

# **Deloitte.**

**CREDIT GUARANTEE AND  
INVESTMENT FACILITY  
(Asian Development Bank - Trustee)**

**INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED  
31 DECEMBER 2012 AND 2011**

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## **INDEPENDENT AUDITORS' REPORT**

### **TO THE BOARD OF DIRECTORS OF CREDIT GUARANTEE AND INVESTMENT FACILITY**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Credit Guarantee and Investment Facility, which comprise the statement of financial position as at 31 December 2012 and 2011 and the statement of net income, the statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

#### **Auditor's Responsibility**

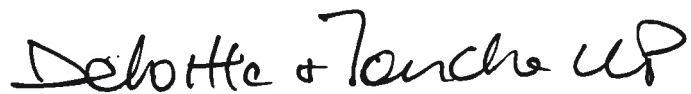
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Credit Guarantee and Investment Facility as at 31 December 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Public Accountants and  
Certified Public Accountants

Singapore  
21 March 2013

**CREDIT GUARANTEE AND INVESTMENT FACILITY**  
**(ASIAN DEVELOPMENT BANK - TRUSTEE)**  
**STATEMENT OF FINANCIAL POSITION**  
**31 December 2012 and 2011**  
Expressed in Thousands of United States Dollars

	<b>2012</b>		<b>2011</b>	
<b>ASSETS</b>				
CASH	\$	1,709	\$	1,325
INVESTMENTS (Note D)				
Government or government-guaranteed obligations	\$	621,091	\$	419,626
Time deposits		88,000	709,091	264,716
		<u>709,091</u>		<u>684,342</u>
ACCRUED REVENUE				
From government or government-guaranteed obligations		2,893		1,588
From time deposits		10	2,903	2
		<u>2,903</u>		<u>1,590</u>
FURNITURE & EQUIPMENT		688		222
Less: Allowance for depreciation		235	453	2
		<u>453</u>		<u>220</u>
OTHER ASSETS (Note F)		540		90
<b>TOTAL</b>	<b>\$</b>	<b>714,696</b>	<b>\$</b>	<b>687,567</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>				
PAYABLE TO OTHER FUND (Note H)	\$	12	\$	28
ACCRUED EXPENSES (Note G)		127		289
OTHER LIABILITIES (Note H)		696		670
		<u>835</u>		<u>987</u>
<b>TOTAL LIABILITIES</b>		<b>835</b>		<b>987</b>
<b>MEMBERS' EQUITY (CGIF-4)</b>				
CAPITAL STOCK (Note I)				
Subscribed capital		700,000		700,000
Less: Receivable from contributors		-		18,901
		<u>700,000</u>		<u>681,099</u>
UNREALIZED GAIN (LOSS) ON AVAILABLE FOR SALE INVESTMENTS (Note D)		3,220		(1,051)
RESERVE (Note K)		6,532		-
RETAINED EARNINGS		4,109		6,532
		<u>713,861</u>		<u>686,580</u>
<b>TOTAL MEMBERS' EQUITY</b>		<b>713,861</b>		<b>686,580</b>
<b>TOTAL</b>	<b>\$</b>	<b>714,696</b>	<b>\$</b>	<b>687,567</b>

The accompanying notes are an integral part of these financial statements (CGIF-6).

**CREDIT GUARANTEE AND INVESTMENT FACILITY**  
**(ASIAN DEVELOPMENT BANK - TRUSTEE)**  
**STATEMENT OF NET INCOME**  
**For the years ended 31 December 2012 and 2011**  
Expressed in Thousands of United States Dollars

	<b>2012</b>	<b>2011</b>
<b>REVENUE</b>		
Interest income on investments	\$ 8,008	\$ 3,414
Net realized gains from investments	-	3,640
Others	<u>1</u>	<u>484</u>
<b>TOTAL REVENUE</b>	<b><u>8,009</u></b>	<b><u>7,538</u></b>
<b>EXPENSES</b>		
Administrative expenses	2,937	603
Financial expenses	37	17
Depreciation expenses	234	2
Other miscellaneous expenses (Note H)	<u>696</u>	<u>670</u>
<b>TOTAL EXPENSES</b>	<b><u>3,904</u></b>	<b><u>1,292</u></b>
Total operating income	4,105	6,246
CHANGES IN FAIR VALUE OF DERIVATIVES (Note E)	-	(388)
TRANSLATION GAIN (LOSS)	<u>4</u>	<u>(7)</u>
<b>NET INCOME</b>	<b><u>\$ 4,109</u></b>	<b><u>\$ 5,851</u></b>

The accompanying notes are an integral part of these financial statements (CGIF-6).

