TO RESERVE	-	-	(29,791)	29,791	-	-
OTHER COMPREHENSIVE LOSS						
NET UNREALIZED LOSS ON INVESTMENTS MEASURED AT FVTOCI (NOTE 5)	-	-	-	-	(94,863)	(94,863)
BALANCE, 31 DECEMBER 2022	1,158,000	(9,101)	13,834	139,249	(78,750)	1,223,232

CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
Expressed in Thousands of United States Dollars

	NOTES	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
GUARANTEE RELATED INCOME RECEIVED		23,550	25,054
OTHER INCOME RECEIVED		986	1,739
GUARANTEE PAYMENT		-	(84,843)
REINSURANCE CLAIMS RECEIVED		21,211	-
ADMINISTRATIVE AND OPERATIONAL EXPENSES PAID		(11,771)	(10,462)
REINSURANCE EXPENSES PAID		(6,296)	(5,390)
FINANCIAL EXPENSES PAID		(103)	(113)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		27,577	(74,015)
CASH FLOWS FROM INVESTING ACTIVITIES			
PURCHASES OF INVESTMENTS		(2,212,665)	(1,924,532)
MATURITIES/SALES OF INVESTMENTS		2,149,817	1,942,987
INTEREST RECEIVED ON INVESTMENTS		23,880	25,982
REALIZED (LOSS) GAIN FROM SECURITIES		(19)	810
PURCHASE OF FURNITURE AND EQUIPMENT AND INTANGIBLE ASSETS		(98)	(126)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES		(39,085)	45,121
CASH FLOWS FROM FINANCING ACTIVITIES			
CONTRIBUTIONS RECEIVED	13	11,899	34,800
LEASE LIABILITY PAID		(162)	(155)
NET CASH PROVIDED BY FINANCING ACTIVITIES		11,737	34,645
EFFECT OF EXCHANGE RATE CHANGES IN CASH		(41)	(57)
NET INCREASE IN CASH		188	5,694
CASH AT THE BEGINNING OF THE YEAR		9,154	3,460
CASH AT THE END OF THE YEAR		9,342	9,154
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
NET INCOME		13,834	29,791
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
DEPRECIATION AND AMORTIZATION – FIXED AND INTANGIBLE ASSETS		87	89
DEPRECIATION – ROU ASSETS		160	165
PROVISION FOR EXPECTED CREDIT LOSSES		16,244	831
INTEREST INCOME ON INVESTMENTS		(24,747)	(24,049)
REALIZED LOSS (GAIN) FROM SECURITIES		19	(810)
FX REVALUATION LOSS		33	41
CHANGE IN GUARANTEE FEE RECEIVABLE		6,501	5,400
CHANGE IN GUARANTEE RECEIVABLES		2,297	(82,830)
CHANGE IN GUARANTEE LIABILITY		(7,589)	(2,786)
CHANGE IN UNEARNED INTEREST INCOME		105	142
CHANGE IN ACCOUNTS PAYABLE AND ACCRUED EXPENSES		20,727	456
CHANGE IN OTHER ASSETS		(118)	(489)
CHANGE IN OTHER LIABILITIES		24	34
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		27,577	(74,015)

CREDIT GUARANTEE AND INVESTMENT FACILITY

(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 2022, \$1,158,000,000 are subscribed and \$1,148,898,970 are paid in by the Contributors. Details are discussed in Note 13.

The financial statements were approved by the Board of Directors on 21 April 2023 for presentation to the Meeting of Contributors (MOC) scheduled on 29 May 2023. The financial statements are subject to approval at the MOC.

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

On January 1, 2022, CGIF adopted all the new and revised IFRS pronouncements that are mandatorily effective and relevant to its operations. The adoption of these new/revised IFRS pronouncements does not result in changes to the company's accounting policies and has no material effect on the disclosures or on the amounts reported for the current and prior years.

Revised IFRS in issue but not yet effective

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

Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current

The amendment to IAS 1 published in January 2020 affects only the presentation of liabilities as current or non-current in the Statement of Financial Position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments that clarify the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

In October 2022, IASB deferred the effective date of application of the January 2020 amendments to 1 January 2024 with earlier application permitted.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosures of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments require to disclose the material accounting policy information rather than the significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The amendments deleted the definition of 'change in accounting estimates' and added a definition of 'accounting estimates'. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

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 money market instruments 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, certificates of deposits, accrued interest income, guarantee fee receivables, reinsurance receivables, and other receivables.

Investments

All investments in debt 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.

