

CREDIT ANALYSIS



MALAYSIAN RATING CORPORATION BERHAD
(Company No.: 364803 V)

CREDIT GUARANTEE AND INVESTMENT FACILITY

New Rating - 2013

Date	Rating Action	Rating	Outlook
January 2013	Assigned	AAA	Stable
Contact Analysts	Milly Leong Sharidan Salleh (603) 2082 2200	milly@marc.com.my sharidan@marc.com.my	

Counterparty Credit Rating
Multilateral Facility

Publication Date: January 23, 2013

CREDIT ANALYSIS

COUNTERPARTY CREDIT RATING/MULTILATERAL FACILITY
New Rating - 2013

CREDIT GUARANTEE AND INVESTMENT FACILITY

Major Rating Factors

Strengths

- Conservative leverage and liquidity management policies and practices;
- Underwriting policy targets minimum investment grade underlying credit quality;
- Sound governance structure; and
- Multilateral status and strong support from main shareholders for its mandate of facilitating market access by investment grade-rated entities.

Challenges

- Dependence on robust local currency bond markets and demand for credit enhancement to provide sufficient market opportunities to underwrite adequately priced low-risk business over time; and
- Developing a significant level of core earnings.

Rationale MARC has assigned long-term and short-term counterparty credit ratings of **AAA/MARC-1** to Credit Guarantee and Investment Facility (CGIF) with a **stable** outlook.

CGIF was established as a trust fund of the Asian Development Bank in November 2010 by the ten member countries of the Association of Southeast Asian Nations (ASEAN) and Japan, the People's Republic of China (PRC) and Korea (ASEAN+3) and Asian Development Bank (ADB). CGIF's principal mandate is to develop and strengthen local currency and regional bond markets in the 13 member countries of ASEAN+3 by providing guarantees for corporate bonds issuances of investment grade-rated ASEAN+3 domiciled corporations. CGIF is a key component of the ASEAN+3 Asian Bond Market Initiative (ABMI) which aims to foster the development of local currency bond markets as an alternative source of funding to short-term foreign currency loans and consequently improve regional financial stability.

CGIF's ratings reflect an evaluation of factors relevant to its financial strength as a newly established multilateral credit guarantee facility, in particular its mandate and strategy, its capitalization, liquidity, risk management framework, governance structure, and potential support from member countries. The counterparty credit ratings on CGIF reflect MARC's assessment of the Facility's financial strength on a national rating scale.

The assigned ratings primarily reflect CGIF's high level of paid-in capital (which represents 100% of subscribed capital), conservative leverage policy and the expected credit quality of its guarantee portfolio. CGIF's 13 member countries and ADB had contributed 100% of its subscribed initial authorized capital of US\$700.0 million by end-April 2012, somewhat mitigating CGIF's lack of callable capital. Over 90% of CGIF's capital is owned by highly creditworthy member countries and ADB. These countries (PRC, Japan, Republic of Korea, Malaysia and Singapore) are rated single-A and above on an international scale. MARC expects CGIF to mitigate much of the credit risk stemming from its guarantee operations by implementing clear and robust credit processes, adhering to established risk management policies and practices and keeping a tight focus on underwriting and pricing discipline. Further providing

assurance that CGIF's capital resources and claims-paying resources will remain adequate relative to its risk exposure is its conservative leverage limit of 1:1 which means guarantee commitments cannot exceed the total paid in capital of CGIF plus retained earnings, less all illiquid investments. MARC expects the Facility to have very strong capital adequacy in the initial phase of operation and to maintain conservative underwriting leverage thereafter, based on the prudent growth and operating strategies embedded in its ten-year business plan and financial projections. Going forward, management is committed to maintaining its financial strength.

The key business challenge faced by CGIF in fulfilling its development mandate is to seek out sufficiently-priced low risk business in its mandated region, which is also key to demonstrating business viability. That said, CGIF's base case forecast assumes that it will complete transactions averaging US\$130 million in aggregate per year over the ten-year period from 2012 through 2021, keeping within constraints posed by its capital base and leverage limit. The annual origination targets in CGIF's business plan should be achievable in the context of the current growth in Asian bond markets and ongoing measures by authorities to promote the issuance of local currency bonds and the regional integration of bond market infrastructure. MARC will continue to monitor the implementation of CGIF's business plans in its assessment of the fund's financial strength, going forward.