**CREDIT GUARANTEE AND INVESTMENT FACILITY**  
**(ASIAN DEVELOPMENT BANK - TRUSTEE)**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**For the years ended 31 December 2012 and 2011**  
Expressed in Thousands of United States Dollars

	<u>2012</u>	<u>2011</u>
NET INCOME	\$ 4,109	\$ 5,851
OTHER COMPREHENSIVE INCOME		
Unrealized gain (loss) on available for sale investments (Note D)	4,271	(1,039)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 8,380</b>	<b>\$ 4,812</b>

The accompanying notes are an integral part of these financial statements (CGIF-6).



**CREDIT GUARANTEE AND INVESTMENT FACILITY  
(ASIAN DEVELOPMENT BANK - TRUSTEE)  
STATEMENT OF CHANGES IN MEMBERS' EQUITY  
For the years ended 31 December 2012 and 2011  
Expressed in Thousands of United States Dollars**

	Subscribed Capital	Receivable from Contributors	Unrealized (Loss) / Gain on Available for Sale Investments	Reserve	Retained Earnings	Total Members' Equity
<b>Balance, 1 January 2011</b>	\$ 674,700	\$ (43,600)	\$ (12)	\$ -	\$ 681	\$ 631,769
Subscriptions to capital stock and payment	25,300	24,699				49,999
Net income for the period					5,851	5,851
Other comprehensive income						
Net unrealized investment holding loss during the period			(1,039)			(1,039)
<b>Balance, 31 December 2011</b>	<b>700,000</b>	<b>(18,901)</b>	<b>(1,051)</b>	<b>-</b>	<b>6,532</b>	<b>686,580</b>
Payment of subscriptions		18,901				18,901
Net income for the period					4,109	4,109
Allocation of prior year income to reserve				6,532	(6,532)	-
Other comprehensive income						
Net unrealized investment holding gain during the period			4,271			4,271
<b>Balance, 31 December 2012</b>	<b>\$ 700,000</b>	<b>\$ -</b>	<b>\$ 3,220</b>	<b>\$ 6,532</b>	<b>\$ 4,109</b>	<b>\$ 713,861</b>

The accompanying notes are an integral part of these financial statements (CGIF-6).

**CREDIT GUARANTEE AND INVESTMENT FACILITY**  
**(ASIAN DEVELOPMENT BANK - TRUSTEE)**  
**STATEMENT OF CASH FLOWS**  
**For the years ended 31 December 2012 and 2011**  
Expressed in Thousands of United States Dollars

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Expenses paid	(3,549)	(318)
Other assets paid	(671)	(71)
Financial expenses paid	(37)	(17)
<b>Net Cash Used in Operating Activities</b>	<b>(4,257)</b>	<b>(406)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(3,915,326)	\$ (17,485,727)
Sales/maturities of investments	3,890,586	17,448,196
Interest received on investments	10,955	2,939
Payment for swaps	-	(17,100)
Gain on sale of investments	-	3,640
Purchase of furniture & equipment	(480)	(208)
<b>Net Cash Used in Investing Activities</b>	<b>(14,265)</b>	<b>(48,260)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions received	18,901	49,999
<b>Net Cash Provided by Financing Activities</b>	<b>18,901</b>	<b>49,999</b>
Effect of exchange rate changes on cash	5	(9)
Net Increase in Cash	384	1,324
Cash at Beginning of Period	1,325	1
<b>Cash at End of Period</b>	<b>\$ 1,709</b>	<b>\$ 1,325</b>
<b>RECONCILIATION OF NET INCOME TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Net income (CGIF-2)	\$ 4,109	\$ 5,851
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	234	2
Interest income on investments	(8,008)	(3,414)
Gain on sale of investments	-	(3,640)
Revenue-others	-	(484)
Changes in fair value of derivatives	-	388
Translation (gain) loss	(4)	7
Change in other assets	(450)	(72)
Change in payable to other fund	(16)	10
Change in accrued expenses	(148)	276
Change in other liabilities	26	670
<b>Net Cash Used in Operating Activities</b>	<b>\$ (4,257)</b>	<b>\$ (406)</b>