Guarantee Receivable

Guarantee receivables are from guarantee obligations on defaulted bonds that were settled and is expected to be received or recovered based on guarantee contracts. They are initially recognized as credit impaired in the Statement of Financial Position. For these assets, all changes in lifetime expected credit loss (ECL) since initial recognition are recorded as a loss allowance with any changes recognized in the Statement of Net Income. Any favorable change creates an impairment gain.

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.

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 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 (SICR) of the financial instrument from initial recognition, the loss allowance is based on the lifetime ECL of the item. If the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance is based on the 12-month ECL of the financial instrument.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant Increase in Credit Risk

CGIF assesses an SICR on a guarantee account if any of the following conditions are met: (1) credit risk rating drops to B- or lower, but the account 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. The date that CGIF becomes a party to a guarantee is the date of initial recognition or inception for the purpose of assessing impairment.

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.

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.

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

ECL is a function of probability of default (PD), loss given default (LGD), and exposure at default (EAD). CGIF generates unbiased probability-weighted ECLs based on point-in-time PDs that are derived from several future scenarios. The Credit Cycle Projection Overlay (CCPO) from S&P Global Market Intelligence (SPGMI) is used in generating these point-in-time PDs. In each future scenario, CGIF uses forecasted or forward-looking values of CCPO's input macroeconomic variables. LGD is currently set at 50%. For accounts in stage 3, ECL derivation considers additional information and assumptions that reflect the default position. For CGIF's investments, EAD is the gross carrying amount of the assets at reporting date and next unpaid coupon. For financial guarantee contracts, EAD is the sum of a guaranteed bond's unpaid principal and next unpaid coupon. For a receivable arising from a guarantee payment, EAD is the total book value of the guarantee receivable. EAD in currencies other than USD are translated into USD at the reporting date's exchange rate.

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.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

However, financial guarantee contracts issued by CGIF are measured in accordance with the specific accounting policies set out below.

Guarantee Liability

CGIF enters into financial guarantee contracts that requires to make specified payments should the bond issuer fail to make payments due in accordance with the terms of the bond.

Guarantee liabilities recorded in the Statement of Financial Position are measured initially at fair values, and subsequently 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.

Derecognition of financial liabilities

CGIF derecognizes financial liabilities when, and only when, CGIF's obligations are discharged, cancelled, or have expired.

CGIF accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

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	10 years
Other Office Equipment	4 years
IT and Communication	
Computer	3 years
Server	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, loss allowances, 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, as reflected in internal risk ratings.

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). For accounts that are in stage 3, PD will be 100%. LGD shall be set at 50% for either stage 1 or stage 2. For accounts that are in stage 3, LGD is estimated based on additional information and realistic assumptions reflective of the actual conditions at reporting date.

NOTE 4—RISK MANAGEMENT

CGIF manages all its perceived risk exposures, particularly exposures to credit risk, market risk, liquidity risk, and operational risk. These risks are managed pursuant to CGIF's Operational Policies, and Risk Management Framework (RMF). 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 carrying amount as of 31 December 2022 and 2021 are as follows (in \$'000):

	<u>2022</u>	<u>2021</u>
Financial assets		
FVTOCI	1,138,070	1,075,070
Financial assets at amortized cost	165,478	296,138
Financial liabilities		
Financial liabilities at amortized cost	14,144	2,942
Lease liabilities	150	325
Guarantee liability	66,435	76,200

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 exposure concentrations against country limits.

CGIF has guarantee eligibility criteria that include, among others, a borrower's credit rating grade, proposed guarantee size and tenor, use of bond proceeds, and compliance to safeguards standards and to credit exposure control limits. Eligible 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). The Board has delegated to the GIC final approval authority for GUPs that are rated BB or better, are not more than USD 50mn, have tenor of not more than 5 years,

are not classified as safeguard risk Category A, and are approved by the Chief Risk Officer. In aid of informed decisions on GUPs, the Board is furnished with credit review notes, safeguards review notes, and integrity review notes from CGIF's RMD. As of 31 December 2022, CGIF's guarantee portfolio had a weighted average risk rating of BB+ (BB flat – 31 December 2021).

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 assets and (b) the maximum leverage ratio. CGIF's maximum leverage ratio, currently 2.5:1, is determined by the MOC with the recommendation of the CGIF Board. CGIF refers to IMF's list to identify acceptable offshore financial centers (AOFCs). Exposures to AOFCs pertain to guarantee exposures to borrowing entities that are registered through the offshore incorporation process of an AOFC. Aggregate guarantee exposure to any single AOFC and aggregate exposure to all AOFCs 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.

