

# Credit Guarantee and Investment Facility

## Key Rating Drivers

**Ownership Positive for Rating:** Credit Guarantee and Investment Facility's (CGIF) rating reflects its strong ownership profile as a trust fund of the Asian Development Bank (AsDB; AAA/Stable) and its strategic mandate to support the development of ASEAN+3 (China, Japan, and South Korea) capital markets. It also reflects CGIF's affiliation and alignment with AsDB's multilateral, supranational status.

CGIF continues to manage its guarantee operations conservatively, supported by prudent operating policies and disciplined adherence to its risk management framework. The ownership structure further reflects strong shareholder support. Initial capital was provided by AsDB and ASEAN+3 sovereigns, several of which are highly rated. CGIF has not paid dividends since inception, supporting the preservation and strengthening of its capital base.

**'Favourable' Company Profile:** Fitch assesses company profile as 'Favourable' due to a 'Favourable' business profile and 'Neutral' corporate governance. The 'Favourable' business profile reflects its substantive business. We also take into account CGIF's risk appetite, which is in line with its mandate, and well-diversified regional business exposures.

**Solid Capitalisation:** We expect CGIF to prudently manage its net par/capital ratio - defined as total outstanding guarantee exposure after reinsurance relative to members' equity - as its guarantee portfolio grows. The ratio was 1.2x at end-2024, and Fitch estimates it remained around 1.2x at end-2025.

**Prudent Investment Approach:** CGIF invests only in fixed-income securities with maturities of more than one year that are rated at least 'A+' on an international scale for government-related issuers of CGIF contributor countries and 'AA-' for other issuers. Its investments in short-term fixed-income instruments cannot be lower than 'F1' on Fitch's rating scale. Fitch anticipates that CGIF will not encounter severe liquidity issues due to effective liquidity risk management.

**High-Risk Guarantee Portfolio:** CGIF guarantees non-investment-grade corporate issuance. It provides mostly local currency-denominated guarantees for Asian emerging-market debt. CGIF is still working with an issuer that defaulted when its guaranteed bond matured in December 2021 on the reimbursement of guarantee payments as well as costs and expenses incurred by CGIF after the guarantee payments.

The issuer has reimbursed CGIF for coupon payments and additional accrued interest from the maturity date until the guarantee payment date and legal expenses. CGIF's return on equity was 4% in 2024 and 2023, following lower impairment expenses in 2024. However, Fitch estimates profitability in 2025 continued to be affected by impairment expenses, as the company has yet to receive full reimbursement from the defaulted issuer.

## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A significant and sustained increase in the net par/capital ratio
- A material increase in reliance on reinsurance protection for a prolonged period.

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

CGIF's ratings are already at the highest possible level and therefore cannot be upgraded.

## Latest Developments

- Up to November 2025, none of CGIF's 14 contributors have explicitly indicated their intent to subscribe to a remaining USD42 million in unsubscribed capital from a 2017 capital increase, which had been intended to raise the agency's authorised capital.
- CGIF aims to expand partnerships with multilateral development banks, development finance institutions and other ASEAN-focused institutions.

## Company Profile

### Strategic Mandates and Alignment with AsDB

CGIF, established in 2010, supports the development of ASEAN+3 debt capital markets by providing guarantees on bond issuance. Operations commenced in 2012, with the first bond guarantee issued in 2013. CGIF's USD1.2 billion capital base exceeds the threshold for a guarantor with a 'Favourable' operating scale, while revenue is aligned with a 'Least Favourable' operating scale. We nevertheless view CGIF as a large entity given its operating infrastructure and operations with AsDB.

Premiums from guarantee operations totalled USD23 million in 2024. Fitch expects CGIF to strengthen its track record in bond guarantees as it broadens coverage. CGIF primarily targets first-time issuers with limited or no access to local bond markets in ASEAN+3, and also provides guarantees to established issuers to lengthen maturities, diversify investor bases, and facilitate cross-border issuance.