The accompanying notes are an integral part of these financial statements (CGIF-6).

**CREDIT GUARANTEE AND INVESTMENT FACILITY  
(ASIAN DEVELOPMENT BANK – TRUSTEE)****NOTES TO FINANCIAL STATEMENTS  
31 December 2012 and 2011****NOTE A—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 investment rated corporations 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 as adopted by the Contributors. The Asian Development Bank (ADB) is the Trustee of CGIF and holds in trust and manages all CGIF funds and other property only for the purposes of, and in accordance with the provisions of the Articles of Agreement. Based on the Article 13.2 of the Articles of Agreement of CGIF, the privileges, immunities and exemption accorded to ADB pursuant to the Agreement Establishing the ADB shall apply to (i) the trustee, (ii) 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, Japan, People's Republic of China, and Republic of Korea (ASEAN+3) and ADB (see Note I). Ownership rights are in proportion to capital contributions. The authorized capital of CGIF is US\$700,000,000, divided into 7,000 shares with a nominal value of US\$100,000 each. All such shares are subscribed and fully paid in by the contributors as at 31 December 2012.

**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of CGIF have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

*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 investment-grade ASEAN+3 corporations in undertaking infrastructure and other longer term projects in ASEAN. 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 year are recognized at applicable exchange rates as of the respective dates of commitment. At the end of each accounting month, 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 exchange gains or losses and are credited or charged to operations.

### *Cash*

Cash represents cash or deposit in an interest bearing money account.

### *Investments*

All investment securities and negotiable certificate of deposits by CGIF are considered to be "Available for sale" and are reported at fair value. Time deposits are reported at cost which is a reasonable estimate of fair value. Unrealized gains and losses are reported as part of "Other Comprehensive Income". Investment securities are recorded on their trade dates. Realized gains and losses are included in revenue from investments and are measured by the difference between amortized cost and the net proceeds of sales.

Interest income on investment securities and time deposits are recognized as earned and reported net of amortization of premiums and discounts. Interest is accrued on a timely basis, by reference to the principal outstanding and at the applicable effective interest rate.

Unrealized losses on investment securities are assessed to determine whether the impairment is deemed to be other than temporary. If the impairment is deemed to be other than temporary, the investment would be written down to impairment value, which becomes the new cost basis of the investments. Impairment losses are reversed for subsequent recoveries in the value of the investments, until it is sold.

### *Derivative Financial Instruments*

Derivative instruments may be used to cover risk hedges and are recorded in the Statement of Financial Position on settlement dates as either assets or liabilities measured at fair value, and changes in the fair value are recognized in net income.

### *Furniture and Equipment*

Furniture and equipment are stated at cost and depreciated over estimated useful lives (4 to 7 years) on a straight-line basis. Maintenance, repairs and minor betterments are charged to expense.

### *Subscribed Capital*

Each contributor subscribed by depositing with the Trustee a duly completed Instrument of Acceptance. Contributions are included in the financial statements from the date of the signing of the Instrument of Acceptance.

### *Receivable from Contributors*

Receivable from Contributors represents outstanding subscribed contributions from members of shares at the nominal value of US\$100,000 each. Each contributor should pay in full for the number of shares subscribed no later than two years following the entry into force of the Articles of Agreement. As at 31 December 2012, all shares were paid in full.

