



Credit Guarantee &  
Investment Facility

An Asian Bond Markets Initiative

A black and white photograph of three people climbing a thick rope on a structure, possibly a bridge or a large-scale construction project. The people are in various stages of ascent, with one person at the top and two others below. The background shows a cloudy sky. The image is used as a background for the title text.

# Introduction of CGIF and ASEAN Corporate Bond Markets

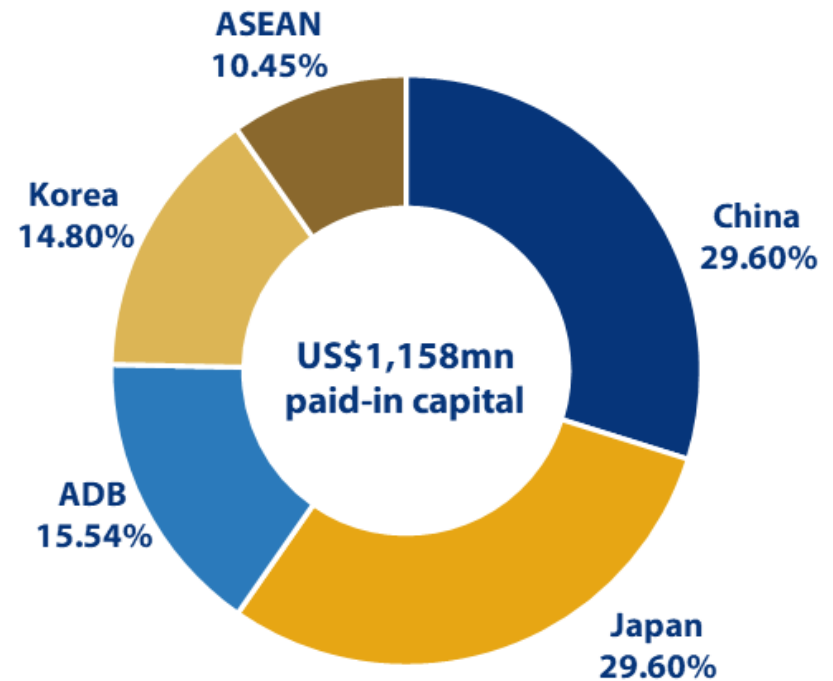
Dong Woo Rhee  
Chief Financial Officer of CGIF  
2nd CAREC Capital Market Regulators'  
Forum, Almaty, Kazakhstan  
31 October 2023

# **I. CGIF (Credit Guarantee & Investment Facility)**

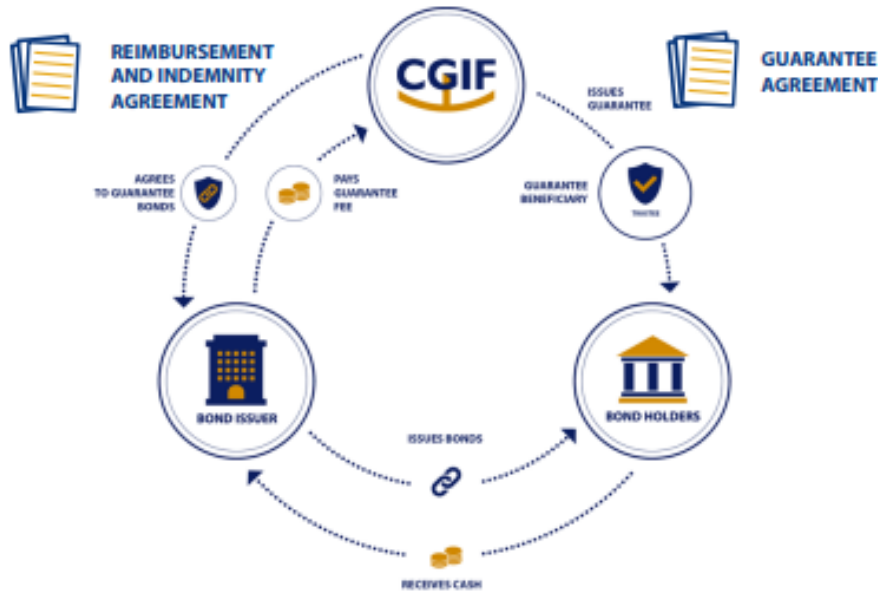
## Overview

- **Credit Guarantee and Investment Facility (CGIF)**, a trust fund of Asian Development Bank (ADB), was established in November 2010 with capital contributions from ASEAN+3 governments and ADB.
- **Objective:** promote financial stability and boost long-term investment in the ASEAN+3 region by developing local capital markets
- **Main function:** providing credit guarantees for local currency denominated bonds