CGIF's management focus for the most part of 2012 has been on building the staff and infrastructure to support its business plan and underwriting operations. CGIF has also put in place an internal credit rating framework to support its underwriting and portfolio monitoring activities. CGIF's origination efforts will extend to all ASEAN+3 countries; however, its designated focus bond markets in the initial phase are Indonesia, Malaysia, Philippines, Singapore and Thailand. CGIF is currently building a pipeline of prospective guarantee transactions with a focus on long tenure issues, cross-border issuances and mid-investment grade issuers, niches identified as viable by the fund's market sounding exercise.

As set out in its operational policies and reflected in its business plan, CGIF is expected to take a conservative approach to growing its guarantee portfolio to ensure its overall credit risk exposures remain prudent and manageable. MARC believes the graduated approach is important to limit single risk loss potential until core earnings are sufficient to support a higher loss tolerance. Relative to the risk bearing and earnings capacity of the fund, some degree of concentration by individual issuers/group of issuers and industry in the focus countries may be unavoidable in the initial stages of CGIF's portfolio development.

As at end-December 2012, CGIF's investment portfolio totalled US\$708 million, comprising time deposits of US\$88 million and very highly rated fixed-income securities of US\$618 million. ADB's Treasury Department manages CGIF's capital contributions in accordance with Board-approved investment guidelines with a primary objective of achieving capital protection. CGIF's investment strategy should ensure the availability of sufficient liquidity resources relative to potential payments arising from a default or defaults by issuers.

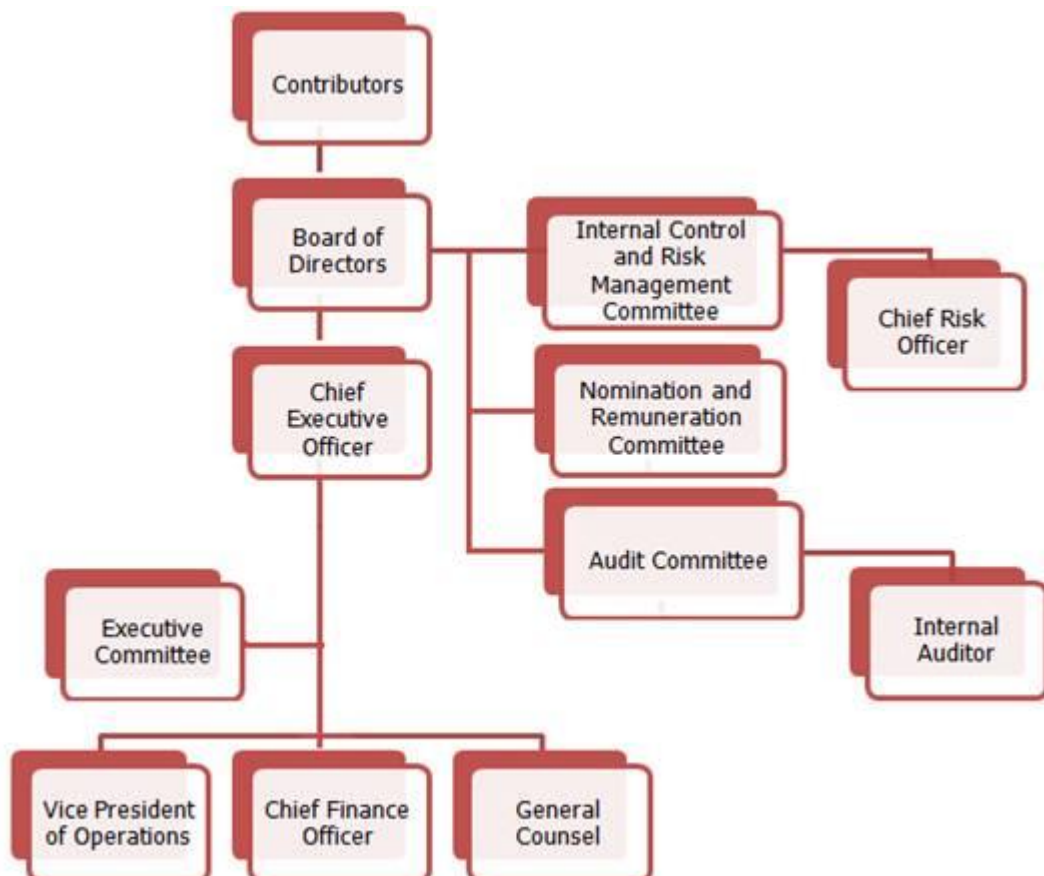
The stable rating outlook reflects CGIF's low risk business plan and prudent underwriting strategy, and expectations that its capital resources, leverage, future earnings and cash flow will remain within tolerances for the rating.

