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CREDIT ANALYSIS

Counterparty Credit Rating
Multilateral Facility

MALAYSIAN RATING CORPORATION BERHAD
(364803-V)

CREDIT GUARANTEE AND INVESTMENT FACILITY

Rating Review – 2019

Date	**Rating Action**	**Current Rating**	**Outlook**
January 2019	Affirmed	AAA/MARC-1	Stable

Rating History	**Rating Action**	**Rating**	**Outlook**
January 2018	Affirmed	AAA/MARC-1	Stable
January 2017	Affirmed	AAA/MARC-1	Stable
January 2016	Affirmed	AAA/MARC-1	Stable

Rating Methodology Financial Guarantee Insurer Rating Approach

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MALAYSIAN RATING CORPORATION BERHAD

CREDIT ANALYSIS

COUNTERPARTY CREDIT RATING/MULTILATERAL FACILITY
Rating Review - 2019

CREDIT GUARANTEE AND INVESTMENT FACILITY

Major Rating Factors

Strengths

- Conservative leverage and liquidity management policy;
- Strong credit underwriting policy;
- Sound governance structure; and
- Strong support from shareholders.

Challenge/Risk

- Guarantee portfolio exhibits limited diversification.

Rationale MARC has affirmed its long-term and short-term counterparty credit ratings of **AAA/MARC-1** on Credit Guarantee and Investment Facility (CGIF) with a **stable** outlook. The ratings are based on Malaysia's national rating scale.

The affirmed ratings reflect CGIF's strong capital and liquidity position which are underpinned by sound policy guidelines and governance structure established by the Asian Development Bank (ADB) and ASEAN+3 governments, which set up CGIF as a trust fund of ADB. The ASEAN+3 governments comprise the 10 ASEAN nations plus China, Japan and Korea. The stable ratings outlook reflects MARC's expectation that CGIF will continue to receive support from its shareholders in respect of capital resources and will abide by its conservative leverage and investment policies.

CGIF's guarantee portfolio grew by four issuances to 13 issuers, bringing the net guaranteed amount to US$774.0 million as at end-October 2018 and representing a 10.8% growth year to date. The increased pace of growth is mainly due to the timing of the completion of deals that were already in the pipeline rather than a major shift in growth strategy. MARC continues to view CGIF as conservative in its approach towards building its guarantee portfolio, balancing its mandate to grow the regional bond market with maintaining a healthy leverage position. CGIF's net leverage ratio stood at 0.87:1, well below its internal limit of 2.50:1 as at end-1H2018, providing ample headroom for growth.

Following shareholders' approval in 2017 to raise CGIF's capital to US$1.2 billion by 2023, shareholders have paid in new capital of US$159.1 million, bringing the total paid-in capital to US$859.1 million as at end-1H2018. The ongoing capital increase has also boosted CGIF's maximum guarantee capacity (MGC) to US$2.26 billion as at end-June 2018, and eventually to US$3 billion in 2023 when the capital raising is completed.

MARC notes that CGIF's moderate guarantee portfolio size limits diversification of risks related to issuance size, country and currency. Its top five largest issuances, net of reinsurance, collectively accounted for around 49% of total equity of US$893.0 million (end-2017: 61%) while Vietnamese dong-denominated issuances comprised about 40% of the total net guaranteed amount (14% of MGC) as at end-October 2018. Nonetheless, these exposures remain well within the country and currency exposure limit of 20%

and 40% of MGC that CGIF had established. Mitigating portfolio concentration risk is the sufficiency of its capital to cover calls on guarantees. The group also cedes 25% of its existing guarantee exposures to reinsurers.

As CGIF funds its operations from retained earnings and paid-in capital, it maintains a sizeable holding of liquid assets to address operational obligations. Liquid assets accounted for 96.0% of total assets, underpinned by substantial investments in low-risk debt obligations issued by government and government-related entities, which comprised 78.1% of total investments as at end-June 2018. Additionally, CGIF's exposure to a large liquidity call arising from the default of any guaranteed obligation is somewhat mitigated by its ability to maintain the payment schedule of the obligations.

In 1H2018, CGIF's net profit grew 50.8% y-o-y to US$7.9 million, primarily due to a sharp increase in investment income, which benefitted from a larger investment base as well as increased allocation in higher yield fixed-income securities. Investment income grew 55.2% y-o-y to US$8.7 million in 1H2018 while yields on its investments were higher at an annualised 1.96% (1H2017: 1.52%). This was aided by investments in securities rated A+ on an international rating scale, which accounted for 9.1% of total investments as at end-June 2018. Investments in the lower rating band were in government-related bonds of its contributor countries that have a minimum international rating of A+. Aside from these, CGIF's bond investments would continue to need to have a minimum rating of AA. As a trust fund of ADB, CGIF's capital is managed in line with the bank's conservative investment policies.