CGIF's exposure to credit risk is reckoned on the amount of financial assets recorded in the financial statements and the guarantee obligations disclosed in Note 6.

A reinsurance treaty whereby CGIF cedes to a consortium of reinsurers agreed portions of credit risk from bond issuers reduces CGIF's credit risk exposure 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 2022, CGIF's investment portfolio had remaining maturities of up to 8.59 years (9.59 years - 31 December 2021), with duration of 2.87 years (2.93 years - 31 December 2021). CGIF's investments are sensitive to interest rate movements. For CGIF's investment portfolio at 31 December 2022, it is estimated that a 100 basis points upward/downward parallel shift in the yield curve would cause an unrealized loss/gain of about \$34.1 million (\$35.7 million - 31 December 2021).

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

2022				
	Asset		Liabilities	
	Local Currency	USD Equivalent	Local Currency	USD Equivalent
THB	1,875,815	54,199	546,072	15,778
VND	391,759,337	16,596	-	-
JPY	1,835,556	13,750	-	-
SGD	10,723	7,959	-	-
IDR	31,953,522	2,040	-	-
PHP	4,089	73	16,885	302
MYR	44	10	-	-
LAK	539	-	-	-
KHR	-	-	943,326	229
TOTAL		<u>94,627</u>		<u>16,309</u>

2021				
	Asset		Liabilities	
	Local Currency	USD Equivalent	Local Currency	USD Equivalent
THB	2,259,425	67,401	144,306	4,305
VND	520,973,221	22,815	-	-
JPY	864,698	7,531	-	-
SGD	8,566	6,327	2,061	1,522
IDR	38,239,397	2,688	-	-
PHP	5,120	101	24,889	493
MYR	44	10	-	-
LAK	540	-	-	-
TOTAL		<u>106,873</u>		<u>6,320</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 2022, it is estimated that a 10% adverse change in FX rates in the relevant foreign currency exposure will cause an instant loss of \$7.2 million (\$9.2 million - 31 December 2021).

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 2022 and 2021 indicates that CGIF can generate the liquidity that will be required to meet guarantee payment obligations under the assumed stressed scenario.

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.

	2022					Total
	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	
Financial assets						
FVTOCI	-	29,891	122,406	747,662	238,111	1,138,070
Financial assets at amortized cost	26,025	18,026	29,082	107,997	10,072	191,202
Total financial assets	26,025	47,917	151,488	855,659	248,183	1,329,272
Financial liabilities						
Financial liabilities at amortized cost	277	702	1,865	11,300	-	14,144
Lease liability	12	24	114	-	-	150
Total financial liabilities	289	726	1,979	11,300	-	14,294
Net maturity gap	25,736	47,191	149,509	844,359	248,183	1,314,978

	2021					Total
	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	
Financial assets						
FVTOCI	20,016	35,119	81,087	732,215	206,633	1,075,070
Financial assets at amortized cost	180,782	3,135	60,566	40,906	11,074	296,463
Total financial assets	200,798	38,254	141,653	773,121	217,707	1,371,533
Financial liabilities						
Financial liabilities at amortized cost	705	722	1,394	121	-	2,942
Lease liability	12	26	119	168	-	325
Total financial liabilities	717	748	1,513	289	-	3,267
Net maturity gap	200,081	37,506	140,140	772,832	217,707	1,368,266

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 2022 was at 4.35 (4.28 – 31 December 2021). CGIF's overall strategy remains unchanged from prior year.

Operational Risk

CGIF manages operational 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 operational risk events and assess the significance of each of these. The significance of an identified operational risk event is a function of two attributes – the likelihood and impact of its occurrence. Measurable risk indicators, and corresponding control limits, are assigned to each operational risk event. 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):

	2022	2021
Certificates of Deposit	44,231	55,000
Time Deposits	-	84,702
FVTOCI		
Government-related-entity or government-guaranteed obligations (GGO)	1,008,440	1,001,638
Corporate obligations	129,630	73,432
Total FVTOCI	1,138,070	1,075,070
Total Investment	1,182,301	1,214,772

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 2022, based on the portfolio held at the beginning and end of each month without the effect of change in fair value was 1.97% (1.98% - 31 December 2021).