ORGANISATION AND GOVERNANCE

CGIF is a multilateral facility established in November 2010 by the ten members of the Association of Southeast Asian Nations (ASEAN) together with the People's Republic of China, Japan, Republic of Korea (ASEAN+3) and Asian Development Bank (ADB) to promote economic development, stability and resilience of financial markets in the region. CGIF is set up as a trust fund of ADB; its office is located in the Philippines where the AAA-rated supranational is located. The largest shareholders of CGIF are PRC and Japan Bank for International Cooperation with 28.6% of subscribed capital each, followed by Asian Development Bank with 18.6% and Republic of Korea with 14.3%.

The governance structure of CGIF consists of the Meeting of Contributors; an eight-member Board of Directors and three board committees, and two management committees. The highest decision-making body of CGIF is the Meeting of Contributors. It determines the strategic objectives of CGIF, provides the board of directors and the chief executive officer (CEO) strategic guidance on the overall operation and management of CGIF, and elects the chairperson and other members of the Board. It also reviews and approves the recommendations of the Board on the extent of investment operations that CGIF may undertake for the development of the bond markets, the use of leverage and the maximum leverage ratio and any revision to country limits in CGIF's operations. Decisions in the Meeting of Contributors require a simple majority of shares represented at the meeting. Each contributor's number of votes is based on the share of that contributor in the capital stock of CGIF which means that the largest shareholders retain the majority of decision-making power in the facility.

Exhibit 1: Governance Structure



The Board of Directors is the second highest decision making body of the CGIF. Its primary role is to represent and protect the interests of the Contributors, and provide oversight over the strategy, operations and management of CGIF. CGIF's Articles of Agreement provide for a board size of eight members, including the CEO as an ex-officio member with voting rights equivalent to other directors. The Board of Directors comprises two representatives elected by PRC and Japan Bank for International Cooperation (JBIC) respectively, one representative elected by ASEAN as a group, Republic of Korea and ADB respectively, and CGIF's CEO. Decisions in the Board of Directors require a simple majority of votes cast by directors at a meeting. The Board has established three committees: 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 Chief Risk Officer.

As the trustee of CGIF, ADB holds in trust and currently manages all CGIF's funds.

STRATEGY AND OBJECTIVES

CGIF's objectives, consistent with that of ABMI which was launched in 2002, are to promote the resilience of the financial markets and to prevent disruptions to the international financial order by developing deep and liquid local currency and regional bond markets in its mandated region. The experience of 2008-2009 underscores the importance of well-functioning local corporate bond markets in the context of weathering the fallout from the dislocation of global corporate bond markets. During the recent crisis, as fundraising in the global corporate bond markets became challenging, Asian corporates turned to the local corporate bond markets to raise funds, and were able to do so with success.

Underpinning the support for CGIF's mandate is its expected contribution to the development of well-functioning and liquid local bond markets which can better cope with shocks and risks stemming from a protracted global credit crisis. CGIF is also expected to contribute to the mitigation of currency and maturity mismatches in financing, one of the recognised causes of the 1997-1998 Asian financial crisis.

CGIF's mandated development functions, which are to be undertaken on a commercial basis within the ASEAN+3 countries, are: (i) guaranteeing local currency denominated bonds issued by investment grade entities; (ii) guaranteeing non-local currency denominated bonds provided the issuer is naturally and financially hedged in such currency; (iii) making investments for the development of bond markets in its mandated region; and (iv) undertaking activities and services consistent with its objectives.

CGIF's designated focus bond markets for its initial phase of operations are Indonesia, Malaysia, Philippines, Singapore and Thailand, pursuant to the perceived market potential for CGIF guarantees in these markets. Its origination efforts will, however, extend to prospective issuers in all ASEAN+3 member countries.