### *Fair Value of Financial Instruments*

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by CGIF is the current bid price. When CGIF holds derivatives with offsetting market risks it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking prices to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. CGIF uses a variety of methods and makes assumptions that are based on market conditions existing at each year end date. Valuation techniques used for non-standardized financial instruments such as currency swaps and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

The carrying value of other receivables and payables are assumed to approximate their fair values.

CGIF classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- 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) (Level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

#### *Segment Reporting*

CGIF is a credit guarantee and investment facility established to develop and strengthen local currency and regional bond markets, so that investment-rated 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.

#### *Critical Accounting Estimates and Judgment*

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires exercising judgment in the process of applying the CGIF's accounting policies and determining the fair value of financial instruments. 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 D, E and J. Since the estimates are based on judgment and available information, actual results may differ and might have a material impact on the financial statement.

#### *Accounting and Reporting Developments*

In November 2009, the IASB issued a revised version of IAS 24, *Related Party Disclosures*. The revised standard clarifies and simplifies the definition of a related party. It also provides partial exemptions to reporting entities from the related party disclosure requirements in relation to transactions and outstanding balances (including commitments) with government-related entities. The revised standard is effective for annual periods beginning on or after 1 January 2011 and should be applied retrospectively. The updates in this standard did not have an impact on CGIF's financial statements as of 31 December 2012 and 2011.

In 2009, the IASB issued IFRS 9 *Financial Instruments* as part of a comprehensive project to replace IAS 39 *Financial Instruments: Recognition and Measurement*, which was subsequently updated in 2010. IFRS 9 focuses on classification and measurement of financial assets where it retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. IFRS 9 also added requirements for classification and measurement of financial liabilities, where the requirements related to the fair value option for financial liabilities were changed to address own credit risk. IFRS 9 is effective for annual periods beginning on or after 1 January 2015, but may be applied earlier. CGIF is currently assessing the impact of this standard on its financial statements.

In May 2011, the IASB issued IFRS 13 *Fair Value Measurement*. IFRS 13 is a single source of fair value measurement guidance that clarifies the definition of fair value, provides a clear framework for measuring fair value and enhances disclosures about fair value measurements. IFRS 13 does not introduce new fair value measurements; it specifies how an entity should disclose information about fair value measurements. This standard is effective for annual periods beginning on or after 1 January 2013, but earlier application is permitted. CGIF is currently assessing the impact of this standard on its financial statements.

In June 2011, the IASB issued *Presentation of Items of Other Comprehensive Income (OCI)* (Amendments to IAS 1). The main amendments require an entity to group items presented in OCI on the basis of whether they will be reclassified subsequently to profit or loss (when specific conditions are met) or not. The updates are effective for annual periods beginning on or after 1 July 2012. CGIF is currently assessing the impact of this standard on its financial statements.

## NOTE C—RISK MANAGEMENT

CGIF's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The investment manager manages these risks based on the operational policies approved by the Contributors.

### *Market Risk*

*Market risk* represents the potential loss that could result from adverse market movements. The main driver for market risk for CGIF is interest rate risk. Interest rate risk is primarily the sensitivity of income on assets funded by equity resources to changes in interest rates. CGIF's principal interest rate risk management is to generate a stable overall interest income that is not overly sensitive to sharp changes in interest rates, but yet adequately responsive to general market trends. This is achieved by continuously adjusting the repricing profile of the assets to match current liquidity needs against interest yields on the investments.

Following the revision of CGIF's investment guidelines in November 2011, the allowable duration of all outstanding investments, including floating rate-based securities, was extended from 3 years to 5 years to be within the expected average tenor of guarantee obligations, which is expected to be about 5 years. As of 31 December 2012, CGIF investment portfolio was invested with maturities up to 3 years, with an average modified duration of 1.0 year. CGIF investments are sensitive to interest rate movements. A parallel 100 basis points (bps) upward shift in the yield curve at the portfolio level is estimated to generate an unrealized loss of about \$6.9 million for the fixed income securities.