Exhibit 1: Financial highlights

FYE 31 December	**1H2018^**	**2017**	**2016**	**2015**	**2014**
Operating revenue (US$'000)	9,191	18,850	18,666	14,751	10,132
Net profit (US$'000)	7,941	10,658	10,082	7,781	3,548
Return on assets (%)	1.86*	1.37	1.32	1.04	0.49
Return on equity (%)	1.95*	1.45	1.39	1.08	0.50
Cost-to-income ratio (%)	32.8	43.5	42.1	44.5	64.6
Average investment yields (%)	1.96*	1.60	1.46	1.30	1.23
Total assets (US$'000)	930,095	778,847	772,002	751,569	740,486
Liquid assets/Total assets (%)	96.0	95.0	94.3	96.0	96.5
Shareholders' funds (US$'000)	892,965	738,962	727,521	722,557	716,499
Net guarantee amount (US$'000)	773,994	698,657	649,448	583,787	475,569
Net leverage ratio#	0.87:1**	0.95:1	0.91:1	0.81:1	0.67:1

^ Unaudited
** Annualised*
 # The net leverage ratio is measured by the aggregate outstanding guarantees (taking into consideration the ceded guarantee exposures and credit risk of reinsurers) to total paid-in capital plus retained earnings after deducting loss reserves and illiquid investments
*** Based on net guarantee amount and foreign currency exchange rates as at October 31, 2018*
Sources: CGIF and MARC

BACKGROUND

CGIF was established in November 2010 by 10 members of the Association of Southeast Asian Nations (ASEAN) together with China, Japan and South Korea (ASEAN+3) and the ADB, a supranational bank that also acts as the trustee of CGIF. The largest shareholder of CGIF is Japan Bank for International Cooperation (JBIC) with a subscribed capital of 39.9%, followed by China with 23.3%, ADB with 15.1% and South Korea with 11.6%. As a trust fund of the ADB, CGIF has the same privileges, immunities and exemptions accorded to ADB, including immunity from juridical proceedings and freedom of assets from restrictions in member countries.

As a key component of the Asian Bond Market Initiative (ABMI), CGIF's chief mandate is to develop the region's bond markets by providing guarantees on local currency-denominated bonds issued by corporations domiciled in the ASEAN+3 countries. Areas of priority when providing guarantees include supporting first-time issuers, enabling existing issuers to extend maturities without elevated premiums, encouraging cross-border transactions, broadening investor bases, and introducing new instruments to bond markets in the region.

The guarantees issued by CGIF are irrevocable and unconditional commitments to pay bondholders upon non-payment by issuers throughout the tenure of the bonds. (Please refer to Appendix 1 for further details on CGIF's organisational governance.)

BUSINESS REVIEW

Guarantee portfolio shows strong growth

For 10M2018, CGIF provided guarantees to existing issuer ASA Philippines Foundation and three new issuers: Siamgas and Petrochemicals Public Company Ltd, a Thailand-based company involved in trading petroleum products; The Pan Group SJC, a Vietnamese company involved in supplying agricultural products; and Hoan My Medical Corporation, a private hospital network in Vietnam. These new issuances amounted to US$206.8 million, a sharp increase from the two new issuances in 2017 amounting to US$72.5 million.

CGIF's guarantee portfolio comprises 13 issuers with a net guaranteed amount of US$774.0 million as at end-October 2018, representing a YTD growth of 10.8%. The portfolio comprises issuers operating in Indonesia, Vietnam, Thailand, the Philippines, Singapore and Malaysia (please refer to exhibit 2). Based on its internal ratings, CGIF has downgraded Masan Consumer Holdings and KNM Group Berhad due to unfavourable financial results in 2017. At the same time, it has upgraded its internal rating on ASA Philippines Foundation due to an improvement in company credentials and PT Mitra Pinasthika Mustika Finance due to its strategic importance to major shareholder JACCS Co. Ltd., subsequent to the latter taking a controlling interest in the company after increasing its stake to 60% from 40% in 2017.

Exhibit 2: Guarantee portfolio as at end-October 2018

Issuer	Issuers' Base country	Issue date	Currency of issuance	Gross amount (US$ mil equivalent)
PT Professional Telekomunikasi Indonesia	Indonesia	Nov 2014	Singapore dollar	129.9
Masan Consumer Holdings	Vietnam	Dec 2014	Vietnamese dong	89.9
IVL Singapore Pte. Ltd	Thailand	Oct 2015	Singapore dollar	140.7
Vingroup Joint Stock Company	Vietnam	Feb 2016	Vietnamese dong	128.5
AP Renewables, Inc.	Philippines	Mar 2016	Philippine peso	87.9
PT Mitra Pinasthika Mustika Finance	Indonesia	Mar 2016, Apr 2016	Indonesia rupiah	19.7
Fullerton Heathcare Corporation Ltd	Singapore	Jul 2016	Singapore dollar	72.2
KNM Group Berhad	Malaysia	Nov 2016	Thai baht	86.7
ASA Philippines Foundation	Philippines	Feb 2017, Jun 2017, Jan 2018	Philippine peso	28.1

Issuer	Issuers' Base country	Issue date	Currency of issuance	Gross amount (US$ mil equivalent)
Mobile World Investment Corporation	Vietnam	Nov 2017	Vietnamese dong	48.6
Siamgas and Petrochemicals Public Company Ltd	Thailand	Feb 2018	Thai baht	51.3
The Pan Group SJC	Vietnam	Sep 2018	Vietnamese dong	48.6
Hoan My Medical Corporation	Vietnam	Oct 2018	Vietnamese dong	99.8
Total				**1,032**