In line with its mandate and following a market sounding exercise, CGIF has identified the following market niches as its target areas in the near-term: (i) issuers seeking to issue longer tenure bonds; (ii) intra ASEAN+3 cross-border deals; (iii) mid-investment grade issuers which are unable to access their local currency bond markets due to low investor risk appetite; and (iv) repeat issuers facing constraints in absorption capacity in their home markets as a result of borrower concentration limits. CGIF believes that it will be able to contribute to a broadening of the investor base and an increase in the absorption capacity in some markets. The Facility's medium-term strategy foresees a role for credit enhancement in infrastructure and securitisation issuances.

RISK MANAGEMENT AND CONTROLS

MARC views CGIF's risk management framework positively, with the Board of Directors playing a direct role in risk issues through the Internal Control and Risk Management Committee (ICRMC), a board committee who has the responsibility to ensure that (i) there are sound and effective systems of internal control and risk management operating to safeguard contributors' investments and CGIF's assets, and (ii) only sound guarantee and investment proposals are approved by the Board. The three-member ICRMC consisting of representatives from ASEAN (as a group), Korea and Japan, is chaired by Mr June Shik Moon from Korea.

The risk management functions of CGIF and day-to-day management of its risks are vested in the Chief Risk Officer (CRO) who reports to the ICRMC and the Board. The CRO heads CGIF's Risk Management Department (RMD) and is supported by risk management officers.

The risk management philosophy underpinning CGIF's risk management framework (RMF) is as follows: (i) CGIF will endeavour to comply global best practice in risk management; (ii) the Board, the Guarantee and Investment Committee (GIC) and CEO oversee and regulate both risk taking and risk management while risk appetite setting is the sole domain of the Board; (iii) continuous assessment and monitoring of risks will be undertaken through the ICRMC and CRO; (iv) there is independence of risk-taking and risk management roles; (v) CGIF will accept risks that offer the potential for commensurate rewards, in relation to both guarantee and investment activities; and (vi) risk management is embedded in procedures, processes and rewards to foster a positive risk management culture. The RMF addresses all risks to which CGIF is exposed: credit risk, market risk, liquidity risk, and operational risks.

Consistent with CGIF's risk management philosophy, the Facility's risk management policies and procedures draw on global best practices for multilateral institutions, there is a clear separation of duties between risk-taking units and risk managers, and there is in place a well-designed risk appetite framework.

Prudent Underwriting Policy and Controls

CGIF has established an internal credit rating system to assess the credit risk of the borrowing entity or issuer where ratings are designed to capture default likelihood. CGIF uses fundamental credit analysis rather than pure quantitative models to assess the credit risk of an issuer; its credit assessment process entails the review and analysis of the issuer's ownership and management, business and operating environment, historical and projected financial performance, and cash flows. Each borrowing entity assessed is assigned a rating on a 1 to 10 scale, 7 being the maximum acceptable risk rating. Generally, an internal rating of 7 is expected to correspond to a minimum rating of BB- on an international rating scale. This would map to a minimum investment grade rating on the applicable national rating scale. The risk rating system appears to be sufficiently granular and CGIF's internal ratings may also be augmented by external ratings issued by credit rating agencies to the borrowing entities. Given that CGIF is a newly organized entity, the credit skills of members of its credit underwriting and credit risk management functions and experience are an important factor in MARC's assessment of the adequacy of CGIF's credit risk management infrastructure. CGIF is also expected to continue to enhance its internal credit rating models over time.

The preliminary assessment of an issuer is conducted by the Deal Operations Department (DOD), subsequent to which RMD provides an independent confirmation of the issuer's eligibility. The CRO/RMD is required to sign off on the guarantee underwriting proposal prepared by the DOD, and the CEO's endorsement is required before it can proceed to the next stage, i.e. GIC's review. The GIC's approval is required prior to submission to the Board. MARC notes that the Board does not delegate discretions to approve credit exposures. Only Board-approved guarantee proposals may proceed to the documentation and execution phases.

Accordingly, CGIF's guarantee portfolio is expected to consist of predominantly of bonds with low risk of default. MARC expects CGIF's tight credit process to play a very important part in building a high quality guarantee portfolio.

Sound Proposed Credit Guarantee Pricing Methodology

CGIF's Operational Policies specify that CGIF's guarantee fees are to be market based and reflect the risk of the underlying credit that the Facility is guaranteeing. The Facility is mindful that pricing benefit created by the use of CGIF guarantees needs to be shared with the issuer to justify the latter's use of a CGIF guarantee. The pricing for each guarantee transaction must cover processing costs associated with establishing the guarantee, the transaction's expected loss [probability of default (PD) x loss given default (LGD)] and an element of capital return. MARC believes that the Facility would uphold pricing discipline by operating within the aforementioned pricing model.

