

Research Update

May 24, 2012

Research Update:

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

Primary Credit Analyst:

Takahira Ogawa, Singapore (65) 6239-6342;takahira_ogawa@standardandpoors.com

Secondary Contact:

Paul Clarkson, Hong Kong (852) 2533-3594;paul_clarkson@standardandpoors.com

Table Of Contents

Overview

Rating Action

Rationale

Outlook

Related Criteria And Research

Ratings List

Research Update:

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

Overview

- The rating on CGIF reflects our view of the facility's conservative guarantee and investment strategies, as well as 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 assigning our 'AA+/A-1+' foreign currency ratings and 'axAAA/--' ASEAN scale rating on CGIF.
- The stable outlook reflects our expectation that CGIF will develop its business cautiously and that the facility will adhere to prudent capital and liquidity guidelines.

Rating Action

On May 25, 2012, Standard & Poor's Ratings Services assigned its 'AA+' long-term and 'A-1+' short-term foreign currency ratings on Credit Guarantee and Investment Facility (CGIF). The outlook is stable. We also assigned our 'axAAA/--' ASEAN scale rating on the facility. CGIF is a trust fund established by the Asian Development Bank (AsDB; foreign currency AAA/Stable/A-1+), which is the facility's 18.6% owner.

Rationale

The ratings on CGIF are supported by the facility'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 AsDB. CGIF will provide guarantees for bonds issued by entities domiciled in the 10 countries that are members of ASEAN, and China, Japan, and Korea, where the bonds are denominated in ASEAN currencies. According to CGIF's strategy, if the facility decides to extend guarantees exceeding its capital base, it will re-insure all such guarantees with insurers rated at least 'AA'.

CGIF's lack of a track record and concentration risk constrain the ratings. There is no clear emergency support mechanism for CGIF, although the Facility invests its capital in liquid assets rated 'AA-' or higher. While CGIF has concentration risk to the 10 countries in ASEAN as well as China, Japan, and Korea, given its relatively focused operations, the risk is likely to dissipate as the facility expands.

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

CGIF's main function as the guarantor of ASEAN currency bonds is to manage currency mismatches between the financing currency and the currency which the obligor uses in most of its operations, as well as to facilitate longer-term bond issuance. CGIF also helps facilitate bond market access for companies and projects seeking entry to regional financial markets outside their home countries.

Outlook

The stable outlook reflects our expectation that CGIF will develop its business cautiously. We also expect the facility 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. We could lower the ratings if 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

- Bond Insurance Rating Methodology And Assumptions, Aug. 25, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

New Rating

Credit Guarantee and Investment Facility

Issuer Credit Rating

Foreign Currency

AA+/Stable/A-1+

ASEAN scale rating

axAAA/--/--

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2013 by Standard & Poor's Financial Services LLC. All rights reserved.

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.