Guarantee portfolio exhibits concentration risks

Exhibit 3: Guarantee portfolio composition by currency

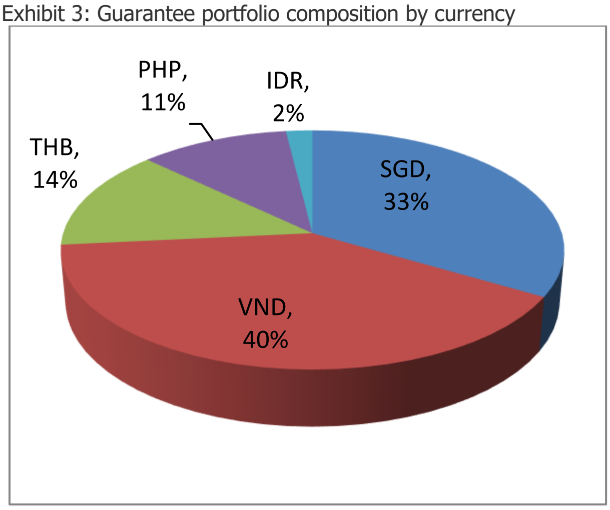
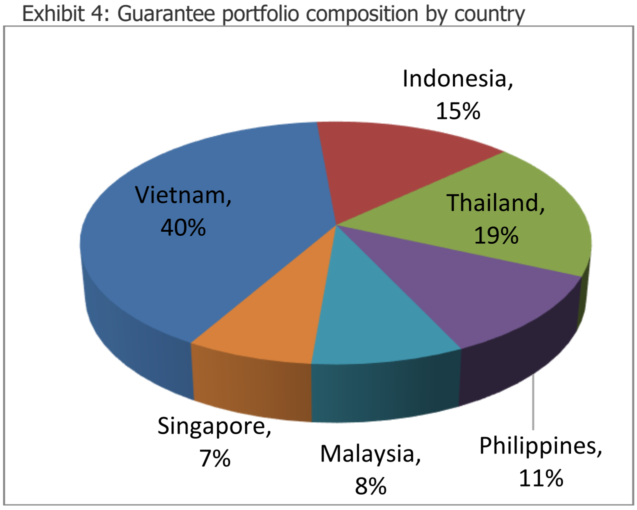


Exhibit 4: Guarantee portfolio composition by country



Source: CGIF
Note: Foreign currency exchange rates are as at September 30, 2018

Given CGIF's moderate guarantee portfolio, it is exposed to concentration risk. Its top five largest issuances, net of reinsurance, collectively accounted for around 49% of total equity of US$893.0 million (end-2017: 61%) while Vietnamese dong-denominated issuances comprised 40% of the total net guaranteed amount. Nonetheless, the concentration risk remains well within CGIF's established single exposure limits that are based on its ability to provide MGC[1]. This has increased to US$2.26 billion as at end-June 2018 following shareholders' response to a call to increase paid-in capital to US$1.2 billion from US$700 million between 2018 and 2023. Its equity stood at about US$893 million. This has led to an increase in the country and currency exposure limit to 20% or US$452 million and 40% or US$904 million of the MGC. In addition, the single borrower/group limit is 20% of CGIF's paid-in capital or US$172 million.

On excluding the reinsurance portion, CGIF's top five largest issuances collectively accounted for about 57% of total equity as at end-October 2018. Among these are those issued by IVL Singapore Pte Ltd (US$105.5 million), PT Professional Telekomunikasi Indonesia (US$97.4 million) and Vingroup Joint Stock Company (US$96.4 million). In terms of country exposure, Vietnam and Thailand remained the largest, accounting for 40% (US$312 million) and 19% (US$147 million) of CGIF's total net guarantee amount. In terms of currency exposure, Vietnamese dong-denominated issuances comprised 40% of the total net guaranteed amount (US$312 million) followed by Singapore dollar-denominated issuances which comprised 33% of the total net guaranteed amount (US$260.8 million). CGIF's net leverage ratio of 0.87:1 is well below its internal limit of 2.50:1 and indicates ample room to continue growing its guarantee portfolio.

*[1] Maximum guarantee capacity = (total paid-up capital + retained profit - credit loss reserves - foreign exchange reserves - all illiquid investments) * maximum leverage ratio of 2.5*

Currency risk has increased with hedging to be done on a case-by-case basis

As CGIF's guarantee portfolio comprises credit guarantees on bonds denominated in several ASEAN currencies, it is exposed to currency risk as the US dollar is its functional currency. It amended its foreign exchange hedging policy in November 2017 to hedge exposure to foreign exchange risk from guarantee fee receivables on a case-by-case basis, compared to the compulsory hedging for all foreign exchange guarantee fee receivables previously.

As a result of the policy change, CGIF has reduced the nominal amount of foreign exchange forwards to US$3.9 million (2017: US$14.5 million) despite a larger net guarantee exposure. Reduced hedging activities may introduce greater variability to CGIF's guarantee income in the event of potential currency fluctuations. Furthermore, the faster-than-expected normalisation of interest rates in the US has weakened emerging market currencies and is expected to moderate CGIF's profitability in the near term. Nevertheless, MARC notes that weaker emerging market currencies also translate into a smaller obligation in the event of default of a covered bond.

