

RatingsDirect®

Credit Guarantee and Investment Facility

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Credit Guarantee and Investment Facility

Major Rating Factors

Strengths:

- Strong capital coverage of guarantee obligations
- Strong mandate to help develop local and regional currency debt markets in the ASEAN region

Weaknesses:

- Lack of track record

Issuer Credit Rating

Foreign Currency

AA+/Stable/A-1+

ASEAN Regional Scale

axAAA/--/--

Rationale

The ratings on Credit Guarantee and Investment Facility (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 Association of Southeast Asian Nations (ASEAN) region, and its close ties with Asian Development Bank (AsDB). CGIF provides guarantees for bonds issued by entities domiciled in the 10 ASEAN member countries and China, Japan, and Korea, where the bonds are mainly denominated in one of the ASEAN currencies. According to CGIF's strategy, if the facility decides to extend guarantees exceeding its capital base, it will reinsure 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 facilitates 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 the 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, 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 facility to adhere to prudent capital and liquidity guidelines.

We may 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 may 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

Table 1

Credit Guarantee And Investment Facility--Assets And Liabilities		
('000, US\$)	2011	2012
Cash	1,325	1,709
Investment	684,342	709,091
Government or government guaranteed obligations	419,626	621,091
Time deposits	264,716	88,000
Accrued revenue	1,590	2,903
Other assets	310	993
Total assets	687,567	714,696
Liabilities and membership equity		
Payable to other fund	28	12
Accrued expenses	289	127
Other liabilities	670	696
Total liabilities	987	835
Membership equity		
Capital stock	700,000	700,000
Subscribed capital	681,099	700,000
Less receivables from contributors	18,901	0
Unrealized gain (loss) on available for sale investments	(1,051)	3,220
Reserves		6,532
Retained earning	6,532	4,109
Total members' equity	686,580	713,861
Total liabilities and membership equity	687,567	714,696

Table 2

Credit Guarantee And Investment Facility--Profit And Loss		
('000, US\$)	2011	2012
Revenue		
Interest income on investments	3,414	8,008
Net realized gains from investments	3,640	0
Others	484	1
Total revenue	7,538	8,009
Expenses		
Administrative expenses	603	2,937
Financial expenses	17	37
Depreciation	2	234
Others	670	696
Total expenses	1,292	3,904
Total operating income	6,246	4,105
Changes in fair value of derivatives	(388)	0
Translation gain (loss)	(7)	4
Net income	5,851	4,109

Ratings Detail (As Of October 24, 2013)

Credit Guarantee and Investment Facility

Issuer Credit Rating

Foreign Currency

AA+/Stable/A-1+

ASEAN Regional Scale

axAAA/--/--

Issuer Credit Ratings History24-May-2012 *Foreign Currency*

AA+/Stable/A-1+

24-May-2012 *ASEAN Regional Scale*

axAAA/--/--

Related Entities**Asian Development Bank**

Issuer Credit Rating

Foreign Currency

AAA/Stable/A-1+

Commercial Paper

Foreign Currency

A-1+

Senior Unsecured

Greater China Regional Scale

cnAAA

Senior Unsecured

AAA

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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