CGIF's sponsor is AsDB, a well-established multilateral supranational. CGIF is constituted as an AsDB trust fund rather than a separate legal entity. Hence, it is accorded the same supranational status, as incorporated under Article 13.2 of its Articles of Association, which states that "the privileges, immunities, and exemptions accorded to AsDB pursuant to the Agreement Establishing the Asian Development Bank shall apply to the trustee, and the property, assets, archives, income, operations and transactions of CGIF".

The organisation, like the AsDB, is not subject to the laws of the Philippines, where it is based, and, as such, is immune from taxation, local business laws and bank or insurance regulations. AsDB has close ties with CGIF and provides strong operational support, appointing staff as well as holding in trust and managing CGIF's funds and assets, as set out in the Articles of Association. CGIF's risk-management culture and procedures are largely adopted from AsDB.

Fitch also thinks CGIF's growth strategy is more favourable than that of commercial operators. There is no time pressure from AsDB or the capital contributors to quickly utilise capital for guaranteeing bond obligations, giving CGIF leeway to carefully select the issuance it guarantees, instead of adopting an aggressive or fast-growth path. This approach is in line with AsDB's philosophy.

Nonetheless, CGIF is focused on undeveloped business segments, as the use of debt guarantees in ASEAN+3 is limited. This carries higher-than-average risk of making an adverse selection, as assessing the viability of issuers seeking insured debt can be challenging. This risk is intrinsic to CGIF's model and is not offset by operational linkages with AsDB. CGIF's guarantees span diverse sectors, including telecommunications, financial institutions and healthcare, and support cross-border transactions by seeking opportunities to guarantee local corporates.

### 'Neutral' Corporate Governance

Fitch considers CGIF's corporate governance to be effective and neutral to the ratings. The governance structure consists of contributor meetings, an eight-member board, three board committees and two management committees. The board comprises the CEO, two representatives, each from China and Japan, and one each from ASEAN, Korea and AsDB. These country representatives are from the ministries of finance or development banks. The board meets at least three times a year.

## Ownership

### Ownership Positive to Rating

The ownership structure signals strong shareholder support. Initial capital was provided by AsDB and the ASEAN+3 sovereigns. Japan (A/Stable), China (A/Stable) and Korea (AA-/Stable) contributed around 75% of CGIF's capital. The number of votes for each contributor is proportional to its capital contribution. Hence, the largest contributors retain the strongest decision-making power. Callable capital facilities are used for some supranational organisations, but CGIF's capital providers chose not to use such an approach. CGIF has not paid dividends since inception to support, preserve and strengthen its capital base.

## CGIF Capital Contributors at End-November 2025

	(%)	Rating/Outlook
AsDB	15.54	AAA/Stable
Japan	29.60	A/Stable
China	29.60	A/Stable
Korea	14.80	AA-/Stable
Brunei Darussalam	0.48	n.a.
Cambodia	0.02	n.a.
Indonesia	2.64	BBB/Stable
Laos	0.02	CCC+
Malaysia	1.52	BBB+/Stable
Republic of the Union Myanmar	0.01	n.a.
Philippines	1.87	BBB/Stable
Singapore	1.87	AAA/Stable
Thailand	1.87	BBB+/Negative
Vietnam	0.16	BB+/Stable
Total	100.00	

Source: Fitch Ratings, Fitch Solutions, CGIF

## Capitalisation and Leverage

## Solid Capital Buffer

CGIF's contributors approved a USD500 million increase in authorised capital in 2017 to support growth, with a target total capital of USD1.2 billion when fully subscribed. The initial increase took place in December 2017, and subsequent contributions brought capital to USD1.16 billion by end-October 2025, which Fitch considers sufficient.

CGIF guaranteed bonds are denominated in various currencies, including Singapore dollars, Vietnamese dong, Philippine peso, Japanese yen, Cambodian riel, Thai baht, Malaysian ringgit, Chinese yuan, and Indonesian rupiah. The guaranteed bonds have average tenors of three to 15 years and were issued by corporations in sectors such as telecommunications and automobiles. CGIF's net par/capital ratio remained low at 1.2x as of December 2024.