## Contributors



## General Bond Guarantee Structure








### Guarantee Terms

- Irrevocable & unconditional
- Covers non-payment event
- Guarantees up to 100% principal and interest payments
- Upon a demand made for a missed payment, CGIF retains the right to:
  - accelerate principal claim payments, or
  - maintain payment schedule

## CGIF Transaction Parameters

<b>Issuer eligibility</b>	<ul style="list-style-type: none"> <li>• ASEAN+3 Company with acceptable credit profile to CGIF</li> </ul>
<b>Bond Type</b>	<ul style="list-style-type: none"> <li>• General Corporate / Project Finance / Securitization</li> </ul>
<b>Currency</b>	<ul style="list-style-type: none"> <li>• ASEAN+3 Currency</li> </ul>
<b>Size</b>	<ul style="list-style-type: none"> <li>• Up to USD230 million per Issuer</li> </ul>
<b>Tenor</b>	<ul style="list-style-type: none"> <li>• Up to 10 years (15 years subject to credit quality and justification)</li> </ul>
<b>Use of Proceeds</b>	<ul style="list-style-type: none"> <li>• Proceeds not to be used for prohibited activities</li> <li>• Satisfies CGIF's environmental and safeguard standards</li> </ul>

- Guarantees are backed by paid-in-capital from contributors with **conservative leverage ratio of 1.32x**
- Over US\$1.20 billion assets kept in cash or liquid securities with **minimum credit rating of A+**
- Consistent **AAA rating** in local markets (AA in global market) with stable outlook since 2014

Agency	Scale	Rating	Date
	Global	AA/A-1+	28 Feb 23
	Global	gAAA	13 Dec 22
	ASEAN	seaAAA	
	National (Malaysia)	AAA	
	National (Thailand)	AAA	28 Nov 22
	National (Indonesia)	AAA	17 Jan 23
	National (Indonesia)	idAAA	26 Jul 22

## Cumulative Footprint

**\$2,939mn**  
Guarantees issued

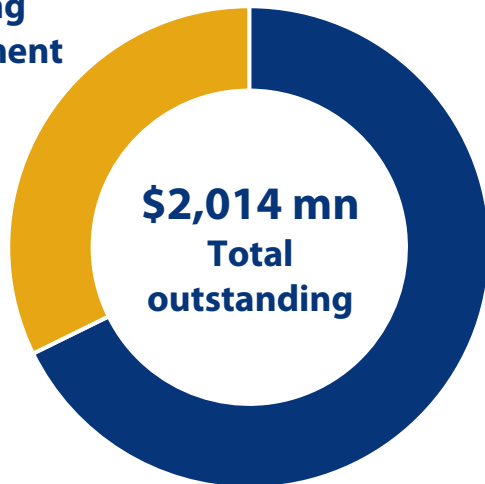
**60**  
Guaranteed bonds

	Vietnam	\$691mn		China	\$249mn
	Thailand	\$499mn		Philippines	\$129mn
	Singapore	\$441mn		Cambodia	\$71mn
	Indonesia	\$364mn		Laos	\$49mn
	Korea	\$241mn		Japan	\$19mn
	Malaysia	\$188mn			