Reinsurance reduces guarantee obligations

Under an arrangement with a reinsurance consortium, 25% of CGIF's existing exposures and new guarantees written from January 2018 to December 2018 are ceded to the consortium that meet certain reinsurance criteria. MARC views that reinsurance credit risk is mitigated by CGIF's policy of requiring reinsurers to have a minimum rating of A- on the international rating scale and a higher rating than the underlying issuer. CGIF has ceded a proportion of its risks to a reinsurance consortium. The international ratings of CGIF's current reinsurance partners range from AA- to A.

FINANCIAL PERFORMANCE

Higher profitability driven by investment income

Exhibit 5: Performance indicators

FYE 31 December	1H2018^	1H2017^	2017	2016	2015	2014
Gross guarantee income (US$'000)	4,542	4,679	9,117	8,035	4,782	1,368
Net guarantee income (US$'000)	3,432	3,576	6,919	7,158	4,664	1,368
Investment income (US$'000)	8,695	5,602	11,825	10,432	9,268	8,287
Net realised gains from disposal of investments (US$'000)	-	(2)	26	509	219	487
Net profit (US$'000)	7,941	5,267	10,658	10,082	7,781	3,548
Average investment yields (%)	1.96*	1.52*	1.60	1.46	1.30	1.23
Return on assets (%)	1.86*	1.36*	1.37	1.32	1.04	0.49
Return on equity (%)	1.95*	1.44*	1.45	1.39	1.08	0.50
Cost-to-income ratio (%)	32.8	43.5	43.5	42.1	44.5	64.6

^ Unaudited
** Annualised*
Note: Average investment yields exclude gains or losses from the change in fair value and are calculated based on the portfolio held at the beginning and end of each month during the period
Sources: CGIF and MARC

CGIF's net profit recorded a 50.8% y-o-y growth to US$7.9 million during 1H2018, primarily driven by a 55.2% y-o-y growth in investment income. This came largely on the back of a larger investment base, as well as greater allocation towards higher yielding fixed-income securities. The annualised investment yield rose to 1.96% in 1H2018 (1H2017: 1.52%) and further supported the growth in investment income. The larger investment base was funded by capital contributions from shareholders during 1H2018, as seen by the increase in paid-up capital to US$859.1 million (2017: US$703.0 million). It should be noted that CGIF's income remained reliant on investment income, which accounted for 68.8% of total income for 1H2018. Its guarantee fee is currently not sufficient in covering operating expenses due to the small size of the guarantee portfolio.

Investment portfolio remains concentrated in high-quality bonds

Exhibit 6: Allocation of funds

Type	Amount (US$ million)			Proportion (%)		
	1H2018	2017	2016	1H2018	2017	2016
Government and government-guaranteed obligations	692.3	639.4	608.7	78.1	87.2	83.9
Corporate obligations	82.9	59.4	109.3	9.3	8.1	15.1
Time deposits	111.5	34.6	7.7	12.6	4.7	1.1
Total	**886.7**	**733.4**	**725.7**	**100.0**	**100.0**	**100.0**

Source: CGIF
Note: All of CGIF's investments are denominated in US dollars

CGIF's investments are managed by the ADB, the trustee of CGIF's investments. MARC notes that CGIF has slightly increased its risk appetite following the lowering of the floor rating of A+ (international scale) for investments in long-term fixed-income securities in November 2017. However, this is on the condition that any investments in long-term fixed-income securities rated A+ must be in contributor countries' government-related bonds. Contributor countries eligible for investment currently comprise China, South Korea, Japan and Singapore. The change in policy has led to investments in A+ securities to grow to 9.1% of the fixed-income portfolio as at end-June 2018 (end-June 2017: 0%).

MARC takes comfort in the fact that CGIF's fixed-income investments largely comprise government or corporate debt obligations in advanced economies. This has continued to support CGIF's strong liquidity profile. Additionally, in terms of the investment portfolio as a whole, a substantial 78.1% of the total investment funds was allocated to debt obligations issued by government and government-related entities as at end-June 2018.

The average effective duration of CGIF's investment portfolio was slightly lower at 2.6 years as at end-June 2018 (2017: 2.8 years), remaining well within its limit of 5.0 years as per policy guidelines. Still, the faster-than-anticipated normalisation of interest rates in advanced economies may moderate bond portfolio performance and as such moderate CGIF's profitability metrics. Based on CGIF's interest rate sensitivity analysis, a 100 basis points increase in the interest rate will result in US$23.2 million of unrealised losses which is more than CGIF's annual net profit.

