

**CREDIT GUARANTEE AND INVESTMENT FACILITY
(A Trust Fund of the Asian Development Bank)**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2023

**CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)**

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS OF CREDIT GUARANTEE AND INVESTMENT FACILITY

Opinion

We have audited the financial statements of Credit Guarantee and Investment Facility ("CGIF"), which comprise the statement of financial position as at 31 December 2023, the statement of net income, the statement of comprehensive income, statement of changes in members' equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CGIF as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of CGIF in accordance with the with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing CGIF's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the CGIF or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing CGIF's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 CGIF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CGIF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CGIF to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte & Touche CP

Public Accountants and
Chartered Accountants
Singapore

17 April 2024

**CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
Expressed in Thousands of United States Dollars**

	NOTES	2023	2022
ASSETS			
CASH		5,811	9,342
INVESTMENTS	5	1,261,641	1,182,301
ACCRUED INTEREST INCOME	5	9,166	8,236
GUARANTEE FEE RECEIVABLE, NET	6	54,724	57,248
GUARANTEE RECEIVABLE, NET	6	54,087	45,335
RIGHT OF USE – LEASE ASSET, NET	7	451	177
FURNITURE, FIXTURES AND EQUIPMENT, NET	8	138	135
INTANGIBLE ASSETS, NET	9	64	82
OTHER ASSETS	10	1,334	2,145
TOTAL ASSETS		1,387,416	1,305,001
LIABILITIES AND MEMBERS' EQUITY			
LIABILITIES			
GUARANTEE LIABILITY, NET	6	65,081	66,435
UNEARNED INTEREST INCOME – GUARANTEES		1,159	1,041
LEASE LIABILITY	7	440	150
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	11	17,117	12,999
OTHER LIABILITIES	12	1,152	1,144
TOTAL LIABILITIES		84,949	81,769
MEMBERS' EQUITY			
CAPITAL STOCK			
PAID-IN CAPITAL	13	1,158,000	1,148,899
RETAINED EARNINGS		43,992	13,834
RESERVE	14	153,083	139,249
ACCUMULATED OTHER COMPREHENSIVE INCOME			
INVESTMENT REVALUATION RESERVE	5	(52,608)	(78,750)
TOTAL MEMBERS' EQUITY		1,302,467	1,223,232
TOTAL LIABILITIES AND MEMBERS' EQUITY		1,387,416	1,305,001

**CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF NET INCOME
For the year ended 31 December 2023
*Expressed in Thousands of United States Dollars***

	NOTES	2023	2022
REVENUE			
GUARANTEE FEES		20,535	20,034
INTEREST INCOME	15	37,451	28,458
REALIZED GAIN (LOSS) FROM SECURITIES		9	(19)
INCOME FROM REINSURANCE	18	(133)	1,577
MISCELLANEOUS INCOME	16	635	1,050
GROSS REVENUE		58,497	51,100
EXPENSES			
ADMINISTRATIVE AND OPERATIONAL EXPENSES	17	11,244	10,716
REINSURANCE EXPENSES	18	7,857	7,730
FINANCIAL EXPENSES		104	103
IMPAIRMENT LOSSES	5, 6	(6,775)	16,244
MISCELLANEOUS EXPENSES	12	1,152	1,144
TOTAL EXPENSES		13,582	35,937
NET OPERATING INCOME		44,915	15,163
LOSS FROM FOREIGN EXCHANGE		(923)	(1,329)
NET INCOME		43,992	13,834

**CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023
Expressed in Thousands of United States Dollars**

	NOTES	2023	2022
NET INCOME		43,992	13,834
OTHER COMPREHENSIVE INCOME			
ITEM THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO NET INCOME:			
NET UNREALIZED GAIN (LOSS) ON INVESTMENTS MEASURED AT FVTOCI	5	26,142	(94,863)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		70,134	(81,029)

**CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF CHANGES IN MEMBERS' EQUITY
For the year ended 31 December 2023
Expressed in Thousands of United States Dollars**

	Paid-in Capital		Retained Earnings	Reserve	Investment Revaluation Reserve	Total Members' Equity
	Subscribed Capital	Unpaid Subscription				
BALANCE, 1 JANUARY 2022	1,158,000	(21,000)	29,791	109,458	16,113	1,292,362
ADDITIONAL SUBSCRIPTION (NOTE 13)	-	11,899	-	-	-	11,899
NET INCOME FOR THE YEAR	-	-	13,834	-	-	13,834
ALLOCATION OF PRIOR YEAR INCOME TO RESERVE	-	-	(29,791)	29,791	-	-
OTHER COMPREHENSIVE LOSS						
NET UNREALIZED LOSS ON INVESTMENTS MEASURED AT FVTOCI (NOTE 5)	-	-	-	-	(94,863)	(94,863)
BALANCE, 1 JANUARY 2023	1,158,000	(9,101)	13,834	139,249	(78,750)	1,223,232
ADDITIONAL SUBSCRIPTION (NOTE 13)	-	9,101	-	-	-	9,101
NET INCOME FOR THE YEAR	-	-	43,992	-	-	43,992
ALLOCATION OF PRIOR YEAR INCOME TO RESERVE	-	-	(13,834)	13,834	-	-
OTHER COMPREHENSIVE LOSS						
NET UNREALIZED GAIN ON INVESTMENTS MEASURED AT FVTOCI (NOTE 5)	-	-	-	-	26,142	26,142
BALANCE, 31 DECEMBER 2023	1,158,000	-	43,992	153,083	(52,608)	1,302,467

**CREDIT GUARANTEE AND INVESTMENT FACILITY
(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2023
Expressed in Thousands of United States Dollars**