### *Credit Risk*

The investment policy mandates all short term obligations must be rated at least A-1 and all long term instruments must be rated at least AA-, by international credit rating agencies. The depository banks which are selected for CGIF's deposits satisfy the requirements in the investment policy, and have either a long term credit rating of AA- or short term credit rating of A-1. CGIF applies the same investment policy to the government or government-guaranteed obligations, and the underlying credit ratings for the portfolio are at least AA- if they are over 1 year or A-1 if they are within 1 year. Generally, the credit risk involved in investments is considered low.

### *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 periodic basis. As CGIF has not issued any guarantees as of 31 December 2012, it has not performed any stress test on potential claims.

*Other Operating Risks*

In the normal course of business, CGIF may utilize derivative instruments to cover risk hedges. These derivative instruments are used to minimize foreign exchange rate risks in managing its balance sheet. These derivative instruments involve, to varying degrees, the risk that the counterparty to the transaction may be unable to meet its obligation to CGIF. Given the nature of CGIF's operations, it is not possible to eliminate counterparty credit risk; however, CGIF minimizes this risk by executing transactions within a prudent framework of approved counterparties with minimum credit rating standards.

**NOTE D—INVESTMENTS**

The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB administers CGIF's investments and seeks the highest possible returns on its investments while minimizing volatility of investment income.

The composition of the investment portfolio as of 31 December 2012 and 2011 are as follows:

Investments	31 December 2012	31 December 2011
	US Dollar	US Dollar
Government or government-guaranteed obligations	\$ 621,091,000	\$ 419,626,000
Time deposits	88,000,000	264,716,000
Total	<u>\$ 709,091,000</u>	<u>\$ 684,342,000</u>

The annualized rate of return on the average investments held during the year ended 31 December 2012, based on the portfolio held at the beginning and end of each month and after incorporating the effect of change in fair value was 1.74% (0.91% - December 2011).

The estimated fair value and amortized cost of the investments by contractual maturity as of 31 December 2012 and 2011 are as follows:

	31 December 2012		31 December 2011	
	Estimated Fair		Estimated Fair	
	Value	Amortized Cost	Value	Amortized Cost
Due in one year or less	\$ 378,140,000	\$ 377,998,000	\$ 428,948,000	\$ 428,948,000
Due in one to five years	330,951,000	327,874,000	255,394,000	256,445,000
Total	<u>\$ 709,091,000</u>	<u>\$ 705,872,000</u>	<u>\$ 684,342,000</u>	<u>\$ 685,393,000</u>

**NOTE E—DERIVATIVES**

CGIF reports changes in the fair value of its derivative instruments as part of net unrealized gains and losses in its statement of net income. Interest income, expenses, and related amortization of discounts, premiums, and fees are reported as part of revenue and expenses. These are summarized below:

Income from Investment Related Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives	
	31 December 2012	31 December 2011
	Revenue - others	\$ -
Changes in fair value of derivatives	-	(388,000)
	<u>\$ -</u>	<u>\$ 96,000</u>

**NOTE F—OTHER ASSETS**

Other assets amounting to \$540,000 (\$90,000 - 2011) pertain to prepaid office rentals, subscriptions and licenses; security deposit; and advances made by CGIF for staff benefits and costs in connection with the start-up of CGIF operation-related initiatives. (See Note H.)

**NOTE G—ACCRUED EXPENSES**

Accrued expenses amounting to \$127,000 (\$289,000 - 2011) pertain to administrative expenses incurred during the year but not yet paid.

**NOTE H—RELATED PARTY TRANSACTIONS**

CGIF utilizes certain services from ADB including treasury and accounting services as may be agreed with the Chief Executive Officer from time to time.

As of 31 December 2012, Other Assets include receivables from an ADB trust fund amounting to \$148,000 (nil - 2011) for consulting services and a rating model from S&P advanced by CGIF. Payable to Other Fund represents payables to ADB (OCR) amounting to \$12,000 (\$28,000 - 2011) for the audit fees and salary of contractual staff advanced by ADB (OCR).

Other liabilities and other miscellaneous expenses pertain to the provision for ADB's administration fee which is equivalent to 10 bps of the average quarterly balance of contributions received as of the end of the year.