Sound capital position

Exhibit 7: Capital adequacy

FYE 31 December	1H2018^	2017	2016	2015	2014
Total assets (US$'000)	930,095	779,109	772,002	751,569	740,486
Total equity (US$'000)	892,965	739,224	727,521	722,557	716,499
Net guarantee amount (US$'000)	773,994*	698,657	649,448	583,787	475,569
Net leverage ratio	0.87:1**	0.95:1	0.91:1	0.82:1	0.67:1
Basel II capital adequacy ratio (%)	32.5	24.3	25.3	26.7	28.9

Sources: CGIF, MARC
Note: The net leverage ratio is measured by the aggregate outstanding guarantees (taking into consideration the ceded guarantee exposures and credit risk of reinsurers) to total paid-in capital plus retained earnings after deducting loss reserves and illiquid investments
** Net guarantee amount as at end-October 2018*
*** Based on net guarantee amount and foreign currency exchange rates as at October 31, 2018*

CGIF's capital position remains sound as reflected by its net leverage ratio of 0.87:1, well within CGIF's internal limit of 2.50:1. In December 2017, CGIF's shareholders approved the increase in the authorised and paid-in capital to US$1.2 billion from US$700 million by end-2023. Subsequent to capital contributions from some shareholders, paid-in capital stood at US$859.1 million as at end-June 2018 (2017: US$703 million). CGIF plans to increase its leverage ratio to 3.50:1 in 2020 to further grow its guarantee capacity, given its credit profile remains strong moving forward. MARC opines that the facility can moderately increase its leverage level without affecting its credit profile, as it gradually develops its guarantee portfolio and reduces single borrower exposure.

Sound liquidity profile

Exhibit 8: Proportion of liquid assets to total assets

FYE 31 December	1H2018^	2017	2016	2015	2014
Liquid assets (US$'000)	892,495	739,991	727,930	721,455	714,761
Total assets (US$'000)	930,095	778,847	772,002	751,569	740,486
Liquid assets/Total assets (%)	96.0	95.0	94.3	96.0	96.5

Source: CGIF

CGIF's liquidity profile remained sound, as reflected by the liquid assets-to-total assets ratio of 96.0% as at end-June 2018. The liquid assets mainly comprised holdings of government and government-guaranteed securities, corporate debt and time deposits. Liquidity risk arising from sudden cash requirements may be mitigated by the global master repurchase agreement (GMRA) with a financial institution. The GMRA provides CGIF with access to liquidity and reduces the risk of undertaking forced sales of securities. CGIF also retains the right to maintain the payment schedule of the guaranteed obligations or accelerate the principal claim payments prior to the maturity of the debt issuance upon default of the issuer. This option would minimise liquidity risk in the event of claims.

MANAGEMENT

There have been no significant changes in the board and key management positions since the last review. The management team is led by the CEO Kiyoshi Nishimura who has expertise and extensive global experience in the financial services industry to guide the team to meet CGIF's objectives. MARC views positively the depth of expertise of CGIF's management.

STRENGTH OF MEMBER SUPPORT

MARC opines there is a strong likelihood that support will be extended to CGIF by its shareholders, which include strong creditworthy member countries (China, Japan, South Korea, Malaysia and Singapore) and the supranational ADB. This view is based on CGIF's status as a trust fund of a multilateral development institution and a key component of the ABMI.

RISK MANAGEMENT AND CONTROLS

CGIF's board of directors plays a direct role in risk management through the internal control and risk management committee (ICRMC). The ICRMC is responsible for operating sound and effective systems of internal control and risk management to safeguard contributors' investments and CGIF's assets. The day-to-day risk management functions are vested in the chief risk officer (CRO), who heads CGIF's risk management department (RMD) and reports to the ICRMC and the board. CGIF's risk management policies and procedures draw on global best practices for multilateral institutions, with clear separation of duties between risk-taking units and risk managers as well as a well-designed risk appetite framework.

Prudent underwriting policy and controls

CGIF's internal credit rating system assesses the likelihood of default of a borrowing entity. Its credit assessment process considers the borrowing entity's ownership and management, business and operating environment, historical and projected financial performance, and cash flows, among others. Each borrowing entity assessed is assigned a rating on a 19-point scale from 1 (lowest risk) to 10 (highest risk), with 7 being the maximum acceptable risk rating. An internal rating of 7 is expected to correspond to a minimum rating of BB- on the international rating scale. This would map to a minimum investment grade rating on the applicable national rating scale. In May 2018, sovereign caps were applied to CGIF's internal risk rating (IRR) system as a refinement to conservatively account for other country risks besides transferability and convertibility, requiring the maximum eligible rating of potential guaranteed bond issuers from Cambodia, Laos or Myanmar to be adjusted to B. The risk rating system appears to be sufficiently granular and CGIF's internal ratings may also be augmented by external ratings from international and national credit rating agencies on the borrowing entities.

Sound credit guarantee pricing methodology

CGIF's guarantee fees are market-based and reflect the risk of the underlying credit being guaranteed. CGIF's internal benchmark fee rate for each guarantee transaction takes into account the expected loss [probability of default (PD) x loss given default (LGD)], the required return on capital and the administrative costs relating to the transaction. Additionally, CGIF will consider the comparable market rates available to the issuer to arrive at a final guarantee fee rate.

Accurate PD and LGD estimates are important for appropriate pricing of credit guarantees, provisioning for potential credit losses and calculating CGIF's risk capital. The lack of uniformity in PD data, sample size limitations and general lack of credit loss and recovery data in much of CGIF's mandated region would pose challenges to accurately determine these parameters. Refinement of CGIF's estimation of PD and LGD parameters will depend on improved uniformity in PD data and the availability of recovery data over time. CGIF enhances the estimates of LGD by accounting for stressed values of borrowers' assets.