	NOTES	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
GUARANTEE RELATED INCOME RECEIVED		25,616	23,550
OTHER INCOME RECEIVED		964	986
GUARANTEE PAYMENT		-	-
REINSURANCE CLAIMS RECEIVED		-	21,211
ADMINISTRATIVE AND OPERATIONAL EXPENSES PAID		(12,191)	(11,771)
REINSURANCE EXPENSES PAID		(5,755)	(6,296)
FINANCIAL EXPENSES PAID		(104)	(103)
NET CASH PROVIDED BY OPERATING ACTIVITIES		8,530	27,577
CASH FLOWS FROM INVESTING ACTIVITIES			
PURCHASES OF INVESTMENTS		(1,762,699)	(2,212,665)
MATURITIES/SALES OF INVESTMENTS		1,712,606	2,149,817
INTEREST RECEIVED ON INVESTMENTS		29,191	23,880
REALIZED GAIN (LOSS) FROM SECURITIES		9	(19)
PURCHASE OF FURNITURE AND EQUIPMENT AND INTANGIBLE ASSETS		(75)	(98)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES		(20,968)	(39,085)
CASH FLOWS FROM FINANCING ACTIVITIES			
CONTRIBUTIONS RECEIVED	13	9,101	11,899
LEASE LIABILITY PAID		(174)	(162)
NET CASH PROVIDED BY FINANCING ACTIVITIES		8,927	11,737
EFFECT OF EXCHANGE RATE CHANGES IN CASH		(20)	(41)
NET INCREASE IN CASH		(3,531)	188
CASH AT THE BEGINNING OF THE YEAR		9,342	9,154
CASH AT THE END OF THE YEAR		5,811	9,342
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
NET INCOME		43,992	13,834
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
DEPRECIATION AND AMORTIZATION – FIXED AND INTANGIBLE ASSETS		92	87
DEPRECIATION – ROU ASSETS		160	160
PROVISION FOR EXPECTED CREDIT LOSSES		(6,775)	16,244
INTEREST INCOME ON INVESTMENTS		(33,286)	(24,747)
REALIZED LOSS (GAIN) FROM SECURITIES		(9)	19
FX REVALUATION LOSS		49	33
CHANGE IN GUARANTEE FEE RECEIVABLE		2,223	6,501
CHANGE IN GUARANTEE RECEIVABLES		(80)	2,297
CHANGE IN GUARANTEE LIABILITY		(349)	(7,589)
CHANGE IN UNEARNED INTEREST INCOME		118	105
CHANGE IN ACCOUNTS PAYABLE AND ACCRUED EXPENSES		2,043	20,727
CHANGE IN OTHER ASSETS		344	(118)
CHANGE IN OTHER LIABILITIES		8	24
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		8,530	27,577

CREDIT GUARANTEE AND INVESTMENT FACILITY

(A TRUST FUND OF THE ASIAN DEVELOPMENT BANK)

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2023

NOTE 1— 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 creditworthy corporations in the region 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 (AoA) as adopted by the Contributors. The Asian Development Bank (ADB) is the Trustee of CGIF and holds in trust and manages CGIF funds and other property only for the purposes of, and in accordance with the provisions of the AoA. Based on the Article 13.2 of the AoA of CGIF, the privileges, immunities and exemption accorded to ADB pursuant to the Agreement Establishing the ADB shall apply to (1) the Trustee, (2) 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, People's Republic of China, Japan, Republic of Korea (ASEAN+3) and ADB. Ownership rights are in proportion to capital contributions. The authorized capital of CGIF is US\$1,200,000,000, divided into 12,000 shares with a nominal value of US\$100,000 each. As of 31 December 2023, \$1,158,000,000 are subscribed and paid in by the Contributors. Details are discussed in Note 13.

The financial statements were approved by the Board of Directors on 17 April 2024 for presentation to the Meeting of Contributors (MOC) scheduled on 28 May 2024. The financial statements are subject to approval at the MOC.

NOTE 2—ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

In the current year, CGIF adopted all the new and revised IFRS pronouncements that are issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023 and relevant to its operations. The adoption did not result in changes to the company's accounting policies and has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements – Disclosures of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments require to disclose the material accounting policy information rather than the significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions

that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

The amendments deleted the definition of 'change in accounting estimates' and added a definition of 'accounting estimates'. Under the new definition, accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty. IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Revised IFRS in issue but not yet effective

CGIF has not applied the following revised IFRS that has been issued but not yet effective:

Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current

The amendment to IAS 1 published in January 2020 affects only the presentation of liabilities as current or non-current in the Statement of Financial Position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments that clarify the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to IAS 1 Presentation of Financial Statements – Non-Current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments to IAS 1 are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. The IASB has aligned the effective date of these amendments to IAS 1. Earlier application of the amendments is permitted. If an entity applies the amendments of 2022 for an earlier period, it is also required to apply the amendments of 2020 early.

CGIF does not anticipate any significant impact on CGIF's Financial Statements upon the application of these amendments.

NOTE 3—SUMMARY OF MATERIAL ACCOUNTING POLICIES

The financial statements of CGIF have been prepared in accordance with IFRS as issued by the IASB.

The accounting policies adopted are consistent with those of the previous financial year unless stated otherwise.

These financial statements have been prepared using the historical cost basis except for certain assets and financial instruments that are measured at fair values or revalued amounts at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, CGIF takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety.

The fair values of CGIF's financial assets and liabilities are categorized as follows:

Level 1: fair values are based on unadjusted quoted prices in active markets for identical assets or liabilities that CGIF can access at the measurement date;

Level 2: fair values are based on 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); and

Level 3: fair values are based on inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Inter-level transfers from one year to another may occur due to changes in market activities affecting the availability of quoted market prices or observable market data.

CGIF's policy is to recognize transfers in and transfers out of levels as of the end of the reporting period in which they occur.

Cash

Cash represents cash on hand or deposits in a bank account. The carrying amount of these assets is approximately equal to their fair value.

Financial Instruments

Financial assets and liabilities are recognized by CGIF once it becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss), as appropriate, on initial recognition.

Classification of Financial Assets

Financial assets are both measured and classified as amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL), on the basis of both: (i) CGIF's business model for managing the financial assets and (ii) the contractual cashflow characteristics of the financial asset.

Amortized Cost and Effective Interest Method

The amortized cost and effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transactions costs and other premiums or discounts), excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting any loss allowance.

Interest income on investment securities and money market instruments are recognized as earned and reported net of amortization of premiums and discounts. Interest is accrued, by reference to the principal outstanding at the applicable effective interest rate.

Financial Assets at Amortized Cost

Financial assets at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at amortized cost using the effective interest method, less any impairment. This includes cash on hand or deposit in a bank account, time deposits, certificates of deposits, accrued interest income, guarantee fee receivables, reinsurance receivables, and other receivables.

Investments

All investments in debt securities are considered to be FVTOCI and are reported at fair value. Investment securities are recorded at trade dates. Changes in the carrying amount of these instruments as a result of foreign exchange gains or losses, impairment gains and losses (see below), and interest income are recognized in the profit or loss. All other changes in the carrying amount arising from change in fair value are recognized and accumulated in other comprehensive income under member's equity. Time deposits and certificates of deposits are also classified under investments and are reported at cost which is a reasonable estimate of its fair value.

Guarantee Fee Receivable

Guarantee fee receivables are initially recognized at their fair values in the Statement of Financial Position, which are estimated based on the present value of total fees expected to be received under the guarantees. They are subsequently measured at amortized cost net of any loss allowance.