**NOTE I—MEMBERS' EQUITY**

Equity is composed of capital stock and retained earnings and is consistent with prior year.

The capital stock of CGIF as of 31 December 2012 and 2011 are as follows (in thousands):

	2012	2011
Capital Stock - \$100,000 nominal value		
Authorized		
\$700,000,000 (7,000 shares) - 2012 and 2011		
Subscribed		
7,000 shares in 2012 and 2011	\$700,000	\$700,000
Subscriptions Receivable		
0 share in 2012 and 189 shares in 2011	-	(18,901)
Balance at the end of the year		
7,000 shares in 2012 and 6,811 shares in 2011	\$700,000	\$681,099

Each contributor shall subscribe by depositing with ADB a duly completed Instrument of Acceptance.

Capital stock of \$700 million have been fully subscribed as of 31 December 2011.



The subscribed capital for CGIF as of 31 December 2012 and 2011 are as follows:

Contributor	No. of Shares	Amount
Asian Development Bank	1,300	\$ 130,000,000
ASEAN Member Countries		
Brunei Darussalam	56	5,600,000
Cambodia	1	100,000
Indonesia	126	12,600,000
Lao People's Democratic Republic	1	100,000
Malaysia	126	12,600,000
Myanmar	1	100,000
Philippines	126	12,600,000
Singapore	126	12,600,000
Thailand	126	12,600,000
Viet Nam	11	1,100,000
	700	70,000,000
Others (non-ASEAN Member Countries (+3))		
China, People's Republic of	2,000	200,000,000
Japan Bank for International Cooperation	2,000	200,000,000
Korea, Republic of	1,000	100,000,000
	5,000	500,000,000
Total	7,000	\$ 700,000,000

#### NOTE J— FAIR VALUE HIERARCHY

Assets and liabilities measured at fair value on a recurring basis as of 31 December 2012 and 2011:

	31 December 2012	Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets				
Investments				
Government or government-guaranteed obligations	\$ 621,091,000	\$ 279,997,000	\$ 291,106,000	\$ 49,988,000
Time deposits	88,000,000	-	88,000,000	-
Total Assets at Fair Value	\$ 709,091,000	\$ 279,997,000	\$ 379,106,000	\$ 49,988,000

	31 December 2011	Fair Value Measurements		
		Level 1	Level 2	Level 3
Assets				
Investments				
Government or government-guaranteed obligations	\$ 419,626,000	\$ 228,840,000	\$ 190,786,000	\$ -
Time deposits	264,716,000	-	264,716,000	-
Total Assets at Fair Value	\$ 684,342,000	\$ 228,840,000	\$ 455,502,000	\$ -

Assets (liabilities) measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as of 31 December 2012 (none in 31 December 2011):

	Government or government-guaranteed obligations
Balance, 1 January 2012	\$ -
Total gains (losses) - (realized/unrealized)	
Included in earnings (or changes in net assets)	-
Included in other comprehensive income	(12,000)
Purchases	50,000,000
Sales/ Maturities	-
Settlement and others	-
Transfers into Level 3	-
Transfers out of Level 3	-
Balance, 31 December 2012	<u>\$ 49,988,000</u>

The amount of total gains (losses) for the period recognized in other comprehensive income attributable to the change in net unrealized gains or losses relating to assets/liabilities still held at the reporting date

\$ 12,000

As of 31 December 2012, CGIF has one financial instrument that is measured using significant unobservable inputs (Level 3). There were no transfers of financial instruments between Level 1, 2 and 3 during the year ended 31 December 2012 and 2011.

#### NOTE K— RESERVE

In May 2012, the contributors approved the allocation of net income for 2010 and 2011 of \$6,532,000 to Reserve.

#### NOTE L— SUBSEQUENT EVENTS

ADB has evaluated subsequent events after 31 December 2012 through 21 March 2013, the date these Financial Statements are available for issuance. As a result of this evaluation, there are no subsequent events, as defined, that require recognition or disclosure in the CGIF's Financial Statements as of 31 December 2012.