Accurate PD and LGD estimates are important for appropriate pricing of the 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 estimating PD and LGD. Refinements to CGIF's estimation of PD and LGD parameters will depend on improved uniformity in PD data and the availability of recovery data over time.

Gradual Building of Portfolio To Reduce Credit Risk Concentrations

Given its initial paid-up capital of US\$700 million, CGIF does not expect to guarantee more than 10 issuers. Hence, CGIF's prudential limits for single, group and sector exposures will be waived until its initial paid-in capital of US\$700 million is fully deployed, i.e. capital to guaranteed portfolio outstanding is 1:1. (CGIF's risk management framework currently sets the Facility's prudential limits for single, group and sector exposures at 20% of its capital.) In its initial phase of operations, CGIF's underwriting guidelines allow the Facility to wrap transactions up to US\$140 million in any one country. The country exposure limit essentially acts as a single transaction limit. CGIF sets the maximum allowable tenure for its guarantees at ten years in May 2012, extending guarantee tenures from the initially envisaged three to five years.

Country exposure limits are set at 20% of CGIF's capital (currently US\$140 million) to ensure diversification of CGIF's exposure to any one country while the currency limit is set at 40% of its paid-in capital (presently US\$280 million).

Sound 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 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 a watch-listed issuer, special mention guarantee or sub-standard - will be subject to close monitoring. The DOD prepares classification reports each time a guarantee is adversely classified or re-classified to a worse level, subsequent to which status reporting on the credit exposures to the GIC and to the Board will have to be undertaken.

Based on CGIF's risk management framework, guarantee loss reserves will be established based on default probabilities associated with CGIF's internal risk ratings (IRR). CGIF retains the right to accelerate the principal claim payments prior to the maturity of the debt issuance upon default of the issuer or maintain the payment schedule of the guaranteed obligations.

Exposure to Currency Risk Stemming From Local Currency Bond Guarantees

Given that CGIF's guaranteed portfolio is expected to comprise credit guarantees on bonds denominated in a wide range of ASEAN currencies, the Facility is exposed to a significant amount of foreign currency risk, arising from the movement of the local currencies vis-à-vis its functional currency of US\$. CGIF operational policies require a marked-to-market adjustment of its guarantees to be conducted weekly to

ensure that the leverage ratio of CGIF is maintained at 1:1. CGIF will either receive its guarantee fees in local currency for the entire tenure of the wrapped bonds upfront or in annual installments. Fees collected in local currency will be immediately converted into US\$.

Foreign exchange provisioning will be determined annually; in the event higher-than-expected depreciation of the US dollar occurs, additional provisioning will be made to ensure CGIF maintains its leverage ratio. With regards to derivative instruments utilized by CGIF to minimise foreign currency risks, the Facility seeks to limit counterparty credit risk by executing transactions within a prudent framework of counterparties with minimum long and short-term credit ratings of AA (including AA-/Aa₃) and the highest short-term rating on an international rating scale, respectively.

When bonds that are not denominated in local currencies are guaranteed by CGIF, the Facility's operational policies require issuers to be naturally hedged in such currencies. Additionally, CGIF may consider financially hedged transactions. The aforementioned policy ensures that the debt service capacity of issuers who are operating in local currency and not earning US\$ will not be adversely affected in the event of currency volatility and expose CGIF to credit and market risks.

Low Market Risk Appetite

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. CGIF's investment guidelines require the average duration of all outstanding investments, including floating rate-based securities, to be within the average tenure of guarantee obligations, which is expected to be about five years.

FUNDING AND LIQUIDITY

CGIF is entirely equity-funded. Its financial policies prohibit borrowings from any source to finance its operations. However, the Facility 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.

The Board through its ICRMC has oversight of CGIF's liquidity and liquidity risk exposure and sets controls on CGIF's exposure to liquidity risk. The CFO, in consultation with the RMD, is responsible for formulating CGIF's liquidity contingency funding plan. CGIF's risk management framework requires liquidity risk to be measured via projected liquidity gaps (difference between cash inflows and outflows) and cumulative liquidity gaps in the next three months from the gap calculation cut-off date to be positive. Guarantee accounts that are designated IRR 8 or worse are assumed to be called on the 6th month or on the contractual due date whichever is earlier. Negative liquidity gaps are to be acted up and an action plan is to be drawn up by the CFO, the implementation of which will be monitored by the GIC.