Guarantee Receivable

Guarantee receivables are from guarantee obligations on defaulted bonds that were settled and is expected to be received or recovered based on guarantee contracts. They are initially recognized as credit impaired in the Statement of Financial Position. For these assets, all changes in lifetime expected credit loss (ECL) since initial recognition are recorded as a loss allowance with any changes recognized in the Statement of Net Income. Any favorable change creates an impairment gain.

Credit-impaired Financial Assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Impairment of Financial Assets

Financial assets that are classified and measured as amortized cost, FVTOCI, and financial guarantee contracts shall recognize loss allowance based on the ECL model. Changes in the carrying amount of the allowance account are recognized in the Statement of Net Income under impairment losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk of each financial instruments since initial recognition.

If there has been a significant increase in credit risk (SICR) of the financial instrument from initial recognition, the loss allowance is based on the lifetime ECL of the item. If the credit risk on the financial instrument has not increased significantly since initial recognition, the loss allowance is based on the 12-month ECL of the financial instrument.

Lifetime ECL represents the expected credit losses from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant Increase in Credit Risk

CGIF assesses an SICR on a guarantee account if any of the following conditions are met: (1) credit risk rating drops to B- or lower, but the account is not in default; (2) credit risk rating drops by at least 3 notches in the recent past 36 months, and is at least 3 notches below credit risk rating at inception; or (3) credit risk rating drops by at least 4 notches from inception if the account is in its initial four years after inception, or by at least 5 notches from inception if the account is beyond four years from inception. The date that CGIF becomes a party to a guarantee is the date of initial recognition or inception for the purpose of assessing impairment.

For CGIF's investments, it is assumed that the credit risk of a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have a low credit risk (see Notes 4 and 5). A financial instrument is determined to have a low credit risk if (i) it has a low risk of default, (ii) there is a strong capacity for the counterparty to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of Default

For purposes of ECL computation, financial guarantee contracts and guarantee fee receivables shall be in default once an event of default in the Guarantee Agreement has occurred, and CGIF's guarantee has been called. An investment is in default if it has been declared by the debt capital market agents particularly the investors' trustee for the investment instrument. Technical defaults, i.e., defaults without missed payments, are not considered defaults for ECL model unless decided otherwise by the GIC.

Write-off Policy

A financial asset is written-off when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Any recoveries made on a financial asset previously written-off are recognized in profit or loss.

Measurement and Recognition of Expected Credit Losses

ECL is a function of probability of default (PD), loss given default (LGD), and exposure at default (EAD). CGIF generates unbiased probability-weighted ECLs based on point-in-time PDs that are derived from several future scenarios. The Credit Cycle Projection Overlay (CCPO) from S&P Global Market Intelligence (SPGMI) is used in generating these point-in-time PDs. In each future scenario, CGIF uses forecasted or forward-looking values of CCPO's input macroeconomic variables. LGD is currently set at 50%. For accounts in stage 3, LGD is based on additional information and assumptions that reflect the default position. For CGIF's investments, EAD is the sum of an asset's gross carrying amount and the next unpaid coupon.

For financial guarantee contracts, EAD is the sum of a guaranteed bond's unpaid principal and the next unpaid coupon. For guarantee fee receivables, EAD is the sum of future guarantee fees discounted to the reporting date and guarantee fees past due. For a receivable arising from a guarantee payment, EAD is the total book value of the guarantee receivable. EAD in currencies other than USD are translated into USD at the reporting date's exchange rate.

Derecognition of Financial Assets

CGIF derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

When an FVTOCI is derecognized or disposed of, the unrealized gains or losses previously recognized in accumulated other comprehensive income will be recognized in the Statement of Net Income.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method.

However, financial guarantee contracts issued by CGIF are measured in accordance with the specific accounting policies set out below.

Guarantee Liability

CGIF enters into financial guarantee contracts that requires to make specified payments should the bond issuer fail to make payments due in accordance with the terms of the bond.

Guarantee liabilities recorded in the Statement of Financial Position are measured initially at fair values, and subsequently measured at the higher of the unamortized balance of the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IFRS 15, and the amount of loss allowance determined in accordance with the ECL model.

Derecognition of financial liabilities

CGIF derecognizes financial liabilities when, and only when, CGIF's obligations are discharged, cancelled, or have expired.

CGIF accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Revenue Recognition for Guarantee Fee

Guarantee fees are recognized upon performance of services and is amortized over the term of the guarantee obligation in accordance with the terms and conditions of the agreement.

Leases

CGIF applies definition of a lease and the related guidance set out in the IFRS for contracts entered into as lease. As lessee, CGIF recognizes right of use asset and lease liability in the Statement of Financial Position.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before commencement date, plus any initial direct costs incurred and any estimated costs of dismantling and the cost of any removal and restoration of the underlying asset, less any lease incentives received.

Right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of useful life of the asset or the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. It is remeasured when there is a change in discount rate, or if there is a change on CGIF's decision to extend or terminate the lease contract based on assessment.

Furniture, Fixtures and Equipment

All furniture, fixtures and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditures that are directly attributable to the acquisition of the asset and bringing it to its working condition.

Subsequent costs incurred for the purpose of enhancement or improvement shall be added to the carrying amount of the asset when it is probable that the expenditure will cause additional future economic benefit to CGIF. Other subsequent costs like maintenance, repairs and minor betterments are charged to expense.

Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed regularly with the effect of any changes in estimate accounted for on a prospective basis.

The estimated useful lives by asset class are as follows:

<u>Asset Class</u>	<u>Useful Life</u>
Office Furniture and Equipment	
Furniture	10 years
Other Office Equipment	4 years
IT and Communication	
Computer	3 years
Server	5 years
Network	4 years
Communication	7 years
Others	4 years
<u>Leasehold Improvement</u>	<u>Over the lease period</u>

An item of furniture, fixtures, and equipment is derecognized upon disposal. Any gain or loss arising on the disposal of an item of furniture, fixtures, and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in Statement of Net Income.

Intangible Assets

Intangible assets are composed of acquired information system software licenses that are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These are amortized over a period of 4 years and are carried at cost less accumulated amortization and accumulated impairment losses.

Impairment of Tangible and Intangible Assets

On regular basis, CGIF reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of asset's fair value less costs of disposal and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but only to the extent of the carrying amount of the asset had no impairment loss been recognized in prior years. A reversal of the impairment loss is recognized immediately in the profit or loss.

Offsetting Arrangements

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when there is a legally enforceable right to set off the recognized amounts and there is an intention to either settle on a net basis or to realize the asset and settle the liability simultaneously. A right to set-off must be available at the end of the reporting period rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency, or bankruptcy.

Subscribed Capital

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

The increase in the authorized capital of CGIF pursuant to Article 4.2 of the AoA was approved by the MOC. Instrument of Subscription (IOS) submitted to the Board Secretary, who acts on behalf of the Trustee, formally confirms the Contributor's intention to subscribe the number of shares specified. The additional subscription will be effective from the date the Board Secretary notifies the subscribing Contributor that the Instrument of Subscription has been received.

