

Research Update:

Credit Guarantee and Investment Facility 'AA/A-1+' Ratings Affirmed; Outlook Stable

February 27, 2026

Overview

- Credit Guarantee and Investment Facility's (CGIF) low leverage and robust capitalization provide ample capacity for it to expand its guaranteed portfolio, particularly in frontier markets. The institution had a significant volume of guaranteed issuances in 2025.
- CGIF's robust capital position and increased capital contributions from shareholders will support its extremely strong financial profile. The institution's limited track record and small presence limit its business profile.
- We affirmed our 'AA' long-term and 'A-1+' short-term foreign currency issuer credit ratings on CGIF. We also affirmed the 'AA' long-term issue rating on CGIF's guaranteed notes.
- The stable outlook on the long-term issuer credit rating reflects our view that CGIF will maintain a solid buffer against potential guarantee calls over the next 24 months.

Rating Action

On Feb. 27, 2026, S&P Global Ratings affirmed its 'AA' long-term and 'A-1+' short-term foreign currency issuer credit ratings on CGIF. The outlook on the long-term rating is stable. We also affirmed the 'AA' long-term issue rating on CGIF's guaranteed notes. CGIF is a multilateral institution headquartered in the Philippines.

Rationale

We affirmed the ratings on CGIF because we expect the multilateral lending institution to maintain a significant volume of guaranteed issuances, particularly thematic issuances in the frontier markets. CGIF's robust capital position and increased capital contributions from shareholders will support its extremely strong financial profile over the next 12-24 months. CGIF has no callable capital. The long-term issuer credit rating therefore reflects our assessment of the institution's 'aa' stand-alone credit profile.

Our assessment of CGIF's enterprise risk profile reflects the institution's role as a bond guarantor for issuers in Asia. CGIF has steadily expanded its guaranteed portfolio, on the back of a larger

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equity base. The institution benefited from a substantial increase in capital that was concluded in 2024. We believe its relationship with shareholders has strengthened.

CGIF's guarantee transactions remained strong through 2025, driven by robust demand for environment, social, governance (ESG) themed bonds, high dollar-market interest rates early in the year, and increased liquidity in local currency markets. A significant portion of these transactions supported local bond market development and promoted financial stability in less developed Association of Southeast Asian Nations (ASEAN) markets, such as Vietnam and Cambodia. CGIF's shorter history of fulfilling its policy mandate, relative to other supranational institutions, constrain its enterprise risk profile.

CGIF is gradually expanding its operational capacity through reinsurance and risk-sharing agreements. The agreements are structured such that 15%-25% of risk exposure is ceded or shared with the partners. This strategic approach demonstrates CGIF's commitment to broadening its reach and mitigating risk through collaborative efforts.

CGIF has enhanced its credit risk management systems and increased the frequency of surveillance to better assess risks associated with its portfolio. Its reviews of outstanding accounts has also become more stringent and frequent, particularly those susceptible to macroeconomic headwinds and geopolitical issues.

We anticipate minimal disruption to CGIF's operations amid a volatile geopolitical environment, given the institution's countercyclical business model and limited volume of deals underwritten annually.

CGIF's asset quality remains sound, in our assessment. This is a result of the institution's guaranteed exposure to issuers with reasonably good credit quality as well as its conservative risk appetite.

CGIF continues to closely monitor its worry accounts and proactively provide and build a liquidity cushion for potential guarantee calls.

The process of recovery from a defaulted account can be protracted. For instance, the recovery process is still underway for CGIF's exposure to Malaysia based KNM Group Bhd, which defaulted in 2021. The guarantee was backed by collateral, but the recovery process could get further delayed due to the non-closure of a deal between NGK Insulators and Borsig.

We believe CGIF's capital and liquidity buffers are robust and could withstand additional pressure. This is because: (1) the typical size of each issue is 2%-8% of the institution's capital; and (2) CGIF has a well-structured maturity profile, with the tenor of guarantees (net of reinsurance) matching that of the liquid investments.

CGIF's mandate is to deepen and develop liquid local-currency bond markets in ASEAN countries. The institution was established in November 2010, and guarantees bonds issued by entities located in ASEAN countries. As of end Dec. 2025, CGIF had an outstanding guaranteed amount of about US\$2.7 billion. The guaranteed amount typically ranges between US\$30 million and US\$150 million on an average per transaction and generally has a tenor of three to 15 years.

CGIF acts as a catalyst for bond deals, rather than helping to deepen the capital markets by directly boosting volumes. We believe the scope to deepen ASEAN bond markets through credit enhancement is limited. This also constrains CGIF's role because its function could partially be filled by a commercial entity.

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To strengthen its policy role, CGIF has been focusing on less developed members in ASEAN, first-time issuers in local currencies, and CGIF's Asian bond market initiative to contribute to market creation.

CGIF is an Asian Development Bank (ADB) trust fund, established by the governments of the 10 ASEAN countries, China, Japan, Korea, and the ADB. We believe CGIF's creditworthiness benefits from its relationship with contributors and the mandate they have entrusted it with. CGIF has a balanced shareholder base, and all shareholders are either governments or government-related agencies with strong government links. The current voting rights are dominated by four contributors: China (29.6%); Japan (29.6%); ADB (15.5%) and Korea (14.8%). The 10 ASEAN governments collectively hold most of the remaining voting rights (10.5%).