Strong credit portfolio management processes

CGIF's operational policies provide for regular reporting on the nature and extent of its credit exposures to facilitate active management of its guarantee portfolio and the board's oversight duties. All credit risk exposures are reviewed at least once a year, or more frequently if required, by the Deal Operations Department (DOD) to facilitate early identification of risks affecting issuer debt repayment capacity. Exposures that are deemed to contain heightened levels of default risk – these are either classified as watch-listed, especially mentioned or substandard – will be subject to closer monitoring. Based on CGIF's risk management framework, credit loss reserves will be established based on default probabilities associated with CGIF's internal risk ratings.

FUNDING AND LIQUIDITY

CGIF's operations are entirely funded by its paid-in capital which represents 100% of subscribed capital. CGIF may increase its authorised capital by vote of at least two-thirds of the number of its contributors who hold collectively two-thirds of the total outstanding shares. Its financial policies prohibit borrowings from any source to finance its operations although it may use short-term borrowings for cash management purposes, for instance to meet a call on a guarantee in place of liquidating an investment position when it is more advantageous to do so.

MANAGEMENT OF CAPITAL RESOURCES

CGIF's capital resources are currently placed with its trustee (ADB) and managed by ADB's treasury department according to board-approved specific investment strategies and performance benchmarks. The agreed investment strategies are consistent with ADB's risk management policies and investment guidelines, and aligned to the specific requirements of CGIF's guarantee operations and its financial policies. The primary investment objective is to protect the principal amount of the investments while generating a reasonable return. The maximum allowable average duration of CGIF's investments is 5.0 years. CGIF's principal interest rate risk management objective is to generate stable overall interest income from the investment of its equity resources that is not overly sensitive to significant interest rate fluctuations but is adequately responsive to general market trends.

SHAREHOLDING AND GOVERNANCE INFORMATION (as at July 30, 2018)

BOARD OF DIRECTORS
Feng Yuchuan (China)
Li Hongxia (China)
Azah Hanim Ahmad (Malaysia)
Mitsutoshi Kajikawa (Japan)
Kenichi Aso (Japan)
Sun-joon Jun (Korea)
Stefan Hruschka (ADB)
Kiyoshi Nishimura (Chief Executive Officer)

CONTRIBUTORS

Japan Bank for International Cooperation	39.90%
People's Republic of China	23.28%
Asian Development Bank	15.13%
Republic of Korea	11.64%
ASEAN countries	10.06%

MANAGEMENT

Kiyoshi Nishimura	Chief Executive Officer
Aarne Dimanlig	Chief Risk Officer
Boo Hock Khoo	Vice President, Operations
Dong Woo Rhee	Chief Financial Officer
Gene Soon Park	General Counsel and Board Secretary
Hou Hock Lim	Corporate Planner and Head of Budget, Planning, Personnel and Management Systems
Jackie Jeong-Ae Bang	Internal Auditor

AUDITOR
Deloitte Touche LLP, Singapore

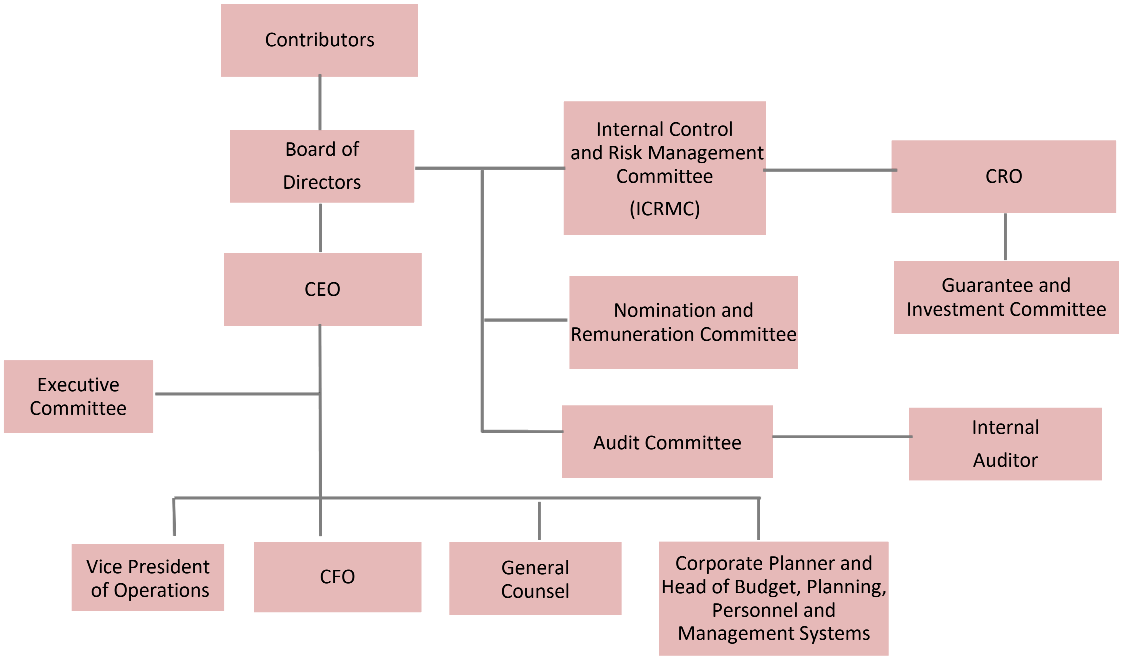
REGISTERED OFFICE
CREDIT GUARANTEE AND INVESTMENT FACILITY
Asian Development Bank Building
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
PHILIPPINES