as of 31 August 2023, in US\$ millions

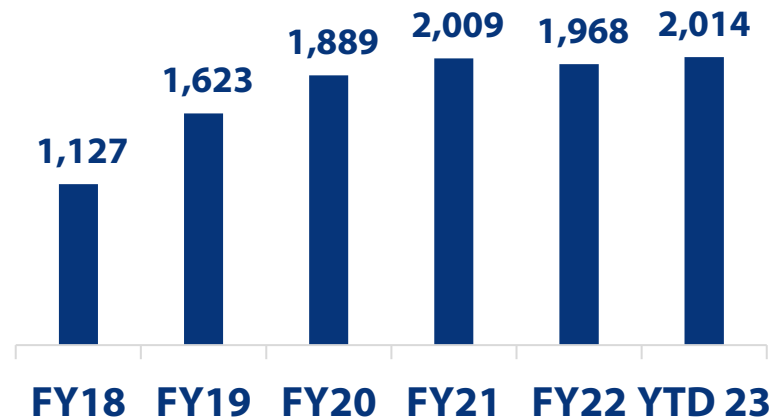
## Outstanding Guarantees

**\$649mn**  
Fronting  
arrangement



as of 31 August 2023, in US\$ millions

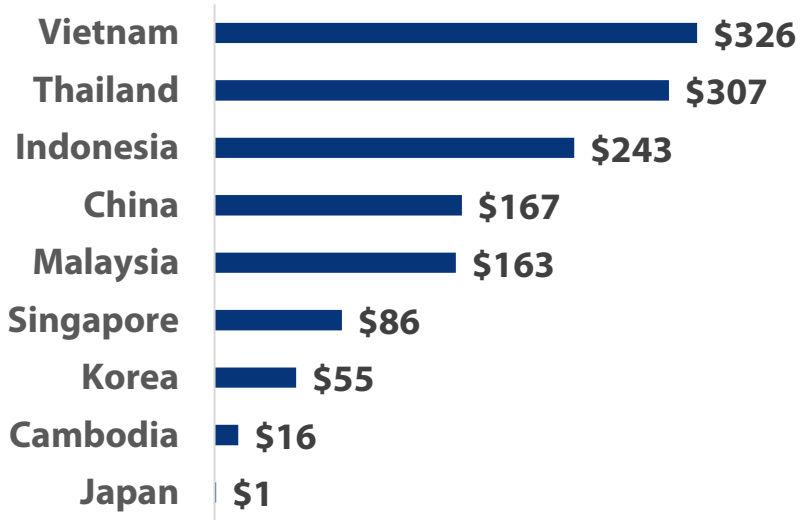
## Guarantee Portfolio (in \$ millions)