## Financial Highlights

	2024	2023
Net par/capital ratio (x)	1.2	1.1
Financial leverage (%)	0	0

Source: Fitch Ratings, Fitch Solutions, CGIF

## Fitch's Expectations

- Capitalisation to remain solid, with a net par/capital ratio of below 2.0x over the long term.

## Financial Performance and Earnings

## High-Risk Insured Portfolio

Fitch views CGIF's insured portfolio to be high risk, according to its rating criteria for guarantors. A high-risk portfolio is characterised by high frequency and severity of losses, and uncapped currency risk. CGIF has prudent underwriting and control measures. The company faces volatile guarantee risks due to non-investment-grade corporate issuance and currency risk from providing local currency-denominated guarantees in emerging markets. CGIF is still seeking to recover the guarantee payments and any additional costs from the issuer that defaulted on a guaranteed bond in 2021.

Unlike privately owned, commercially driven organisations that target earnings growth, CGIF does not set profit objectives. Its mandate is to support the development of the Asian bond market. This aligns its performance framework with that of mutual insurers and government agencies, where profit margins are calibrated to provide reasonable compensation for risk and support long-term capital growth consistent with business forecasts.

CGIF determines its maximum guarantee capacity by considering factors such as paid-in capital, retained surplus, credit-loss reserves, foreign-exchange loss reserves, the amount of illiquid investments, and the maximum leverage ratio.

### Financial Highlights

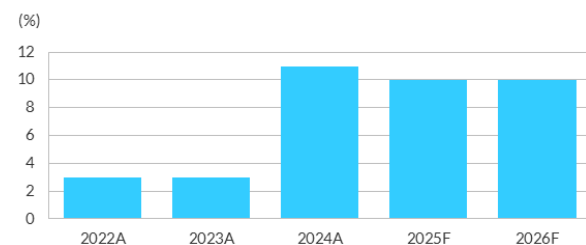
(%)	2024	2023
Net income (USDm)	49	44
Return on equity	4	3

Source: Fitch Ratings, CGIF

### Fitch's Expectations

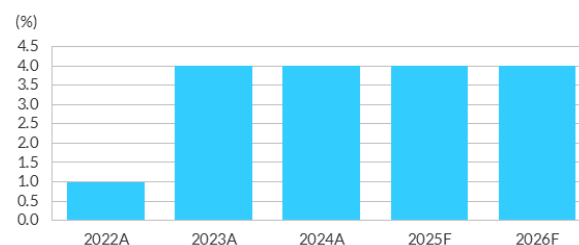
- Maintain prudent underwriting in light of its high-risk insured portfolio.
- Gross written premium (guarantee fee) growth to remain moderate at 10% in the next two years as the company aims to expand in Malaysia and the Philippines.

### Fitch Forecast - Premium Growth



Source: FitchRatings

### Fitch Forecast - Return on Equity



Source: Fitch Ratings

## Investment and Asset Risk

### Conservative Investment Strategy

CGIF's investment objective prioritises principal preservation through a focus on liquid, low-risk, high-credit-quality instruments. The investments are managed by AsDB's treasury in line with CGIF's treasury risk-management guidelines, which have been agreed with AsDB and approved by the board. The portfolio is limited to cash, deposits and fixed-income securities.

CGIF is exposed to substantial foreign-currency risk because it guarantees bonds in local currencies while its functional currency is the US dollar. However, convertibility risk is mitigated by CGIF's ability, in principle, to settle guarantee obligations in US dollars (or a substitute currency), ensuring it does not default on a guarantee due to lack of access to the bond issue's currency.