Segment Reporting

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

Fair Value of Financial Instruments

IFRS 13, Fair Value Measurements, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is market-based measurement, not an entity-specific measurement. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market, or in the absence of principal market, in the most advantageous market for the asset or liability.

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 creditworthy ASEAN+3 corporations in the ASEAN+3 region. 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 period are recognized at applicable exchange rates as of the respective dates of commitment. At the end of each accounting period, 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 unrealized foreign exchange gains or losses and are charged to operations in the Statement of Net Income.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of CGIF's accounting policies, which are described above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Since the estimates are based on judgment and available information, actual results may differ and might have a material impact on the financial statement.

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 5, 6, and 7. This includes fair value measurements, loss allowances, and valuation processes.

As explained in accounting policies above, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether there is a significant increase in credit risk, CGIF accounts for

qualitative and quantitative reasonable and supportable forward-looking information, as reflected in internal risk ratings.

Furthermore, in calculating the loss allowance, CGIF uses the Credit Cycle Projection Overlay procured from SPGMI to generate point in time probabilities of default (PIT-PD). For accounts that are in stage 3, PIT-PD will be 100%. LGD shall be set at 50% for either stage 1 or stage 2. For accounts that are in stage 3, LGD is estimated based on additional information and realistic assumptions that reflect actual conditions at reporting date.

NOTE 4—RISK MANAGEMENT

CGIF manages all its perceived risk exposures, particularly exposures to credit risk, market risk, liquidity risk, and operational risk. These risks are managed pursuant to CGIF’s Operational Policies, and Risk Management Framework (RMF). The Board’s Internal Control and Risk Management Committee and Risk Management Department (RMD) cause the functional units to identify, measure, monitor, control, and report risks. The Board, management’s Guarantee and Investment Committee, and the CEO oversee and regulate both risk taking and risk management. Appetite for risk taking as expressed in operational controls and risk exposure limits emanates from the Board.

CGIF endeavors to conform to international best practices in risk management. CGIF subscribes to the idea that informed risk-taking presents opportunities. CGIF takes risks that offer commensurate rewards. Risk-taking roles are independent of risk management roles. A positive risk management culture is fostered – the system clarifies what conduct and procedures are acceptable, and which ones are not; encourages initiatives that improve the management of risks; promotes transparency, individual responsibility, and accountability.

Categories of Financial Instruments

Categories of financial instruments at carrying amount as of 31 December 2023 and 2022 are as follows (in \$’000):

	<u>2023</u>	<u>2022</u>
Financial assets		
FVTOCI	1,256,741	1,138,070
Financial assets at amortized cost	129,044	165,478
Financial liabilities		
Financial liabilities at amortized cost	18,269	14,144
Lease liabilities	440	150
Guarantee liability	65,081	66,435

Credit Risk

As per CGIF’s Treasury Risk Management Guidelines, CGIF’s long term investments are restricted to those with international ratings of AA- or better, with the exception of investments in contributor countries’ government-related securities that may be rated as low as A+. Short-term investments should be rated no lower than A-1. Credit risk in these investments is considered low.

Credit concentration of investments is controlled by policy limits on exposure per issuer, per type of issuer, and per country rating grade. CGIF controls the concentration of investment per country of issuer. The lower the country sovereign rating grade, the lower the investment concentration limit – 0% of CGIF capital

for countries rated A or lower; up to 30% of CGIF capital for countries rated AAA, except for the US where the investment concentration limit is 100% of CGIF capital. Investments in short-term money market instruments are excluded in reckoning country exposure concentrations against country limits.

CGIF has guarantee eligibility criteria that include, among others, a borrower's credit rating grade, proposed guarantee size and tenor, use of bond proceeds, and compliance to safeguards standards and to credit exposure control limits. Eligible borrowers undergo a stringent due diligence review. Guarantee Underwriting Proposals (GUPs) require approval of management's Guarantee and Investment Committee (GIC) and of the Board of Directors (Board). The Board delegates to the GIC its authority for final approval of GUPs when conditions relating to credit rating, guarantee amount, tenor, strategic alignment, safeguards standards, among others are met. In aid of informed decisions on GUPs, the Board is furnished with credit review notes, safeguards review notes, and integrity review notes from CGIF's RMD. As of 31 December 2023, CGIF's guarantee portfolio, excluding portions ceded to reinsurers and credit risk mitigators, had a weighted average risk rating of BB+ (BB+ as of 31 December 2022).

CGIF controls concentrations of credit risk. Guarantee exposure to any country and to any currency is capped at 20% and 40%, respectively, of CGIF's Maximum Guarantee Capacity (MGC), where MGC is the product of (a) total paid-in capital of CGIF, plus retained earnings, plus reserves, less net credit loss reserves, less foreign exchange loss reserves, and less all illiquid assets and (b) the maximum leverage ratio. CGIF's maximum leverage ratio, currently 2.5:1, is determined by the MOC with the recommendation of the CGIF Board. CGIF refers to IMF's list to identify acceptable offshore financial centers (AOFCs). Exposures to AOFCs pertain to guarantee exposures to borrowing entities that are registered through the offshore incorporation process of an AOFC. Aggregate guarantee exposure to any single AOFC and aggregate exposure to all AOFCs are limited to 20% and 40%, respectively, of CGIF's MGC. Aggregate Type-B (investor-procured) guarantee exposure is limited to 20% of MGC. Aggregate guarantee exposure to any sector and to any industry is limited to 40% and 20%, respectively, of MGC. In any country, exposure to any industry may not exceed 10% of MGC. Single borrower exposures, and single group exposures, may not exceed 20% of CGIF's paid-in capital. CGIF's leverage ratio and concentration ratios are reported quarterly to the CGIF Board.

CGIF's exposure to credit risk is reckoned on the amount of financial assets recorded in the financial statements and the guarantee obligations disclosed in Note 6.

A reinsurance treaty whereby CGIF cedes to a consortium of reinsurers agreed portions of credit risk from bond issuers reduces CGIF's credit risk exposure from its guarantee portfolio. Please refer to Note 18.

Market Risk

Market risk represents the potential loss that could result from adverse market movements. The main components of market risk for CGIF are interest rate risk and foreign exchange risk.

Interest rate risk is primarily the exposure of income on assets to fluctuation in interest rates. An objective of interest rate risk management in CGIF is the generation of overall interest income that is not overly sensitive to changes in interest rates, but responsive to general market trends.