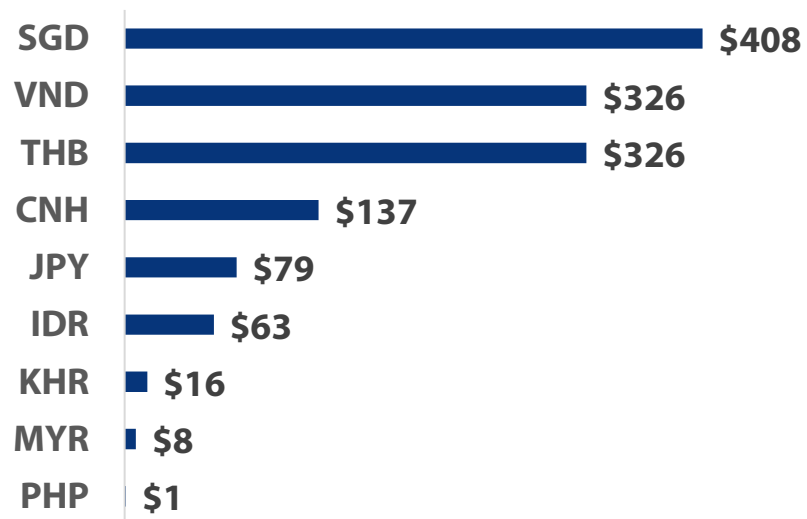


# PORTFOLIO OVERVIEW

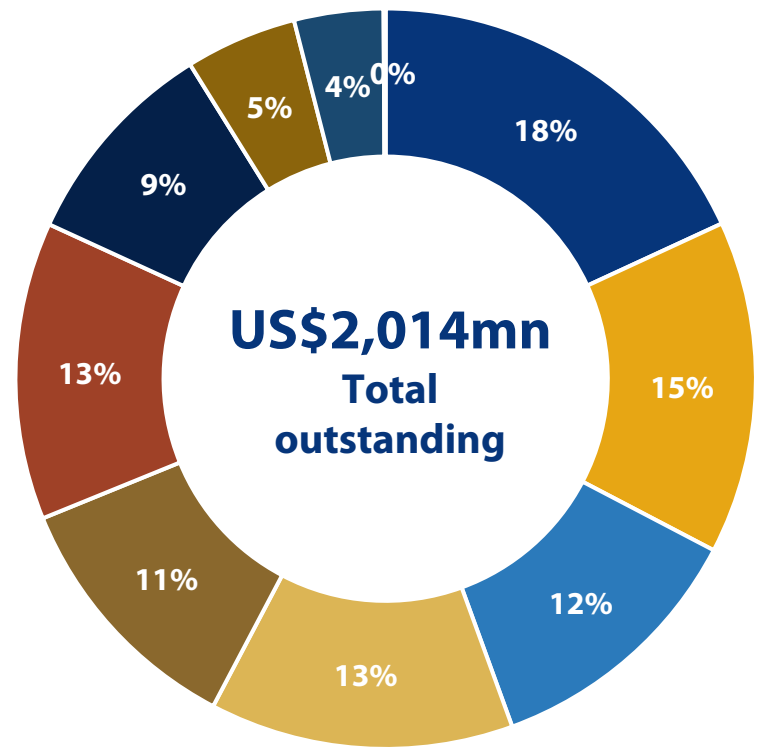
## By Country



## By Currency

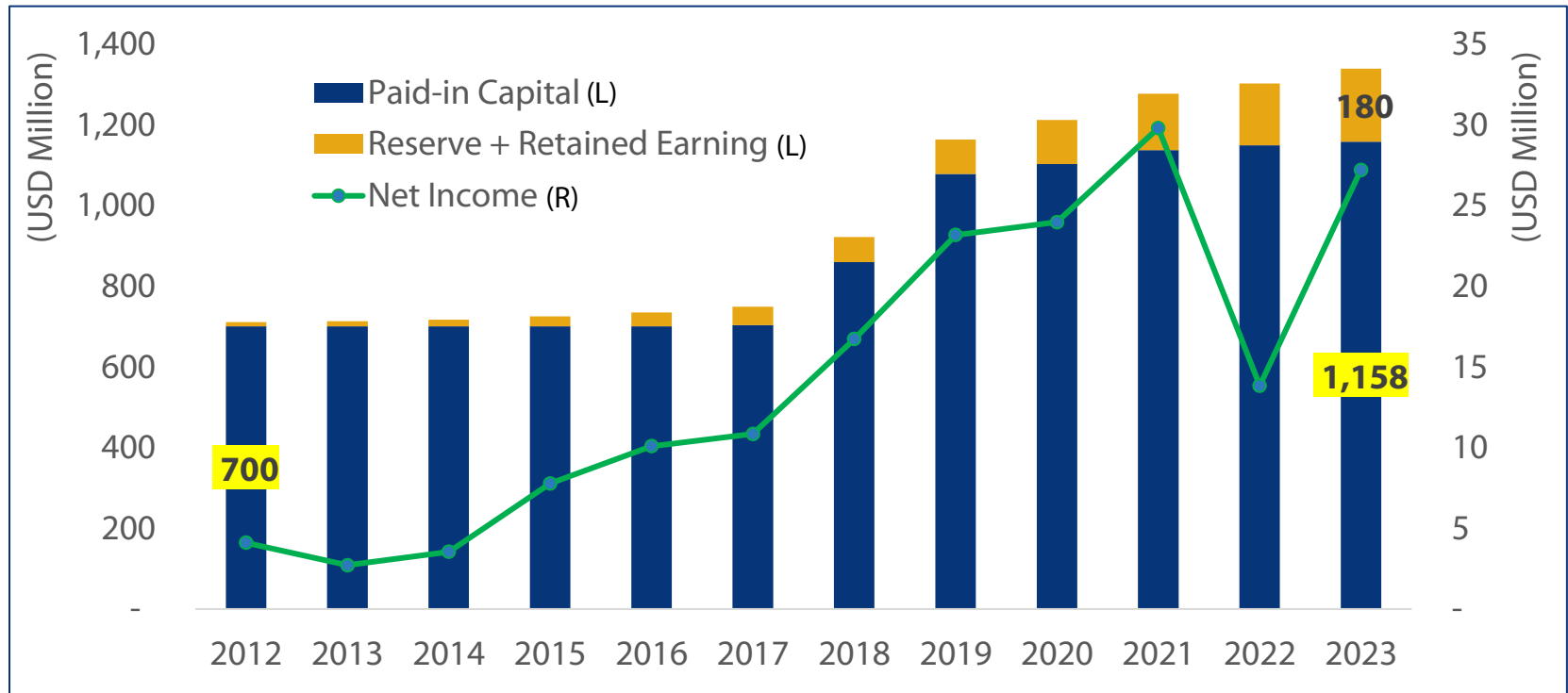


## By Sector



- Materials
- Real Estate
- Utilities
- Industrials
- Consumer Staples
- Consumer Discretionary
- Communication Services
- Healthcare
- Energy
- Financials