Following the substantial capital increase by CGIF's shareholders that concluded in 2024, the institution is currently operating well below its internal leverage and capital adequacy ratio thresholds. We believe this provides CGIF further room to expand its guaranteed portfolio, should opportunities arise, without raising additional capital over the next two to three years. As of end-2024, CGIF's total equity, which includes paid-in capital, reserves, and retained earnings, was about US\$1.4 billion, significantly boosting the institution's guarantee capacity. CGIF also does not pay any dividends to its shareholders.

CGIF has updated its annual reinsurance arrangement, including increasing the commission rate, and streamlined the reinsurance approval processes. The introduction of a rule-based cession mechanism and the addition of a new reinsurer to the panel bolster CGIF's capacity to manage risk and support long-term financial stability. The arrangement covers 25% of CGIF's existing guarantee portfolio.

We do not treat CGIF as a preferred creditor due to its mandate to focus on the private sector. Private-sector issuers cannot selectively default to one group of creditors while paying others, as sovereigns can. Therefore, we do not incorporate preferred creditor treatment in our assessment of CGIF's enterprise risk profile.

However, given CGIF's status as a multilateral institution, we expect it to receive preferential treatment from the governments of countries in which it operates. We incorporate this factor into our assessment of CGIF's financial risk profile. These benefits include freedom from transfer and convertibility restrictions, which would aid in recovery and collateral repossession in case of a guarantee call.

We believe CGIF's management team has the necessary expertise and experience to conduct its business and achieve its mandate. That said, the institution has a short record of operations. CGIF's guarantee operations are controlled by prudent risk parameters in accordance with governance standards laid out in its articles of agreement. The institution has expanded at a gradual pace, allowing its staffing capacity to catch up with the scale of operations. ADB manages CGIF's capital, which results in conservative investment policies.

CGIF's extremely strong financial profile is a positive rating factor. The institution's risk-adjusted capital (RAC) ratio after adjustments stood at 47.4% as of end-2025, well above the 23% threshold for an extremely strong capital adequacy assessment. The RAC ratio has remained broadly stable. We expect CGIF to maintain its robust capitalization well above the 23% threshold over the next two to three years.

CGIF has a conservative approach to underwriting, in our opinion. However, some of its accounts fall within high-risk sectors such as oil and gas and real estate. The high-risk segments account for slightly less than one-third of CGIF's portfolio. CGIF's accounts, including the high-risk

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sectors, maintain sufficient liquidity, and a majority of the guarantee positions are backed by substantial collateral.

CGIF does not borrow. It obtains funding solely through retained earnings and contributors' equity. We believe sovereign and supranational backing provides one of the most stable sources of funding for the institution. However, this model also represents a concentration risk that could be tested in case of severe stress. We assign a neutral funding score to CGIF because we believe the positive factor of a paid-in capital base is counterbalanced by the lack of access to the wholesale market.

We assess CGIF's liquidity as robust. The institution should be able to comfortably pay out under its guarantees for at least a year under stressed market conditions, without recourse to liquidity facilities from contributors or from the market. As of Dec. 31, 2025, our stressed liquidity ratio for CGIF was about 5.4x for the next 12 months. The institution's liquid assets, managed by ADB, are invested mostly in bonds of highly rated governments or government-related entities. They form the bulk of CGIF's balance sheet assets.

Outlook

The stable outlook on the long-term issuer credit rating reflects our expectation that CGIF will maintain a solid balance sheet over the next 24 months. This will provide a cushion against potential guarantee calls amid uncertain macroeconomic conditions.

We believe changes to the rating will most likely be driven by the effectiveness of CGIF's role in the local-currency ASEAN bond markets.

Downside scenario

We may lower the rating if CGIF struggles to execute its mandate with a profit, or if its financial metrics weaken. This could happen if:

- The institution aggressively expands its guarantee portfolio beyond the natural growth capacity provided by the increase in capital; or
- It has inadequate risk management to deal with sudden surges in guarantee calls.

Further, we believe a drastic pullback in CGIF's guarantee deals over a prolonged period would indicate a diminishing policy role and lead to a downgrade.

Upside scenario

Upward pressure on the rating could emerge if CGIF shows a record of significantly contributing to a vibrant local currency regional capital market. The institution's specialized role and policy importance, as well as competitive position would be further enhanced in such a scenario.

Ratings Score Snapshot

Issuer Credit Rating	AA/Stable/A-1+
SACP	aa
Enterprise Risk Profile	Adequate
Policy Importance	Adequate
Governance and management	Adequate
Financial Risk Profile	Extremely Strong

Ratings Score Snapshot

Capital Adequacy	Extremely Strong
Funding and Liquidity	Strong
Extraordinary Support	0
Callable capital	0
Group Support	0
Holistic Approach	0

Related Criteria

- [Criteria | Governments | General: Multilateral Lending Institutions And Other Supranational Institutions Ratings Methodology](#), Oct. 13, 2025
- [Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology](#), April 30, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Related Research

- [Supranationals Special Edition 2025](#), Oct. 22, 2025
- [Supranationals Edition 2025: Comparative Data For Multilateral Lending Institutions](#), Oct. 14, 2025

Ratings List

Ratings List

Ratings Affirmed

[Credit Guarantee and Investment Facility](#)

Sovereign Credit Rating

Foreign Currency	AA/Stable/A-1+
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