In addition, if Liquidity Contingency Events (LCE) occurs, the CFO will draw up the liquidity contingency action plan to fund possible liquidity shortfalls. LCEs include guarantee claims, delinquency of coupon or principle payments and downgrading to IRR of 8.5 or worse.

MARC views CGIF's liquidity risk management framework to be satisfactory. The Facility's conservative investment practices that emphasize highly rated fixed-income assets underpin its sound liquidity profile.

CAPITAL ADEQUACY AND MANAGEMENT OF CAPITAL RESOURCES

Key factors underpinning MARC's assessment of CGIF's capitalisation as strong include its high level of paid-in capital which represents 100% of subscribed capital, conservative leverage policy and the expected credit quality of its guarantee portfolio. CGIF's 13 member countries and ADB had contributed 100% of its subscribed initial authorized capital of US\$700.0 million by end-April 2012, somewhat mitigating CGIF's lack of callable capital.

CGIF's capital resources and claims-paying resources are expected to remain adequate relative to its risk exposure in light of its conservative leverage limit of 1:1. CGIF will manage its leverage well within the range over the next two to three years based on the fund's ten-year business plan and financial projections which forecast two transactions per year totalling US\$130 million throughout the ten-year period from 2012 through 2021.

CGIF's capital resources are currently placed with its trustee 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. In December 2011, the Board approved an extension of the maximum tenure of CGIF's investments from three years to five years with an aim to achieve its target investment return of about 1.0% per annum.

All investments should be liquid, that is, there should be minimal market price changes when sold. Allowable investments as per CGIF's operational policy are US dollar denominated securities representing sovereign and sovereign-backed securities, securities issued by multilateral organizations, corporate securities, obligations of banks and other financial institutions and derivative instruments for covering risk hedges. As of end-December 2012, CGIF's investments comprised US\$88 million of time deposits and US\$618 million of very highly rated fixed-income securities. CGIF's fixed-income investment portfolio was comprised of mostly securities with international scale long-term ratings in the AAA and AA rating bands and securities with a short-term rating of A1/P1.

FINANCIAL PERFORMANCE

CGIF commenced its guarantee operations on May 1, 2012 and is working towards closing its maiden guarantee transaction. Its revenue of US\$292,000 and US\$8 million for the period November 12 to December 31, 2010 and for the year ended December 31, 2011, respectively, were generated from its investments. Its expenses for 2011 reflect a pre-optional phase.

Although not entirely profit-oriented, CGIF is expected to conduct its business profitably. Considering the difficulty associated with projecting its performance with a high degree of precision, MARC draws comfort from the Facility's conservative projection of its guarantee fees, investment income and number of transactions guaranteed. CGIF's projected cash resources exceed the sum of expected claims and other payments in any given year even when the assumed default rate rises from one-in-ten to two-in-ten transactions and its leverage is maintained within a leverage limit of 1:1.

MANAGEMENT

CGIF's updated organization plan provides for staff strength of 17 positions by the end of the second quarter of 2012, comprising four executive staff (CEO, CRO, VP of Operations and CFO), six professionals and up to seven support staff positions. Kiyoshi Nishimura, CEO, is a seasoned development banker who was formerly acting director of European Bank for Reconstruction and Development's Financial Institutions Business Group. He has also held senior positions at the Japan Bank for International Cooperation, Export-Import Bank of Japan and the International Monetary Fund. He is supported by Aarne Dimanlig, Chief Risk Officer and Boo Hock Khoo, CGIF's Vice President overseeing its operations, both of whom possess respectable backgrounds in risk management and financial guarantee operations, respectively. The depth of CGIF's executive team and strong operational support from ADB should place the Facility on a sound footing as a new entrant to the financial guarantee sector.

STRENGTH OF MEMBER SUPPORT

Over 90% of CGIF's capital is owned by highly creditworthy member countries rated single A and above on an international scale (PRC, Japan, Republic of Korea, Malaysia and Singapore) and AAA-rated supranational ADB. In the remote scenario of a near-term call for capital from CGIF's contributors, MARC believes that the likelihood that support will be extended is very high taking into account the financial strength of its major contributors and their past demonstrated commitment to the ABMI and other complementary initiatives such as the Asian Bond Fund.