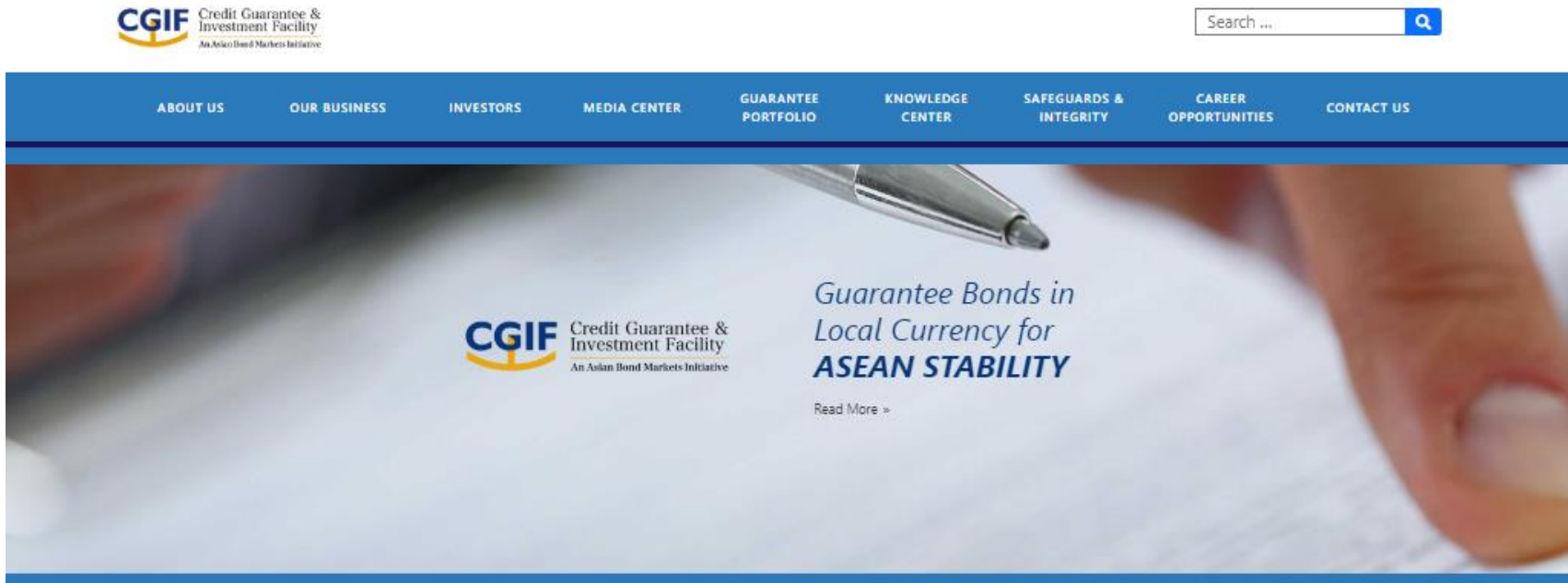
- On top of the initial paid-in capital of USD 700 million, additional USD 458 million has been paid by contributors since 2017, which resulted in total paid-in capital of USD 1,158 million as of 31 Aug 2023.
- CGIF has always earned positive net income every year with USD 30 million in 2021 being the highest so far.