CGIF's Treasury Risk Management Guidelines restrict CGIF's investment portfolio duration to no more than 5 years. The duration of CGIF's portfolio is the market value-weighted average of effective duration of all outstanding investments. As of 31 December 2023, CGIF's investment portfolio had remaining maturities of up to 9.88 years (8.59 years - 31 December 2022), with duration of 3.15 years (2.87 years - 31 December 2022). CGIF's investments are sensitive to interest rate movements. For CGIF's investment portfolio at 31 December 2023, it is estimated that a 100 basis points upward/downward parallel shift in the yield curve would cause an unrealized loss/gain of about \$39.8 million (\$34.1 million - 31 December 2022).

The following tables presents CGIF's foreign exchange exposure of monetary assets and liabilities (in '000) as at the end of the reporting period:

	2023			
	Asset		Liabilities	
	Local Currency	USD Equivalent	Local Currency	USD Equivalent
THB	2,212,231	63,991	637,599	18,443
VND	369,225,860	15,189	17,548,780	722
JPY	1,530,408	10,747	-	-
SGD	12,542	9,477	5	4
IDR	48,248,002	3,116	561,127	36
MYR	7,768	1,674	-	-
PHP	5,095	92	34,480	623
LAK	539	-	-	-
KHR	-	-	-	-
TOTAL		<u>104,286</u>		<u>19,828</u>

	2022			
	Asset		Liabilities	
	Local Currency	USD Equivalent	Local Currency	USD Equivalent
THB	1,875,815	54,199	546,072	15,778
VND	391,759,337	16,596	-	-
JPY	1,835,556	13,750	-	-
SGD	10,723	7,959	-	-
IDR	31,953,522	2,040	-	-
PHP	4,089	73	16,885	302
MYR	44	10	-	-
LAK	539	-	-	-
KHR	-	-	943,326	229
TOTAL		<u>94,627</u>		<u>16,309</u>

CGIF is exposed to foreign exchange risk underlying foreign currency payables and receivables relating mostly to CGIF's guarantee operation. For CGIF's foreign exchange exposure at 31 December 2023, it is estimated that a 10% adverse change in FX rates in the relevant foreign currency exposure will cause an instant loss of \$7.8 million (\$7.2 million - 31 December 2022).

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 quarterly basis. CGIF conducts quarterly tests of its liquidity under stress scenarios where CGIF has to meet lumpy obligations related to claims on guarantees and raise funds from various sources. A liquidity stress test conducted on CGIF's guarantee portfolio as of 31 December 2023 and 2022 indicates that CGIF can

generate the liquidity that will be required to meet guarantee payment obligations under the assumed stressed scenario.

The following table details (in \$'000) the maturity profile of financial instruments. The maturity analysis is based on the remaining period from the end of the reporting date to the contractual maturity date or the expected date the financial asset will be realized, and the financial liability will be settled.

	2023					Total
	Less than 1 month	1 to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	
Financial assets						
FVTOCI	51,945	34,811	168,213	659,454	342,318	1,256,741
Financial assets at amortized cost	12,364	2,494	87,207	39,433	5,361	146,859
Total financial assets	64,309	37,305	255,420	698,887	347,679	1,403,600
Financial liabilities						
Financial liabilities at amortized cost	230	2,941	14,561	537	-	18,269
Lease liability	11	22	103	304	-	440
Total financial liabilities	241	2,963	14,664	841	-	18,709
Net maturity gap	64,068	34,342	240,756	698,046	347,679	1,384,891
2022						
	Less than 1 month	1 to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Total
Financial assets						
FVTOCI	-	29,891	122,406	747,662	238,111	1,138,070
Financial assets at amortized cost	26,025	18,026	29,082	107,997	10,072	191,202
Total financial assets	26,025	47,917	151,488	855,659	248,183	1,329,272
Financial liabilities						
Financial liabilities at amortized cost	277	702	1,865	11,300	-	14,144
Lease liability	12	24	114	-	-	150
Total financial liabilities	289	726	1,979	11,300	-	14,294
Net maturity gap	25,736	47,191	149,509	844,359	248,183	1,314,978

Capital Resources

CGIF's capital resources comprise of capital stock, retained earnings and reserves. The primary objective in the management of capital resources is to protect CGIF's capital by maintaining a conservative exposure to market risk, credit risk and liquidity risk. CGIF strives to maximize returns on the invested asset portfolio while minimizing volatility of investment income. CGIF's capital resources are placed with the Trustee, ADB.

Capital Adequacy

CGIF deems that it has adequate capital to underwrite credit guarantees for as long as its capital exceeds total capital charge; alternatively, for as long as the capital-to-capital charge ratio – capital adequacy ratio (CAR) – exceeds management action trigger of 1.1. CGIF's CAR at 31 December 2023 was at 4.58 (4.35 – 31 December 2022). CGIF's overall strategy remains unchanged from prior year.

Operational Risk

CGIF manages operational risks through quarterly risk and control self-assessments (RCSAs) by each department of the enterprise. Through RCSAs, CGIF's operating units are directed to identify operational risk events and assess the significance of each of these. The significance of an identified operational risk event is a function of two attributes – the likelihood and impact of its occurrence. Measurable risk indicators, and corresponding control limits, are assigned to each operational risk event. Results of RCSAs are reported to the CEO and to the Board's Internal Control and Risk Management Committee.

NOTE 5—INVESTMENTS

This account is composed of the following (in \$'000):

	<u>2023</u>	<u>2022</u>
Certificates of Deposit	-	44,231
Time Deposits	<u>4,900</u>	<u>-</u>
FVTOCI		
Government-related-entity or government-guaranteed obligations (GGO)	1,117,103	1,008,440
Corporate obligations	<u>139,638</u>	<u>129,630</u>
Total FVTOCI	<u>1,256,741</u>	<u>1,138,070</u>
Total Investment	<u><u>1,261,641</u></u>	<u><u>1,182,301</u></u>

ADB, as the Trustee, manages capital resources in accordance with CGIF's Treasury Risk Management Guidelines prepared in consultation with ADB and approved by the CGIF Board of Directors.

ADB follows the same process and internal controls to value the investment securities as ADB's portfolio. The data management unit in ADB's treasury department is responsible for providing the valuation in accordance with the business process. In instances where ADB relies primarily on prices from third party pricing information, there are procedures in place to validate the appropriateness of those values in determining the hierarchy levels. This involves evaluating the nature of prices provided by third party pricing sources to determine if they are indicative or binding prices.

The annualized rate of return on the average investments held during the period ended 31 December 2023, based on the portfolio held at the beginning and end of each month without the effect of change in fair value was 2.57% (1.97% - 31 December 2022).

The investment revaluation reserve of negative \$52,608 thousand in the Statement of Financial Position as of 31 December 2023 (negative \$78,750 thousand – 31 December 2022) is composed of the unrealized loss on FV of investments measured at FVTOCI and its credit loss allowance.