CGIF's policy mandates that all investments must be marketable within a reasonable timeframe. In 2024, CGIF allocated 65% of its investments to bonds and time deposits with maturities under five years, resulting in a portfolio duration of three years. The likelihood of a liquidity crisis is minimised by CGIF's right to accelerate or maintain the original interest or principal payment schedule if an insured bond defaults, eliminating liability-acceleration risk.

### Financial Highlights

(%)	2024	2023
Risky-asset ratio	0	0
Equity investment capital	0	0

Source: Fitch Ratings, CGIF

### Fitch's Expectations

- No significant change to the risk profile of CGIF's investments in light of its investment approach.

## Reserve Adequacy

### Credit Loss Reserves Based on Credit Rating

Credit-loss reserves are assessed as the amount of expected loss, which is calculated as the product of each account's probability of default and loss given default, where the probabilities of default correspond to the internal credit ratings of individual bond issuers. CGIF ensures that it correctly applies international technical standards in its credit ratings.

Each outstanding guarantee is reviewed and re-rated at least annually. Additional provisions are set aside should a bond issuer's credit profile deteriorate, based on the perceived lower credit rating. Management also makes specific provisions for any at-risk guarantee on a case-by-case basis based on ongoing monitoring of all guarantees outstanding.

## Reinsurance, Risk Mitigation and Catastrophe Risk

### Strong Reinsurance Capacity

CGIF maintains a quota-share reinsurance treaty to support underwriting capacity, with all participating reinsurers carrying IFS ratings of at least 'A-'. The 25% quota-share arrangement remains broadly unchanged. Selected exposures were ceded under special acceptance terms, approved by the investment committee, to enhance diversification of the guarantee portfolio.

### Financial Highlights

(%)	2024	2023
Reinsurance recoverable to capital	0	0
Single-risk par/capital	7	12
Net notional par/gross notional par insured	73	69
Source: Fitch Ratings, Fitch Solutions, CGIF		

## Appendix A: Peer Analysis

CGIF has no equivalent like-for-like peers for a relevant peer comparison, given its specialised nature and focus on supporting the development of debt capital markets in Asia by providing financial guarantees on debt issues.

Fitch compares CGIF with GuarantCo Ltd. (AAA(idn)/Stable), a financial guarantor that is also owned by government agencies and follows development objectives. GuarantCo provides infrastructure guarantees in Africa and Asia.

### Peer Comparison

(USDm)	IFS Rating	Equity	Net par/capital (x)	Financial leverage (%)	Return on equity (%)	Risky assets/equity (%)
CGIF	AAA (idn)/ Stable	1,355	1.2	0	4	0
GuarantCo	AAA(idn)/Stable	272	1.3	12	2	0

Source: Fitch Ratings, CGIF, GuarantCo, 2024

### Appendix B: Industry Profile and Operating Environment

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### Industry Profile and Operating Environment (IPOE)

Click [here](#) for a link to a report that summarises the main factors driving the above IPOE score.

## Appendix C: Other Rating Considerations

Below is a summary of additional ratings considerations that are part of Fitch's *Insurance Rating Criteria*.

## Short-Term Ratings

Not applicable.

## Recovery Analysis and Recovery Ratings

Not applicable.

## Transfer and Convertibility Risk (Country Ceiling)

None.

## Criteria Variations

None.

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## Ratings

### Credit Guarantee and Investment Facility

National IFS Rating	AAA(idn)
National Long-Term Rating	AAA(idn)

### Outlooks

National IFS Rating	Stable
National Long-Term Rating	Stable

## Highest ESG Relevance Scores

ESG Relevance Scores are not assigned to Credit Guarantee and Investment Facility

## Financial Data

### Credit Guarantee and Investment Facility

(USDm)	2024 Audited	2023 Audited
Total equity	1,355	1,302
Total assets	1,475	1,387
Return on equity (%)	4	3
Net income	49	44
Source: Fitch Ratings, CGIF		

## Applicable Criteria

[Insurance Rating Criteria \(March 2024\)](#)

## Related Research

[Supranationals, Subnationals and Agencies Handbook \(September 2025\)](#)

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