- Net incomes are retained in reserve to have more capacity to fulfill the mandate



(\* 2023 figures are the ones as of 31 Aug 2023.)



You can find more about CGIF from its website, [www.cgif-abmi.org](http://www.cgif-abmi.org)



## Our Business

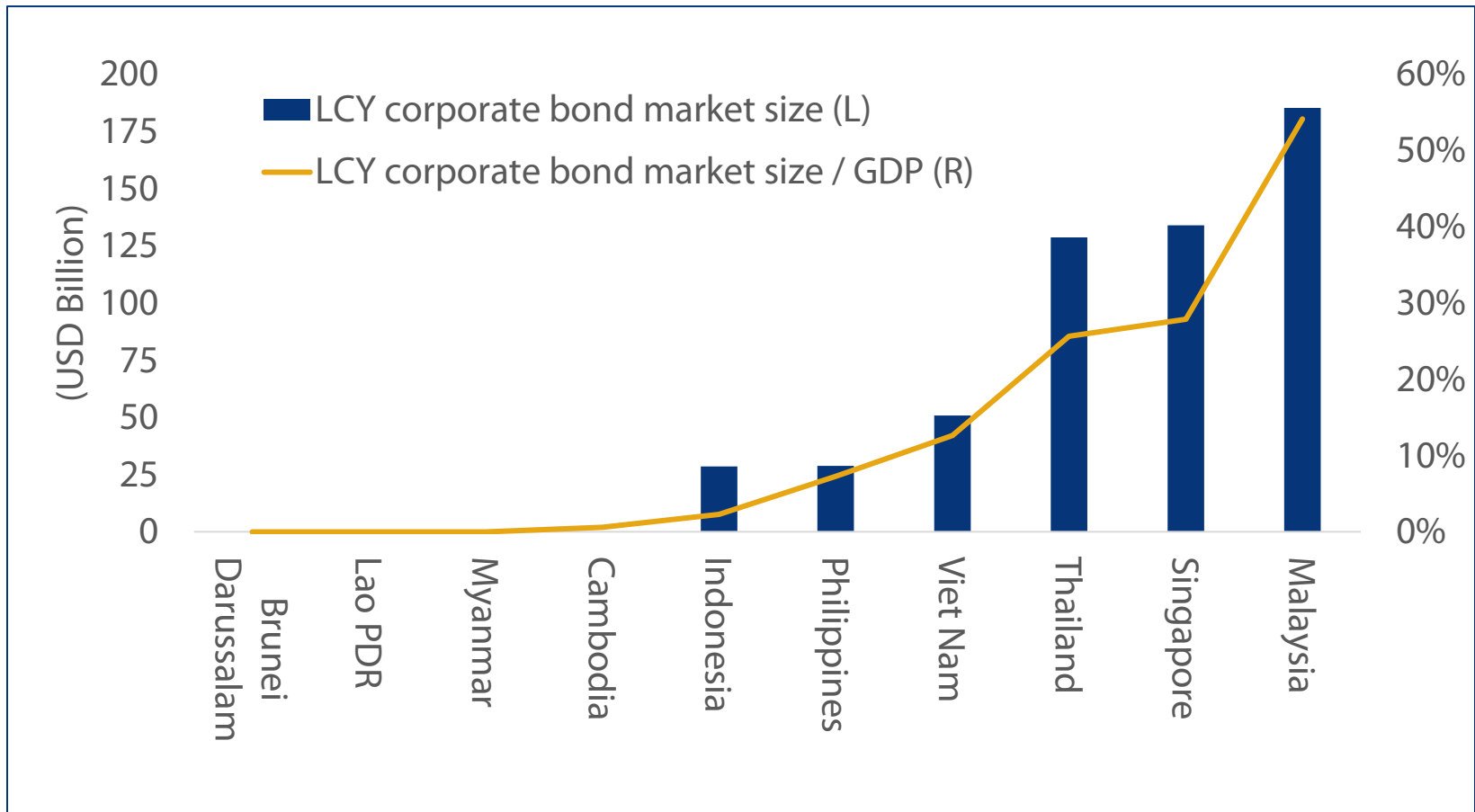
CGIF's bond guarantee operation is aimed at supporting ASEAN+3 companies access the Region's bond markets to achieve the following benefits:

- expand and diversify their sources of debt capital
- raise funds in matching currencies and tenors
- transcend country sovereign ceilings for cross-border transactions
- gain familiarity in new bond markets

Know more »

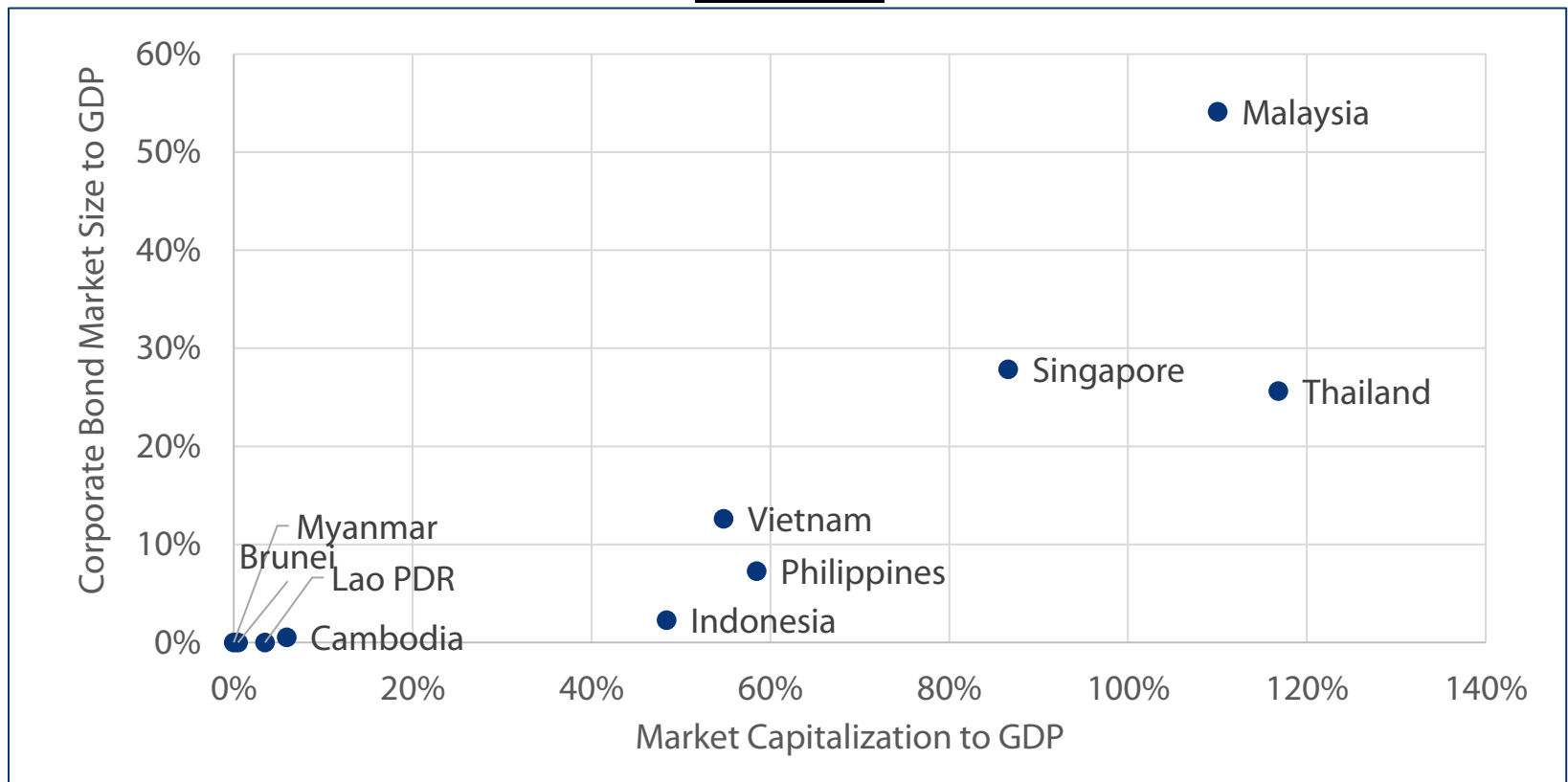
## **II. ASEAN Corporate Bond Markets**

## Local currency Corporate bond market sizes of ASEAN countries, 2022



Data : Asian Bonds Online for local currency corporate bond market sizes and GDPs of Indonesia, Malaysia, Philippines, Singapore, Thailand and Viet Nam. World bank for GDPs of other countries.

## Relationship between Market Capitalization to GDP and Corporate Bond Market Size to GDP, 2022



1. GDP figures of ASEAN6 (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam) are sourced from Asian Bonds Online and those of BCLM (Brunei Darussalam, Cambodia, Lao PDR, and Myanmar) are from World Bank.
2. Market capitalization figures for ASEAN6 countries are sourced from Bloomberg, while those for BCLM are retrieved in local exchanges in each country. Brunei has no stock exchange.
3. LCY corporate bond market figures from ASEAN6 are sourced from Asian Bonds Online. Viet Nam's corporate bond market size reflects data from the Ministry of Finance Viet Nam. LCY corporate bond market size of Cambodia is from Cambodia Stock Exchange.

## Corporate Bond Holding Rank by Investor Group

	Biggest Investor group	2 <sup>nd</sup> Biggest	3 <sup>rd</sup> Biggest
Cambodia	Bank	Insurance	
Indonesia	Mutual Fund	Bank	Insurance
Malaysia	Bank	Insurance	Pension
Philippines	Bank	Insurance	Mutual Fund
Singapore	Private Banking	Bank	Mutual Fund
Thailand	Individual	Insurance	Mutual Fund
Vietnam	Bank	Securities Companies	

Sources:

Cambodia: SBI Royal Presentation 2019

Indonesia: KSEI Securities Ownership as of 30 December 2021

Malaysia: Asian Bond Online Malaysia Market Summary November 2018

Philippines: Market interview

Singapore: Monetary Authority Singapore (MAS) Singapore Corporate Debt Market Development 2020

Thailand: Thai BMA 2021 Bond Market Highlights

Vietnam: VBMA January 2022

- In general, banks, insurance and mutual funds are three main investor groups of corporate bonds in ASEAN.
- **Thailand** is unique as individual investors are the biggest investor group for corporate bonds.
- **Indonesia:** Mutual fund is the biggest investor group due to the tax incentive having been given to them. However, the tax rate became unified regardless of investor groups since 2021.

- Across ASEAN, the companies under the financial industry (including real estate)\* have been the most active issuers of corporate bonds.
  - Thailand has a relatively diverse issuer profile, with only 27% of corporate bond issuers from the financial industry, 22% from the consumer staples industry, and 10% from the materials industry.

### Corporate Bond Issuer Profile in ASEAN

Industry	Malaysia	Singapore	Philippines	Thailand	Indonesia	Viet Nam
<b>Financials</b>	<b>52%</b>	<b>58%</b>	<b>66%</b>	<b>27%</b>	<b>44%</b>	<b>52%</b>
Industrials	19%	9%	2%	5%	14%	5%
Utilities	13%	2%	14%	7%	8%	0%
Consumer Discretionary	4%	22%	1%	9%	4%	10%
Energy	3%	1%	9%	9%	3%	4%
Consumer Staples	2%	3%	5%	22%	5%	22%
Materials	1%	1%	0%	10%	14%	5%
Others	6%	4%	3%	11%	8%	2%

Source: Bloomberg.