The estimated fair value and amortized cost of the investments by contractual maturity as of 31 December 2023 and 2022 are as follows (in \$'000):

	2023		2022	
	Estimated Fair Value	Amortized Cost	Estimated Fair Value	Amortized Cost
Due in less than one year	259,869	262,457	196,528	198,386
Due in one to five years	659,454	693,145	747,662	794,819
Due more than five years	342,318	358,728	238,111	267,863
TOTAL	1,261,641	1,314,330	1,182,301	1,261,068

Fair Value Disclosure

The fair value of the investments as of 31 December 2023 and 2022 are as follows (in \$'000):

	2023	Fair Value Measurements		
		Level 1	Level 2	Level 3
Certificates of Deposits	-	-	-	-
Time Deposits	4,900	-	4,900	-
Government-related-entity or GGO	1,117,103	1,069,025	48,078	-
Corporate obligations	139,638	110,175	29,463	-

	2022	Fair Value Measurements		
		Level 1	Level 2	Level 3
Certificates of Deposits	44,231	-	44,231	-
Time Deposits	-	-	-	-
Government-related-entity or GGO	1,008,440	979,757	28,683	-
Corporate obligations	129,630	100,484	29,146	-

If available, active market quotes are used to assign fair values to investment securities. These include government-related-entity/government-guaranteed obligations and corporate obligations. For investments where active market quotes are not available, investments are categorized as Level 2 or Level 3, and valuation is provided by independent valuation services. Time deposits and certificates of deposits are reported at cost, which approximates fair value.

For the years ended 31 December 2023 and 2022, there were no inter-level transfers.

Impairment Losses

For purposes of impairment assessment, the FVTOCI in CGIF's portfolio are considered to have low credit risk as the counterparties of these investments have a minimum A+ credit rating for government related bonds of Contributor countries and AA- for all others. Accordingly, the loss allowance for these financial instruments is measured at an amount equal to 12-month ECL.

Impairment losses do not reduce the carrying amount of the debt instruments at FVTOCI in the Statement of Financial Position, which remains at fair value. The balance at the end of the year reflected below is included in the Investment Revaluation Reserve in Accumulated Other Comprehensive Income.

The movements in the credit loss allowance are as follows (in \$'000):

	<u>2023</u>	<u>2022</u>
Balance at beginning of the year	16	26
Loss allowance recognized in profit or loss under impairment losses during the year on:		
Assets originated	12	3
Reversals	(2)	(4)
Change in credit risk	55	(9)
	<u>65</u>	<u>(10)</u>
Balance at end of the year	<u>81</u>	<u>16</u>

During the year, all transactions are classified to Stage 1 and there are no transfers between stages.

Accrued Interest Income

The details of accrued interest income including from investments as of 31 December 2023 and 2022 are as follows (in \$'000):

	<u>2023</u>	<u>2022</u>
FVTOCI	9,147	8,223
Time Deposits	2	-
Guarantee	17	13
TOTAL	<u>9,166</u>	<u>8,236</u>

NOTE 6 – GUARANTEES

As of 31 December 2023, CGIF has issued guarantees covering bonds denominated in Singapore Dollar, Vietnamese Dong, Thai Baht, Chinese Yuan, Indonesian Rupiah, Japanese Yen, Malaysian Ringgit, and Cambodian Riel. The total outstanding amount of the guarantees issued under the related bonds was \$2,353 million as of 31 December 2023 (\$2,186 million – 31 December 2022). The guarantees are inclusive of coupon payments. The USD guarantee obligation below is for KHR issued bonds where all payments will be in USD converted at a fixed exchange rate agreed at inception.

Below is the summary of the outstanding guarantees by currency (in '000):

31 December 2023				
	Local Currency			USD Equivalent of Total Obligation
	Principal	Coupon	Total Obligation	
SGD	795,000	76,130	871,130	658,251
VND	11,348,000,000	3,542,972,998	14,890,972,998	612,570
THB	12,620,000	1,267,114	13,887,114	401,698
CNY	2,000,000	95,041	2,095,041	293,329
IDR	1,782,900,000	339,786,613	2,122,686,613	137,089
JPY	15,400,000	508,200	15,908,200	111,715
MYR	315,000	43,545	358,545	77,293
USD	51,639	9,877	61,516	61,516
				<u>2,353,461</u>

31 December 2022				
	Local Currency			USD Equivalent of Total Obligation
	Principal	Coupon	Total Obligation	
VND	12,393,000,000	4,060,095,333	16,453,095,333	697,017
SGD	695,000	82,433	777,433	576,988
THB	11,720,000	901,413	12,621,413	364,675
CNY	1,500,000	95,041	1,595,041	228,949
JPY	15,400,000	592,900	15,992,900	119,806
IDR	1,283,000,000	226,026,563	1,509,026,563	96,343
MYR	150,000	9,137	159,137	35,970
KHR	127,200,000	4,796,137	131,996,137	32,073
PHP	107,500	7,732	115,232	2,061
USD	29,401	3,157	32,558	32,558
				<u>2,186,440</u>

The range of remaining tenor of financial guarantee contracts as of 31 December 2023 are from less than 1 year to 11 years (31 December 2022 – from less than 1 year to 12 years).

As of 31 December 2023, a guarantee liability of \$65.1 million (\$66.4 million - 31 December 2022), net of deferred loss on fair value amounting to \$18.1 million, was reported on the Statement of Financial Position. Deferred loss on fair value was attributed to one account whose transaction price was smaller than its fair value at initial recognition. As the fair value was estimated by unobservable inputs, the difference between the transaction price and the fair value does not reduce net income by recognizing it as fair value loss but reduces gross guarantee liability in the statement of financial position as deferred loss on fair value. As of 31 December 2023 and 2022, the reported liability is composed of the following (in \$'000):

	<u>2023</u>	<u>2022</u>
Unamortized balance of present value of total guarantee fees	80,558	62,783
Allowance for ECL	<u>2,647</u>	<u>3,652</u>
Gross guarantee liability	83,205	66,435
Less: Deferred loss on fair value	<u>(18,124)</u>	-
Net guarantee liability	<u><u>65,081</u></u>	<u><u>66,435</u></u>

The total amount of loss allowance for guarantee obligations determined through ECL amounted to \$10.1 million as of 31 December 2023 (\$6.5 million – 31 December 2022). The unamortized balance of guarantee liabilities is compared against the required ECL on a per instrument basis and the higher between the two will be reflected as the guarantee liability in the Statement of Financial Position. The allowance for ECL on the above table represents the total differences between the higher ECL that was computed vs the unamortized balances of guarantee liabilities. As of 31 December 2023, there are no accounts in the portfolio that are classified into stage 2 (one account in Stage 2 - 31 December 2022).

