

CREDIT GUARANTEE AND INVESTMENT FACILITY

No. 196/2025
12 November 2025

SUPRANATIONALS

Issuer Rating: AAA
Outlook: Stable

Last Review Date: 20/11/24

Issuer Rating History:

Date	Rating	Outlook/Alert
28/08/14	AAA	Stable

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RATIONALE

TRIS Rating affirms the issuer rating on Credit Guarantee and Investment Facility (CGIF), a trust fund of Asian Development Bank (ADB), at “AAA”, with a “stable” rating outlook. The rating on CGIF is based on its status as a supranational institution owned by the governments of the Association of Southeast Asian Nations (ASEAN) +3 countries and ADB, together referred to as the “contributors”. The rating also reflects CGIF’s very strong public policy mandate, strong governance and experienced management team, solid capital position reinforced by prudent risk management, as well as strong funding and liquidity profile. These strengths provide CGIF with the capacity needed to effectively manage exposure to high-risk bond issuers and countries.

KEY RATING CONSIDERATIONS

Supranational status supports the rating

CGIF’s rating reflects its status as a supranational institution owned by the governments of the ASEAN+3 countries and ADB. We believe CGIF’s has a unique role that would be difficult for any other private or supranational institutions to perform. CGIF’s core policy mandate is to promote financial stability and develop local capital markets in the ASEAN+3 region, complemented by a higher risk tolerance for emerging markets. CGIF primarily supports bond issuers in ASEAN and frontier markets. Its priorities include first-time issuers in local currencies, cross-border transactions, and key instruments such as thematic, project, green, and social bonds, as well as securitization, real estate investment trusts (REITs), and sukuk.

CGIF’s contributors have consistently demonstrated support and commitment, as evidenced by successful capital increases. As of 30 June 2025, the paid-up capital stood at USD1.158 billion. This represents a significant increase from USD700 million in 2017. All contributors have followed the approved plan to raise the paid-up capital to USD1.2 billion by the end of 2024. CGIF’s policy to retain capital by not distributing dividends further reinforce this commitment.

CGIF’s management team, composed of experienced international professionals, has consistently met its performance targets and demonstrated effective risk management. This includes achieving financial goals and maintaining a weighted internal risk rating (IRR) of the portfolio within the target range.

Solid capital buffer

We expect CGIF to maintain its very strong capital position, driven by consistent earnings retention and revenue from the steady expansion of its guarantees. Despite the absence of callable capital, CGIF holds a robust capital buffer assessed to be sufficient to cover potential losses from guarantee calls.

As of June 2025, CGIF’s reported capital adequacy ratio (CAR) was 4.06, a slight decrease from 4.60 in June 2024. This drop resulted primarily from the expansion of the guaranteed portfolio and the deterioration in the IRR of a few accounts. However, the CAR remains comfortably above the management action trigger of 1.1.

We also expect the leverage ratio to stay well below an internal limit of 2.5 times in the next few years. CGIF maintains a conservative leverage ratio of 1.4 times as of June 2025, a modest increase from 1.15 times in June 2024. The increase reflects a high number of new guarantees in 2024, thanks to

supportive demand and market condition. CGIF issued guarantees to support 24 bond issues totaling USD775 million in 2024, compared with 15 bond issues totaling USD403 million in 2023.

Prudent risk management

We view CGIF as having a prudent growth strategy and risk management framework. CGIF maintains a detailed risk management framework and operational policies to effectively manage its credit, market, liquidity, and operational risks. This framework provides comprehensive guidelines that govern the entire guarantee process, from credit risk assessment and underwriting to risk monitoring, handling guarantee claims, and loss recovery. To ensure a well-diversified exposure, CGIF enforces internal concentration limits on both credit and investment risks. Furthermore, to mitigate credit risk, CGIF has a policy to cede around 25% of its guarantee exposure to reinsurers with strong credit ratings (between A and AA).

CGIF's careful risk and recovery management practices are reflected in good recovery prospects on its first two guarantee calls. CGIF's recovery from its first guarantee call on KNM Group Berhad (KNM) in December 2021 is contingent upon the successful sale of KNM's assets. If successful, this could lead to a reversal of most of the KNM-related expected credit loss (ECL) provision currently held by CGIF. The second guarantee call, which involved XJ International Holdings Co., Ltd. (XJ INTL) in March 2024, resulted in no losses to CGIF and has been fully recovered.

Conservative funding profile and strong liquidity

We assess CGIF's funding as neutral, primarily because the institution is equity-funded and operates without a long-term borrowing policy. CGIF lacks established capital market access, as its financial policy limits borrowing to cash-management purposes only. As such, CGIF can only secure short-term funds from eligible counterparties to address specific needs, such as managing liquidity for guarantee calls or essential operational requirements.

