Research Update:

Credit Guarantee and Investment Facility 'AA+/A-1+' Foreign Currency Ratings Affirmed; Outlook Stable

Primary Credit Analyst:
Takahira Ogawa, Singapore (65) 6239-6342; takahira.ogawa@standardandpoors.com

Secondary Contact:
Philip P Chung, CFA, Singapore (65) 6239-6343; philip.chung@standardandpoors.com

Table Of Contents

Overview
Rating Action
Rationale
Outlook
Related Criteria And Research
Ratings List
Research Update:
Credit Guarantee and Investment Facility
'AA+/A-1+' Foreign Currency Ratings Affirmed; Outlook Stable

Overview

- The ratings on CGIF reflect CGIF's mandate from ASEAN+3 countries to help develop local bond markets, the entity's conservative guarantee and investment strategies, and operational support during the start-up phase from its 18.6% owner AsDB.
- CGIF lacks an established track record and faces concentration risk.
- We are affirming our 'AA+/A-1+' foreign currency and 'axAAA' ASEAN regional scale ratings on CGIF.
- The stable outlook reflects our expectation that CGIF will develop its business cautiously, with guidance from the AsDB, and that the entity will adhere to prudent capital and liquidity guidelines.

Rating Action

On June 5, Standard & Poor's Ratings Services affirmed its 'AA+' long-term and 'A-1+' short-term foreign currency ratings on Credit Guarantee and Investment Facility (CGIF). The outlook on the long-term rating is stable. We also affirmed our 'axAAA' long-term ASEAN regional scale rating on CGIF, which is a trust fund of Asian Development Bank (AsDB), which also has a 18.6% shareholding in CGIF.

Rationale

The ratings on CGIF are supported by the entity's 100% capital coverage of its insurance obligations, its mandate to help develop local and regional currency debt markets in the ASEAN region, and its close ties with AsDB. CGIF will provide guarantees for bonds issued by entities domiciled in the 10 countries that are members of the Association of Southeast Asian Nations (ASEAN) and China, Japan, and Korea, where the bonds are mainly denominated in ASEAN currencies. According to CGIF's strategy, if the entity decides to extend guarantees exceeding its capital base, it will re-insure all such guarantees with insurers rated at least 'AA'.

CGIF's main functions as the guarantor of ASEAN currency bonds are: (1) to manage currency mismatches between the financing currency and the currency which the obligor uses in most of its operations; and (2) to facilitate longer-term bond issuance. CGIF also helps facilitate bond market access for companies and projects seeking to enter regional financial markets outside...
their home countries.

CGIF's lack of a track record and concentration risk constrain the ratings. There is no clear emergency support mechanism for CGIF because the articles of agreement limit shareholders' obligation to their participating capital. However, the risk on management of capital is relatively limited because CGIF invests in liquid assets rated 'AA-' or 'A-1' or higher for long- and short-term debts, respectively. While CGIF has concentration risk to the 10 countries in ASEAN as well as China, Japan, and Korea (ASEAN+3 countries), given its relatively small operations, the risk is likely to diminish as the entity expands.

Except for AsDB, CGIF's other shareholders are sovereign governments or government-related entities of the countries in which CGIF operates. CGIF aims to promote economic development and capital market resilience by helping to develop deep and liquid ASEAN currency bond markets.

**Outlook**

The stable outlook reflects our expectation that CGIF will develop its business cautiously, with guidance from AsDB and influence from conservative government shareholders. We also expect the trust to adhere to prudent capital and liquidity guidelines.

We could raise the ratings if CGIF maintains conservative operations, keeps its risk exposures low, and develops a favorable track record over the medium-to long-term. We could lower the ratings if a significantly more aggressive business strategy, weak asset quality, low profitability, or other developments such as increasing currency risks weigh on CGIF's financial performance or weaken its mandate.

**Related Criteria And Research**

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

**Ratings List**

Ratings Affirmed

Credit Guarantee and Investment Facility
Issuer Credit Rating
Foreign Currency AA+/Stable/A-1+
ASEAN Regional Scale axAAA/--/--

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com/ratingsdirect
www.standardandpoors.com. Use the Ratings search box located in the left column.
No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT’S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P’s opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.