ORGANISATION AND GOVERNANCE

The governance structure of CGIF comprises the Meeting of Contributors, an eight-member board of directors, three board committees and two management committees. The Meeting of Contributors is the highest decision-making body of CGIF which determines strategic objectives and provides guidance on the overall operations and management. It reviews and approves recommendations from the board on the extent of operations that CGIF may undertake for the development of the bond market, the use of leverage, the maximum leverage ratio and any revision to country limits.

The board of directors is the second-highest decision-making body of CGIF with the role of representing and protecting the interests of the Contributors as well as providing oversight of the strategy, operations and management of CGIF. The board has established three committees, i.e. the audit committee, the internal control and risk management committee, and the nomination and remuneration committee, and determines the mandate and composition of management committees. CGIF currently has two management committees: the executive committee chaired by the CEO; and the guarantee and investment committee chaired by the CRO. As the trustee of CGIF, ADB holds in trust and currently manages all of CGIF's funds.

Exhibit 9: Governance structure



Source: CGIF, MARC

CREDIT GUARANTEE AND INVESTMENT FACILITY
STATEMENT OF FINANCIAL POSITION

(USD'000)							Change (%)				
Financial Year Ending : December 31	**1H2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2017**	**2016**	**2015**	**2014**	**2013**
ASSETS:											
Cash	5,748	6,599	2,210	3,183	1,905	3,053	>100	(30.6)	67.1	(37.6)	78.6
Time deposits	111,516	34,580	7,706	6,798	35,599	8,001	>100	13.4	(80.9)	>100	(90.9)
Investments	775,107	698,812	718,014	711,474	677,257	701,373	(2.7)	0.9	5.1	(3.4)	12.9
Derivative assets	-	-	465	69	-	-	(100.0)	>100	n.m.	n.m.	n.m.
Accrued Revenue from investment	4,874	3,466	3,324	3,430	4,150	3,226	4.3	(3.1)	(17.3)	28.6	11.1
Guarantee fee receivables	31,768	34,526	38,565	25,533	20,732	1,183	(10.5)	51.0	23.2	>100	n.m.
Other Assets	1,082	1,126	1,718	1,082	843	1,137	(34.5)	58.8	28.4	(25.9)	14.5
TOTAL ASSETS	**930,095**	**779,109**	**772,002**	**751,569**	**740,486**	**717,973**	0.9	2.7	1.5	3.1	0.5
LIABILITIES & MEMBER'S EQUITY											
Guarantee Liability	35,406	37,277	41,804	27,841	22,499	1,765	(10.8)	50.2	23.7	>100	n.m.
Unearned interest income - guarantee	346	261	167	89	11	4					
Derivative liabilities	475	991	565	-	-	-	75.4	n.m.	n.m.	n.m.	n.m.
Payable to other fund	-	-	-		-	-	n.m.			n.m.	(100.0)
Accrued expenses	460	657	1,245	382	777	272	(47.2)	>100	(50.8)	>100	>100
Other Liabilities	443	700	700	700	700	700	n.m.	n.m.	n.m.	n.m.	0.6
TOTAL LIABILITIES	**37,130**	**39,885**	**44,481**	**29,012**	**23,987**	**2,741**	(10.3)	53.3	20.9	>100	>100
MEMBERS' EQUITY											
Capital stock	859,100	703,000	700,000	700,000	700,000	700,000	0.4	n.m.	n.m.	n.m.	n.m.
Unrealised gain/(loss) on sale of investment	(19,427)	(9,391)	(7,250)	(2,131)	(408)	1,873	(29.5)	<(100)	<(100)	<(100)	(41.8)
Reserve	45,615	34,771	24,689	16,907	13,359	10,641	40.8	46.0	26.6	25.5	62.9
Retained Earnings	7,677	10,844	10,082	7,781	3,548	2,718	7.6	29.6	>100	30.5	(33.9)
	892,965	**739,224**	**727,521**	**722,557**	**716,499**	**715,232**	1.6	0.7	0.8	0.2	0.2
TOTAL	**930,095**	**779,109**	**772,002**	**751,569**	**740,486**	**717,973**	0.9	2.7	1.5	3.1	0.5