The reported guarantee fee receivable of \$54.7 million represents the present value of the stream of total guarantee fees expected to be received for the guarantee outstanding as of 31 December 2023 (\$57.2 million – 31 December 2022) net of allowance for credit losses.

In fulfilling CGIF's obligation due to default of a bond guarantee, the credit impaired guarantee receivable is reported in the Statement of Financial Position at \$54.1 million as of 31 December 2023 (\$45.3 million – 31 December 2022). This is net of allowance amounting to \$16.8 million (\$25.4 million – 31 December 2022).

As of 31 December 2023 and 2022, all of CGIF's future guarantee fee receivables are classified as Level 3 within the fair value hierarchy. Likewise, as of 31 December 2023, the credit impaired guarantee receivables from the default is classified as Level 3 within the fair value hierarchy as well.

The Finance Department is responsible for determining and reporting the fair value of guarantees reported in the Statement of Financial Position. The carrying amount of guarantees approximates its fair value. Future guarantees are stated at discounted present value using significant unobservable inputs such as discount rates applicable to individual guarantee contracts that are internally determined. The valuation technique and significant unobservable quantitative inputs for guarantee fee receivables classified as Level 3 as of 31 December 2023 and 2022 were summarized below:

	Valuation Technique	Unobservable Input	Range 2023	2022
Guarantee fee receivable	Discounted cash flows	Discount rates	2.55% to 20.12%	2.55% to 9.70%

There were no inter-level transfers during the year ended 31 December 2023 and 2022.

Impairment Losses

The movements in the credit loss allowance for guarantee fees receivable are as follows (in \$'000):

	2023	2022
Balance at beginning of the year	144	325
Loss allowance recognized in profit or loss under impairment losses during the year on:		
Assets originated	287	2
Reversals	(55)	(16)
Changes in credit risk	70	(167)
	<u>302</u>	<u>(181)</u>
Balance at end of the year	<u>446</u>	<u>144</u>

During the year, one account classified as stage 2 was fully paid. As of 31 December 2023, no account in the portfolio was classified as stage 2 (one – 31 December 2022).

The movements in the credit loss allowance for guarantee receivable are as follows (in \$'000):

	2023	2022
Balance at beginning of the year	25,447	-
Loss allowance recognized in profit or loss under impairment losses during the year on:		
Changes in credit risk	(8,673)	25,447
Balance at end of the year	<u>16,774</u>	<u>25,447</u>

NOTE 7—LEASES

CGIF recognized right of use lease asset related to the office rental contract with ADB. This is initially measured at cost and is subsequently depreciated on a straight-line basis for three years. In November 2023, CGIF and ADB agreed to extend the lease contract upon expiry for 3 years ending 31 January 2027. Since the extension of lease term did not add the right to use a new underlying asset, it is not accounted for as a separate lease. Accordingly, the lease liability is remeasured on 30 November 2023 and a corresponding adjustment was made to the ROU Lease Asset.

The details of the amount presented in the Statement of Financial Position are as follows:

Cost	
1 January 2022	813
Remeasurement/Adjustment	<u>(6)</u>
31 December 2022	807
Remeasurement/Adjustment	<u>435</u>
31 December 2023	<u>1,242</u>
Accumulated depreciation	
1 January 2022	(470)
Depreciation	<u>(160)</u>
31 December 2022	(630)
Depreciation	<u>(161)</u>
31 December 2023	<u>(791)</u>
NET Balance at 31 December 2023	<u>451</u>
NET Balance at 31 December 2022	<u>177</u>

Depreciation – ROU Lease Asset charged for the period is reported under administrative expenses in the Statement of Net Income.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payment includes fixed payment and in-substance fixed payments for the amortization of alteration cost. The discount rate used is the latest bank average domestic lending rate (annual) published by the Central Bank of the Philippines (BSP) upon date of commencement. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Interest expense is reported under financial expenses in the Statement of Net Income.

NOTE 8—FURNITURE, FIXTURES AND EQUIPMENT - NET

The details of this account are as follows (in \$'000):

	Office Furniture and Equipment	IT and Communications	Building Improvement	TOTAL
Cost				
1 January 2022	359	417	5	781
Additions	7	61	-	68
Disposals	-	(2)	-	(2)
31 December 2022	366	476	5	847
Additions	4	65	-	69
Disposals	-	-	(5)	(5)
31 December 2023	370	541	-	911
Accumulated Depreciation/Amortization				
1 January 2022	(301)	(335)	(5)	(641)
Depreciation	(20)	(53)	-	(73)
Amortization	-	-	-	-
Disposals	-	2	-	2
31 December 2022	(321)	(386)	(5)	(712)
Depreciation	(14)	(52)	-	(66)
Amortization	-	-	-	-
Disposals	-	-	5	5
31 December 2023	(335)	(438)	-	(773)
NET, 31 December 2023	35	103	-	138
NET, 31 December 2022	45	90	-	135

Depreciation is reported under administrative expenses in the Statement of Net Income.

NOTE 9—INTANGIBLE ASSETS - NET

Intangible assets are composed of Information systems software that is capitalized. The details of this account are as follows (in \$'000):

	Information Systems Software
Cost	
1 January 2022	1,044
Additions	27
Disposals	-
31 December 2022	1,071
Additions	8
Disposals	-
31 December 2023	1,079
Accumulated Depreciation/Amortization	
1 January 2022	(975)
Amortization	(14)
Disposals	-
31 December 2022	(989)
Amortization	(26)
Disposals	-
31 December 2023	(1,015)
NET, 31 December 2023	64
NET, 31 December 2022	82

The amortization is reported under administrative expenses in the Statement of Net Income.

NOTE 10—OTHER ASSETS

Other assets pertain to commission receivable from reinsurance, advances made by CGIF for staff benefits, prepaid expenses, subscriptions and licenses as well as security deposit.

NOTE 11—ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of accounts payable, and accrual of administrative and operating expenses incurred but not yet paid. Aside from accruals for reinsurance expenses on premiums to be ceded, this account includes accrual on provision for expected refund to reinsurers upon recovery of the guarantee receivables.

NOTE 12—RELATED PARTY TRANSACTIONS

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

Provision for ADB's administration fee, amounting to \$1.15 million (\$1.14 million – 31 December 2022), recorded in other miscellaneous expense was accrued in other liabilities. ADB's administration fee is equivalent to 10 bps of contributions received. ADB's administration fee for 2023 will be settled subsequently in May 2024. Key management personnel total compensation of short-term employee benefits for 31 December 2023 amounted to \$3.61 million (\$3.49 million – 31 December 2022).