The investment revaluation reserve of negative \$78,750 thousand in the Statement of Financial Position as of 31 December 2022 (\$16,113 thousand – 31 December 2021) is composed of the unrealized loss 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 2022 and 2021 are as follows (in \$'000):

	2022		2021	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
Due in less than one year	196,528	198,386	275,924	274,737
Due in one to five years	747,662	794,819	732,215	717,943
Due more than five years	238,111	267,863	206,633	206,005
TOTAL	1,182,301	1,261,068	1,214,772	1,198,685

Fair Value Disclosure

The fair value of the investments as of 31 December 2022 and 2021 are as follows (in \$'000):

	2022	Fair Value Measurements		
		Level 1	Level 2	Level 3
Certificates of Deposits	44,231	-	44,231	-
Time Deposits	-	-	-	-
Government-related-entity or GGO	1,008,440	979,757	28,683	-
Corporate obligations	129,630	100,484	29,146	-

	2021	Fair Value Measurements		
		Level 1	Level 2	Level 3
Certificates of Deposits	55,000	-	55,000	-
Time Deposits	84,702	-	84,702	-
Government-related-entity or GGO	1,001,638	971,113	30,525	-
Corporate obligations	73,432	73,432	-	-

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 2022 and 2021, 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 Investment Revaluation Reserve in Accumulated Other Comprehensive Income.

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

	2022	2021
Balance at beginning of the year	26	911
Loss allowance recognized in profit or loss under impairment losses during the year on:		
Assets originated	3	4
Reversals	(4)	(164)
Change in credit risk	(9)	(725)
	<u>(10)</u>	<u>(885)</u>
Balance at end of the year	<u>16</u>	<u>26</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 including from investments as of 31 December 2022 and 2021 are as follows (in \$'000):

	2022	2021
FVTOCI	8,223	6,728
Certificates of Deposits	-	112
Time Deposits	-	50
Guarantee	13	10
TOTAL	<u>8,236</u>	<u>6,900</u>

NOTE 6 – GUARANTEES

As of 31 December 2022, CGIF has issued guarantees covering bonds denominated in Vietnamese Dong, Singapore Dollar, Thai Baht, Chinese Yuan, Japanese Yen, Indonesian Rupiah, Malaysian Ringgit, Cambodian Riel, and Philippine Peso. The total outstanding amount of the guarantees issued under the related bonds was \$2,186 million as of 31 December 2022 (\$2,299 million – 31 December 2021). The guarantees are inclusive of coupon payments. The USD guarantee obligation below is for KHR issued bonds 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):

31 December 2022				
	Local Currency		USD Equivalent of Total Obligation	
	Principal	Coupon		
VND	12,393,000,000	4,060,095,333	16,453,095,333	697,017
SGD	695,000	82,433	777,433	576,988
THB	11,720,000	901,413	12,621,413	364,675
CNY	1,500,000	95,041	1,595,041	228,949
JPY	15,400,000	592,900	15,992,900	119,806
IDR	1,283,000,000	226,026,563	1,509,026,563	96,343
MYR	150,000	9,137	159,137	35,970
KHR	127,200,000	4,796,137	131,996,137	32,073
PHP	107,500	7,732	115,232	2,061
USD	29,401	3,157	32,558	32,558
				<u>2,186,440</u>

31 December 2021				
	Local Currency		USD Equivalent of Total Obligation	
	Principal	Coupon		
VND	13,608,000,000	5,042,553,766	18,650,553,766	816,753
SGD	645,000	89,084	734,084	542,159
THB	12,720,000	1,317,301	14,037,301	418,749
CNY	1,000,000	75,041	1,075,041	168,647
JPY	15,400,000	677,600	16,077,600	140,024
IDR	1,062,500,000	247,180,000	1,309,680,000	92,049
MYR	150,000	13,712	163,712	39,161
KHR	127,200,000	14,336,137	141,536,137	34,752
PHP	272,500	19,634	292,134	5,791
USD	36,333	4,915	41,248	41,248
				<u>2,299,333</u>

The range of remaining tenor of financial guarantee contracts as of 31 December 2022 are from less than 1 year to 12 years (31 December 2021 – from less than 1 year to 13 years).

As of 31 December 2022, a guarantee liability of \$66.4 million (\$76.2 million - 31 December 2021) was reported on the Statement of Financial Position. As of 31 December 2022 and 2021, the reported liability is composed of the following (in \$'000):

	2022	2021
Unamortized balance of present value of total guarantee fees	62,783	70,373
Allowance for ECL	3,652	5,827
TOTAL	<u>66,435</u>	<u>76,200</u>

The total amount of loss allowance for guarantee obligations determined through ECL amounted to \$6.5 million as of 31 December 2022 (\$10.9 million – 31 December 2021). 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 2022, there is one account in the portfolio that was classified into stage 2 and no additional account defaulted (2 accounts in Stage 2 and one guarantee default – 31 December 2021). There is one account in stage 2 that matured and no transfer of stages.