We assess CGIF's liquidity profile as very strong given its liquidity buffer of over 2.0 times of potential liquidity needs from guarantee calls in a stressed scenario. CGIF employs a conservative liquidity risk management approach, utilizing a two-tier framework that mandates both regular monitoring and rigorous stress testing. The regular liquidity gap monitoring necessitates that expected cash inflows from investments and guarantee fees cover cash outflows from operating expenses and potential claim payments within the following six months. The stress test scenario assumes simultaneous defaults of the top 20% of guaranteed entities with the largest exposures and applies haircuts to investment portfolios, which is CGIF's primary source of liquid assets. This portfolio is primarily composed of bonds issued by highly-rated sovereigns or government-related entities (GREs). The ADB oversees CGIF's investment portfolio.

High-quality investment portfolio

CGIF maintains a conservative investment policy that imposes limits across multiple dimensions, including exposure per issuer, aggregate exposure to an issuer type, aggregate country and individual country exposures, and credit ratings. The policy also includes conservative management action trigger on unrealized market loss. CGIF's investment policy is to only invest in high-rated marketable fixed-income securities, ensuring they can be liquidated with minimal loss.

According to its treasury risk management guidelines, the minimum credit ratings for investments range from "A+" to "AA-" (based on S&P Global Ratings). A minimum rating of "A+" is allowed specifically for debt issued by government-related entities (GREs) of contributing countries. As of June 2025, the majority of CGIF's investments were in fixed-income securities issued by sovereigns or GREs with credit ratings of "AA+" or above. CGIF's average portfolio duration was 3.30 years as of June 2025, which is similar to 3.33 years in June 2024 and remains well within the internal ceiling of 5.0 years.

BASE-CASE ASSUMPTIONS

- Leverage ratio of 1.7 to 2.0 times.
- New guarantees of around USD600-USD700 million per annum.
- Investment yields of around 3.0%-3.5% per annum.

RATING OUTLOOK

The "stable" outlook reflects TRIS Rating's view of CGIF's strong and stable linkage with its major contributors and the likelihood of continued operational support. The outlook also considers our expectation that CGIF will continue to perform its important public policy mandate in developing regional bond markets and maintaining prudent governance and risk management standards. We further expect CGIF to maintain a strong capital position, sound funding and liquidity management, and healthy financial performance.

RATING SENSITIVITIES

The rating could face downward pressure if losses in the guarantee portfolio cause CGIF's financial profile to deteriorate significantly. Any evidence of reduced support from the contributors or signs of weakening in the governance and risk management framework could also lead to a downgrade scenario.

ORGANIZATION OVERVIEW

CGIF was founded in November 2010 by the governments of the ASEAN+3 countries (10 ASEAN countries plus China, Japan, and Korea) and ADB, together referred to as "contributors". CGIF's main objective is to provide credit guarantees which allow eligible issuers to access local currency bond markets. Issuers can thus avoid currency and maturity mismatches by issuing bonds within the region. The establishment of CGIF was a continual development process following the Asian Bond Markets Initiative (ABMI) introduced in 2003 by the ASEAN+3 countries. The aims of ABMI are to develop and strengthen the local currencies and regional bond markets to promote economic growth and financial development, and to prevent disruptions to the international financial order so as to enable savings in the region to be used within the region.

CGIF has four business functions:

1. Guaranteeing bonds in local currencies, issued by ASEAN+3 creditworthy entities, to help issuers reduce currency and maturity mismatches;
2. Guaranteeing bonds not in local currencies, issued by ASEAN+3 creditworthy entities, given that issuers have natural or financial hedges in place, such as a currency matching their underlying business;
3. Making investments for the development of the regional bond markets; and
4. Undertaking other activities and services consistent with the objectives.

Since its inception, CGIF has focused mainly on the first two functions. The latter two functions are for the future.

In a typical guarantee contract, CGIF provides coverage only when an issuer breaches the non-payment event clause. In addition, when a non-payment event occurs, CGIF retains the sole right to decide whether it will early redeem the bonds or continue to pay bondholders according to the original bond schedule. Upon payment by CGIF of all or any part of the guaranteed amounts, CGIF will be entitled to all the rights, powers, and security that bondholders had against the issuers and co-indemnity providers to an amount equal to the paid guaranteed amount.

CGIF finances its operations solely from capital contributions. CGIF is not allowed to borrow from any source, except for cash management purposes.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. USD

	Jan-Jun 2025	-----Year Ended 31 December -----			
		2024	2023	2022	2021
Interest income	24.0	43.8	37.5	28.5	27.3
Guarantee fee	13.0	22.7	20.5	20.0	19.4
Other revenue**	1.2	2.5	0.5	2.6	4.4
Total revenue	38.2	69.1	58.5	51.1	51.1
Net operating income	10.5	49.5	44.9	15.2	32.0
Total assets	1,548.1	1,474.5	1,387.4	1,305.0	1,372.8
Total liabilities	144.2	119.1	84.9	81.8	80.4
Shareholders' equity	1,404.0	1,355.4	1,302.5	1,223.2	1,292.4

* Unaudited and not annualized

** Including realized gain (loss) from securities, fair value changes from derivatives, commission from reinsurance, and miscellaneous income

RELATED CRITERIA

- Supranational Institutions Rating Methodology, 15 November 2022

Credit Guarantee Investment Facility (CGIF)

Issuer Rating:	AAA
Rating Outlook:	Stable

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