The unique status of CGIF as a trust fund of a multilateral development institution and key component of ABMI is expected to elicit continued support from its key contributors, given their historically demonstrated commitment to regional cooperation initiatives related to bond market development.

SHAREHOLDING AND GOVERNANCE INFORMATION

BOARD OF DIRECTORS

Mr. Xinqiang Zhu (Chairman)
Mr. Chen Shixin
Mr. Zenko Shinoyama
Mr. Kouji Kawashima
Mr. June Shik Moon
Ms. Chularat Suteethorn
Mr. Kiyoshi Nishimura (Chief Executive Officer)

CONTRIBUTORS

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

MANAGEMENT

Kiyoshi Nishimura	Chief Executive Officer
Aarne Dimanlig	Chief Risk Officer
Boo Hock Khoo	Vice President, Operations
TongSop Song	Chief Financial Officer

AUDITORS

Deloitte Touche LLP, Singapore

REGISTERED OFFICE

CREDIT GUARANTEE AND INVESTMENT FACILITY

37/F Oakwood Building
Joy Nostalg Centre
17 ADB Avenue, Ortigas Center
Pasig City, 1600 Manila
Philippines

**CREDIT GUARANTEE AND INVESTMENT FACILITY
STATEMENT OF FINANCIAL POSITION**

(USD'000)

Financial Year Ending : December 31

ASSETS:

	2011	2010
Cash	1,325	1
Time deposits	264,716	35,159
Investments	419,626	613,338
Receivable from swaps	-	596,416
Accrued Revenue	1,590	467
Other Assets	310	-

TOTAL ASSETS

687,567 1,245,381

LIABILITIES & MEMBER'S EQUITY

Payable for swaps	0	613,612
Payable to other fund	28	-
Accrued expenses	289	-
Other Liabilities	670	-

TOTAL LIABILITIES

987 613,612

MEMBERS' EQUITY

Capital stock	681,099	631,100
(Unrealised loss on sale of investment)	(1,051)	(12)
Retained Earnings	6,532	681

686,580 631,769

TOTAL

687,567 1,245,381

n.m. : not meaningful

**CREDIT GUARANTEE AND INVESTMENT FACILITY
STATEMENT OF NET INCOME**

(USD'000)

Financial Year Ending : December 31

	2011	2010
REVENUE :		
Interest income on investments	3,414	228
Net realised gains from investments	3,640	-
Others	484	64
	7,538	292
EXPENSES:		
Administrative expenses	603	-
Financial expenses	17	-
Depreciation expenses	2	-
Other miscellaneous expenses	670	-
	1,292	-
TOTAL OPERATING INCOME	6,246	292
CHANGES IN FAIR VALUE OF DERIVATIVES	(388)	389)
TRANSLATION LOSS	(7)	0)
NET INCOME	5,851)	681)
OTHER COMPREHENSIVE INCOME		
Unrealised (Loss)/Gain on AFS Investments	(1,039)	(12)
TOTAL COMPREHENSIVE INCOME	4,812	669

**CREDIT GUARANTEE AND INVESTMENT FACILITY
STATEMENT OF CASH FLOWS**

(USD'000)

Financial Year Ending : December 31

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	671	205
Financial expenses paid	(17)	-
Expenses paid	(318)	-
Other assets purchased	(72)	-
Net Cash Provided by Operating Activities	264	205
 CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments purchased/sold	(48,731)	(631,305)
Purchase of furniture & equipment	(208)	0)
Net Cash Used in Investing Activities	(48,939)	(631,305)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received	49,999	631,000
Net Cash Provided by Financing Activities	49,999	631,000
 Net Increase in Cash	1,324	1
Cash at Beginning of Year	1	-
Cash at End of Year	1,325	1

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 C 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.

SHORT-TERM RATINGS

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.

RATING OUTLOOK

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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MALAYSIAN RATING CORPORATION BERHAD (Company No. : 364803 V)
5th Floor, Bangunan Malaysian Re, No 17 Lorong Dungun, Damansara Heights, 50490 KUALA LUMPUR
Tel: [603] 2082 2200 Fax: [603] 2094 9397 E-mail: marc@marc.com.my
H-page : www.marc.com.my