The reported guarantee fee receivable of \$57.2 million represents the present value of the stream of total guarantee fees expected to be received for the guarantee outstanding as of 31 December 2022 (\$63.6 million – 31 December 2021) net of allowance for credit losses.

In December 2021, CGIF fulfilled its obligation on the first ever default of a bond guarantee which resulted to a credit impaired guarantee receivable of \$73.1 million. As of 31 December 2022, a guarantee receivable of \$45.3 million was reported in the Statement of Financial Position net of allowance for credit losses amounting to \$25.4 million.

As of 31 December 2022 and 2021, all of CGIF's future guarantee fee receivables are classified as Level 3 within the fair value hierarchy. Likewise, as of 31 December 2022, the credit impaired guarantee receivables from the default is classified as Level 3 within the fair value hierarchy as well.

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. The valuation technique and significant unobservable quantitative inputs for guarantee fee receivables classified as Level 3 as of 31 December 2022 and 2021 were summarized below:

	Valuation Technique	Unobservable Input	Range 2022	2021
Guarantee fee receivable	Discounted cash flows	Discount rates	2.55% to 9.70%	1.35% to 9.70%

There were no inter-level transfers during the year ended 31 December 2022 and 2021.

Impairment Losses

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

	2022	2021
Balance at beginning of the year	325	1,389
Loss allowance recognized in profit or loss under impairment losses during the year on:		
Assets originated	2	27
Reversals	(16)	(81)
Changes in credit risk	(167)	(1,009)
Stage 1 to Stage 2	-	(1)
	<u>(181)</u>	<u>(1,064)</u>
Balance at end of the year	<u>144</u>	<u>325</u>

During the year, one account classified as stage 2 matured. As of 31 December 2022, only one account in the portfolio was classified as stage 2 (two – 31 December 2021).

At the time of the recognition of the guarantee receivable in 2021, the impairment losses amounting to \$9.8 million was charged off against the credit impaired asset. As of 31 December 2022, additional provision was recognized due to changes in credit risk.

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

	<u>2022</u>
Balance at beginning of the year	-
Loss allowance recognized in profit or loss under impairment losses during the year on:	
Changes in credit risk	<u>25,447</u>
Balance at end of the year	<u><u>25,447</u></u>

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 2021	813
Remeasurement	<u>-</u>
31 December 2021	813
Remeasurement/Adjustment	<u>(6)</u>
31 December 2022	<u>807</u>
Accumulated depreciation	
1 January 2021	(305)
Depreciation	<u>(165)</u>
31 December 2021	(470)
Depreciation	<u>(160)</u>
31 December 2022	<u>(630)</u>
NET Balance at 31 December 2022	<u><u>177</u></u>
NET Balance at 31 December 2021	<u><u>343</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):

	Office Furniture and Equipment	IT and Communications	Building Improvement	TOTAL
Cost				
1 January 2021	359	379	5	743
Additions	-	38	-	38
Disposals	-	-	-	-
31 December 2021	359	417	5	781
Additions	7	61	-	68
Disposals	-	(2)	-	(2)
31 December 2022	366	476	5	847
Accumulated Depreciation/Amortization				
1 January 2021	(273)	(284)	(5)	(562)
Depreciation	(28)	(51)	-	(79)
Amortization	-	-	-	-
Disposals	-	-	-	-
31 December 2021	(301)	(335)	(5)	(641)
Depreciation	(20)	(53)	-	(73)
Amortization	-	-	-	-
Disposals	-	2	-	2
31 December 2022	(321)	(386)	(5)	(712)
NET, 31 December 2022	45	90	-	135
NET, 31 December 2021	58	82	-	140

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

NOTE 9—INTANGIBLE ASSETS - NET

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

	Information Systems Software
Cost	
1 January 2021	981
Additions	63
Disposals	-
31 December 2021	1,044
Additions	27
Disposals	-
31 December 2022	1,071
Accumulated Depreciation/Amortization	
1 January 2021	(965)
Amortization	(10)
Disposals	-
31 December 2021	(975)
Amortization	(14)
Disposals	-
31 December 2022	(989)
NET, 31 December 2022	82
NET, 31 December 2021	69

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 accounts payable, and accrual of administrative and operating expenses incurred but not yet paid. Aside from accruals for reinsurance expenses on premiums to be ceded, this account includes accrual on provision for expected refund to reinsurers upon recovery of the guarantee receivables.