n.m. : not meaningful

CREDIT GUARANTEE AND INVESTMENT FACILITY
STATEMENT OF COMPREHENSIVE INCOME

(USD'000)							Change (%)				
Financial Year Ending : December 31	**1H2018**	**2017**	**2016**	**2015**	**2014**	**2013**	**2017**	**2016**	**2015**	**2014**	**2013**
REVENUE :											
Gross income on guarantees	4,542	9,117	8,035	4,782	1,368	423	13.5	68.0	>100	>100	n.m.
Reinsurance expense	(1,110)	(2,198)	(540)	-	-	-	<(100)	n.m.	n.m.	n.m.	
Net income on guarantees	3,432	6,919	7,495	4,782	1,368	423	(7.7)	56.7	>100	>100	
Income on investments	8,668	11,808	10,086	9,146	8,264	7,644	17.1	10.3	10.7	8.1	(4.5)
Net realised gains from investments	-	26)	509	219	487	-	(94.9)	>100	(55.0)	n.m.	n.m.
Others	544	97	576	604	13	65	(83.2)	(4.6)	>100	(80.0)	>100
	12,644	**18,850**	**18,666**	**14,751**	**10,132**	**8,132**	1.0	26.5	45.6	24.6	1.5
EXPENSES:											
Administrative expenses	3,594	7,144	6,848	5,566	5,511	4,405	4.3	23.0	1.0	25.1	50.0
Financial expenses	34	59	54	50	56	49	9.3	8.0	(10.7)	14.3	32.4
Depreciation expenses	113	289	258	241	276	246	12.0	7.1	(12.7)	12.2	5.1
Other miscellaneous expenses	409	700	700	700	700	700	n.m.	n.m.	n.m.	n.m.	0.6
	4,150	**8,192**	**7,860**	**6,557**	**6,543**	**5,400**	4.2	19.9	0.2	21.2	38.3
TOTAL OPERATING INCOME	**8,494**	**10,658**	**10,806**	**8,194**	**3,589**	**2,732**	(1.4)	31.9	>100	31.4	(33.4)
Provision for impairment losses	(3)	-	-	-	-	-	n.m.	n.m.	n.m.	n.m.	
TRANSLATION (LOSS)/ GAIN	(553)	186	(724)	(413)	(41)	(14)	>100	(75.3)	<(100)	<(100)	<(100)
NET INCOME	**7,938**	**10,844**	**10,082**	**7,781**	**3,548**	**2,718**	7.6	29.6	>100	30.5	(33.9)
OTHER COMPREHENSIVE INCOME											
Unrealised (Loss)/Gain on AFS Investments	(10,036)	(2,141)	(5,118)	(1,723)	(2,281)	(1,347)	58.2	<(100)	24.5	(69.3)	<(100)
TOTAL COMPREHENSIVE INCOME	**(2,098)**	**8,703**	**4,964**	**6,058**	**1,267**	**1,371**	75.3	(18.1)	>100	(7.6)	(83.6)

n.m. : not meaningful

RATING SYMBOLS AND DEFINITIONS
COUNTERPARTY CREDIT RATINGS

LONG-TERM RATINGS

Counterparty ratings are opinions of the ability of counterparties to honour senior obligations under financial contracts such as obligations under currency swaps, interest rate swaps, third party credit guarantees or partial guarantees, liquidity facilities and similar products, given appropriate documentation and authorisation.

AAA	A counterparty rated AAA has an exceptionally strong capacity to meet its obligations under financial contracts and has the least risk of an impairment of its creditworthiness relative to other counterparties.
AA	A counterparty rated AA has a very strong capacity to meet its obligations under financial contracts but is rated lower than a AAA counterparty because its long-term risks are higher than AAA counterparties.
A	A counterparty rated A has a strong capacity to meet its obligations under financial contracts, but shortcomings may be present to suggest a susceptibility to impairment in its creditworthiness sometime in the future.
BBB	A counterparty rated BBB has adequate capacity to meet its obligations under financial contracts, but some shortcomings are present to suggest higher risk of susceptibility to impairment in its creditworthiness in the event of adverse changes in its operating environment and/or entity-specific circumstances.
BB	A counterparty rated BB has somewhat uncertain capacity to meet its obligations under financial contracts and moderately high susceptibility to impairment in its creditworthiness in the event of adverse changes in its operating environment and/or entity-specific circumstances.
B	A counterparty rated B has uncertain capacity to meet its obligations under financial contracts and high susceptibility to impairment in its creditworthiness in the event of adverse changes in its operating environment and/or entity-specific circumstances.
C	A counterparty rated B has highly uncertain capacity to meet its obligations under financial contracts and is at risk of defaulting on its obligations.

Note: Long-term Ratings from AA to B may be modified by a plus (+) or minus (-) suffix to show its relative standing within the major rating categories.

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MARC's Short-term Ratings reflect the counterparty's capacity to meet its short-term obligations not exceeding a year under financial contracts.

MARC-1	Very strong capacity to meet its obligations under financial contracts.
MARC-2	Strong capacity to meet its obligations under financial contracts.
MARC-3	Adequate capacity to meet its obligations under financial contracts.
MARC-4	Speculative capacity to meet its obligations under financial contracts.

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MARC's Rating Outlook assesses the potential direction of a counterparty's rating over the intermediate term (typically over a one-to two-year period). The Rating Outlook may either be:

POSITIVE	which indicates that a rating may be raised;
NEGATIVE	which indicates that a rating may be lowered;
STABLE	which indicates that a rating is likely to remain unchanged; or
DEVELOPING	which indicates that a rating may be raised, lowered or remain unchanged.

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