NOTE 13—PAID-IN CAPITAL

The increase in CGIF's authorized capital to 12,000 shares from 7,000 shares at \$100,000 per share was approved by the Contributors on 6 December 2017 per Resolution No. 2017-S-01. Each Contributor shall pay in full or in installments for the number of shares by the date indicated in the IOS. However, in case where payment cannot be made by a Contributor during the subscription payment period, the subscription is renounced and forfeited after one hundred and twenty (120) days following the last due date indicated in the IOS or the end of 2023, as applicable, or such later date as the Board may determine.

The authorized capital stock of CGIF as of 31 December 2023 and 2022 are as follows (in \$'000):

	<u>2023</u>	<u>2022</u>
Authorized capital (12,000 shares)	1,200,000	1,200,000
Subscribed	1,158,000	1,158,000
Unsubscribed	42,000	42,000
Total authorized capital	<u>1,200,000</u>	<u>1,200,000</u>
Subscribed capital comprises:		
Amounts received	1,158,000	1,148,899
Amounts not yet due	-	9,101
Total subscribed capital	<u>1,158,000</u>	<u>1,158,000</u>

The AoA prescribe that shares shall be allocated to Contributors only after full payment has been received. Therefore, only paid-in capital shall be taken into account when calculating each Contributor's voting rights.

The details of CGIF capital as of 31 December 2023 and 2022 are as follows (in \$'000 except for number of shares):

Contributor	31 December 2023			
	No. of shares	Subscribed	Amount received	Amount not yet received
Asian Development Bank	1,800	180,000	180,000	-
ASEAN Member Countries				
Brunei Darussalam	56	5,600	5,600	-
Cambodia	2	200	200	-
Indonesia	306	30,600	30,600	-
Lao People's Democratic Republic	2	200	200	-
Malaysia	176	17,600	17,600	-
Myanmar, Republic of the Union of	1	100	100	-
Philippines	216	21,600	21,600	-
Singapore	216	21,600	21,600	-
Thailand	216	21,600	21,600	-
Viet Nam	19	1,900	1,900	-
	<u>1,210</u>	<u>121,000</u>	<u>121,000</u>	<u>-</u>
Others (non-ASEAN Member Countries)				
China, People's Republic of	3,428	342,800	342,800	-
Japan Bank for International Cooperation	3,428	342,800	342,800	-
Korea, Republic of	1,714	171,400	171,400	-
	<u>8,570</u>	<u>857,000</u>	<u>857,000</u>	<u>-</u>
Total	<u>11,580</u>	<u>1,158,000</u>	<u>1,158,000</u>	<u>-</u>
Contributor	31 December 2022			
	No. of shares	Subscribed	Amount received	Amount not yet received
Asian Development Bank	1,800	180,000	180,000	-
ASEAN Member Countries				
Brunei Darussalam	56	5,600	5,600	-
Cambodia	2	200	200	-
Indonesia	306	30,600	21,600	9,000
Lao People's Democratic Republic	2	200	200	-
Malaysia	176	17,600	17,600	-
Myanmar, Republic of the Union of	1	100	100	-
Philippines	216	21,600	21,600	-
Singapore	216	21,600	21,600	-
Thailand	216	21,600	21,499	101
Viet Nam	19	1,900	1,900	-
	<u>1,210</u>	<u>121,000</u>	<u>111,899</u>	<u>9,101</u>

Contributor	31 December 2022			Amount not yet received
	No. of shares	Subscribed	Amount received	
Others (non-ASEAN Member Countries)				
China, People's Republic of	3,428	342,800	342,800	-
Japan Bank for International Cooperation	3,428	342,800	342,800	-
Korea, Republic of	1,714	171,400	171,400	-
	8,570	857,000	857,000	-
Total	11,580	1,158,000	1,148,899	9,101

NOTE 14— RESERVE

The allocation to Reserve of the 2022 net income in retained earnings was approved on 29 May 2023 by the Contributors at the 2023 Meeting of Contributors, per MOC Resolution No. 2023-A-04.

NOTE 15— INTEREST INCOME

Interest income for the period is composed of (in \$'000):

	2023	2022
FVTOCI	32,043	23,714
Time Deposits	474	455
Guarantee	4,121	3,701
Certificates of Deposits	769	578
Others	44	10
	37,451	28,458

NOTE 16— MISCELLANEOUS INCOME

Miscellaneous income includes reimbursements of legal and out of pocket expenses, gain/loss from disposal of fixed assets, and other income which is not related to the normal operations of CGIF.

NOTE 17— ADMINISTRATIVE AND OPERATIONAL EXPENSE

Administrative and operational expense for the period is composed of (in \$'000):

	<u>2023</u>	<u>2022</u>
Staff Related Expenses	8,778	8,141
Financial and Legal Services	866	1,499
Business Travel	436	101
Depreciation – ROU Assets	160	161
Short Term Staff Consultants	153	197
MOC and BOD Expenses	148	16
Depreciation and Amortization – Fixed and Intangible Assets	91	87
Recruitment Expense	29	171
Others	583	343
	<u>11,244</u>	<u>10,716</u>

NOTE 18— REINSURANCE

On 1 October 2016, CGIF has entered a quota share reinsurance treaty with a consortium of reinsurers. The reinsurance treaty was annually renewed to cover 1-year period. In January 2024, a new treaty was signed to cover 2024 guarantees.

Reinsurance expense includes the quota share of the premium to be ceded to the consortium of reinsurers based on the reinsurance treaty. These expenses are accrued in the books over the period it covers. Quarterly statements of account (SOA) for the premium to be ceded are issued within 30 days from the end of each quarter and payments for such are due 15 days after the issuance of SOA.

The commission from reinsurance reported in the Statement of Net Income represents the commission income of 27.5% for the premium ceded and a profit commission on the annual profit derived from all the fees ceded under a treaty.

CGIF has entered risk sharing agreements with KEXIM in relation to three guarantee accounts: first in March 2019, second in April 2021 and third in August 2021. In all agreements, KEXIM's proportion is equal to 50% of the guaranteed amount and as such, participation fee amounting to 50% of the guarantee fees will be ceded after deducting the respective commission.

In 2022, CGIF received \$21.2 million from the reinsurers their share in the losses from the guarantee default in December 2021.

NOTE 19— SUBSEQUENT EVENTS

In March 2024, an event of default (EOD) was triggered as a result of non-payment in respect of an early redemption option on a convertible bond. This triggered a cross default on the CGIF THB guaranteed bond. As of the date of the issuance of this financial statements, CGIF Management assessed this to be a non-adjusting event as of 31 December 2023. Further, with the limited information, CGIF management cannot reasonably estimate the financial effects of the said default.