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 \$1.14 million (\$1.12 million – 31 December 2021), 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 2022 will be settled subsequently in May 2023. Key management personnel total compensation of short-term employee benefits for 31 December 2022 amounted to \$3.49 million (\$3.28 million – 31 December 2021).

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 2022 and 2021 are as follows (in \$'000):

	2022	2021
Authorized capital (12,000 shares)	<u>1,200,000</u>	<u>1,200,000</u>
Subscribed	1,158,000	1,158,000
Unsubscribed	<u>42,000</u>	<u>42,000</u>
Total authorized capital	<u>1,200,000</u>	<u>1,200,000</u>
Subscribed capital comprises:		
Amounts received	1,148,899	1,137,000
Amounts not yet due	<u>9,101</u>	<u>21,000</u>
Total subscribed capital	<u>1,158,000</u>	<u>1,158,000</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 2022 and 2021 are as follows (in \$'000 except for number of shares):

31 December 2022				
Contributor	No. of shares	Subscribed	Amount received	Amount not yet received
Asian Development Bank	1,800	180,000	180,000	-
ASEAN Member Countries				
Brunei Darussalam	56	5,600	5,600	-
Cambodia	2	200	200	-
Indonesia	306	30,600	21,600	9,000
Lao People's Democratic Republic	2	200	200	-
Malaysia	176	17,600	17,600	-
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	21,499	101
Viet Nam	19	1,900	1,900	-
	1,210	121,000	111,899	9,101
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	171,400	-
	8,570	857,000	857,000	-
Total	11,580	1,158,000	1,148,899	9,101

31 December 2021				
Contributor	No. of shares	Subscribed	Amount received	Amount not yet received
Asian Development Bank	1,800	180,000	180,000	-
ASEAN Member Countries				
Brunei Darussalam	56	5,600	5,600	-
Cambodia	2	200	200	-
Indonesia	306	30,600	18,600	12,000
Lao People's Democratic Republic	2	200	200	-
Malaysia	176	17,600	17,600	-
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	-
	1,210	121,000	100,000	21,000

Contributor	31 December 2021			
	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	171,400	-
	8,570	857,000	857,000	-
Total	11,580	1,158,000	1,137,000	21,000

NOTE 14— RESERVE

The allocation to Reserve of the 2021 net income in retained earnings was approved on 30 May 2022 by the Contributors at the 2022 Meeting of Contributors, per Resolution No. 2022-A-04.

NOTE 15— INTEREST INCOME

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

	2022	2021
FVTOCI	23,714	23,422
Time Deposits	455	156
Guarantee	3,701	3,225
Certificates of Deposits	578	472
Others	10	1
	28,458	27,276

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):

	2022	2021
Staff Related Expenses	8,141	7,726
Financial and Legal Services	1,499	1,385
Short Term Staff Consultants	197	192
Depreciation – ROU Assets	161	165
Depreciation and Amortization – Fixed and Intangible Assets	87	89
MOC and BOD Expenses	16	22
Recruitment Expense	171	12
Business Travel	101	-
Others	343	314
	<u>10,716</u>	<u>9,905</u>

NOTE 18— REINSURANCE

On 1 October 2016, CGIF has entered a quota share reinsurance treaty with a consortium of reinsurers. The reinsurance treaty was annually renewed to cover 1-year period. As of 04 January 2023, a new treaty was signed to cover 2023 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 Net Income 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.

CGIF has entered risk sharing agreements with KEXIM in relation to three guarantee accounts: first in March 2019, second in April 2021 and third in August 2021. In all agreements, 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 after deducting the respective commission.

In 2022, CGIF received \$21.2 million from the reinsurers their share in the losses from the guarantee default in December 2021.

NOTE 19— SUBSEQUENT EVENTS

In February 2023, CGIF received the remaining balance for capital contribution from Thailand amounting to \$101 thousand.

Credit Guarantee and Investment Facility
Asian Development Bank Building
6 ADB Avenue, Mandaluyong, 1550 Manila Philippines
Tel: +63 2 5322 7660
Fax: +63 2 5322 7661

A black and white photograph of three men climbing a rope ladder. The man in the foreground is pulling the rope, while the other two are higher up. The background shows a cloudy sky.

**CONQUERING
CHALLENGES
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