\*The classification of industries is based on Bloomberg's industry classification, in which real estate is a sub-industry of financial industry.

- Credit rating agencies are active in most ASEAN countries as credit ratings on corporate bonds or their issuers are generally required for public offering bonds.
- In Cambodia and Viet Nam, rated bonds are rare because their rating agencies are relatively new.

## Credit Rating Agencies in ASEAN

Country	Credit Rating Agencies
Cambodia	Rating Agency of Cambodia
Indonesia	PT Pemeringkat Efek Indonesia / PT Fitch Ratings Indonesia
Malaysia	RAM Ratings Services Berhad / Malaysian Rating Corporation Berhad
Philippines	Philippine Rating Services Corporation / Credit Rating and Investors Services Philippines Inc.
Singapore	Fitch Ratings Singapore / Moody's Investors Service Singapore Standard & Poor's Singapore / A.M. Best-Asia Pacific (Singapore)
Thailand	Thai Rating and Information Services / Fitch Ratings (Thailand) Limited
Viet Nam	Saigon Phat Think Rating Joint Stock Company / FiinRatings

- Local bond pricing agencies provide market prices of local corporate bonds, which can be used for bonds' fair values reflected in the financial statements of institutional investors.
- They also provide daily yield matrix which can be used for the yield reference of corporate bond trading in the local bond markets.

## Bond Pricing Agencies in ASEAN

	Local Agency which provide daily corporate bond prices	Remarks
Cambodia	-	
Indonesia	PT Penilai Harga Efek Indonesia (PHEI)	Bond pricing agency
Malaysia	Bond Pricing Agency Malaysia (BPAM)	Bond pricing agency
Philippines	-	
Singapore	-	
Thailand	Thailand Bond Market Association (Thai BMA)	Bond market association which has, among others, bond pricing function.
Viet Nam	-	-



## Guaranteed Corporate Bonds Ratios in ASEAN

Unit : LCY Billions

	LCY Corporate Bonds (A)	LCY Guaranteed Corporate Bonds (B)	Ratios (B/A)
Cambodia	532	207	39%
Indonesia	421,513	8,840	2%
Malaysia	728	281	39%
Philippines	1,467	4	0.3%
Singapore	87	32	37%
Thailand	3,640	262	7%
Viet Nam	68,086	14,929	22%

Source: Bloomberg.

- **Malaysia** and **Singapore** are the countries where guaranteed corporate bonds are active.
  - Main guarantors in Malaysia are government and parents.
  - Guarantors in Singapore are mostly parents or same group companies.
- **Cambodia** and **Viet Nam** are the countries where guaranteed corporate bonds are mostly CGIF guaranteed bonds.
- **Indonesia, Philippines** and **Thailand** are the countries where guaranteed corporate bonds are relatively inactive.

## National Credit Guarantors for Private Sectors

	<b>National Guarantor</b>	<b>Market Activity</b>
<b>Cambodia</b>	Credit Guarantee Corporation of Cambodia (CGCC)	Not yet active because it was established in September 2020
<b>Indonesia</b>	Indonesia Infrastructure Guarantee Fund (IIGF)	Guarantees available for infrastructure projects in Indonesia under public-private partnership (PPP) scheme
<b>Malaysia</b>	Danajamin Nasional Berhad	Was active
<b>Philippines</b>	Philippine Guarantee Corporation (PhilGuarantee)	Only a few times
<b>Singapore</b>	-	-
<b>Thailand</b>	Thai Credit Guarantee Corporation (TCG)	Not active
<b>Vietnam</b>	-	-

- Bank Pembangunan Malaysia Berhad, a development bank in Malaysia, has completed its merger with Danajamin in March 2023 when its license was surrendered to Bank Negara Malaysia.

# Cross-Border Bonds: Statistics

- Inbound ratio implies how much foreign entities participate in the local bond market. Singapore is the only country in ASEAN where inbound bonds are active.
- Outbound ratio implies how much local entities rely on offshore market for their bond financing.

## Cross-Border Bonds in ASEAN6: Inbound Bonds, 2022

	Ratio of corporate bonds issued by foreign entities to total LCY corporate bonds (Inbound)	Ratio of FCY bonds issued by local entities to total bonds issued by local entities (Outbound)
Indonesia	0.1%	70%
Malaysia	1%	15%
Philippines	0.3%	37%
Singapore	25%	69%
Thailand	1%	16%
Viet Nam	0%	28%

Source: Bloomberg.

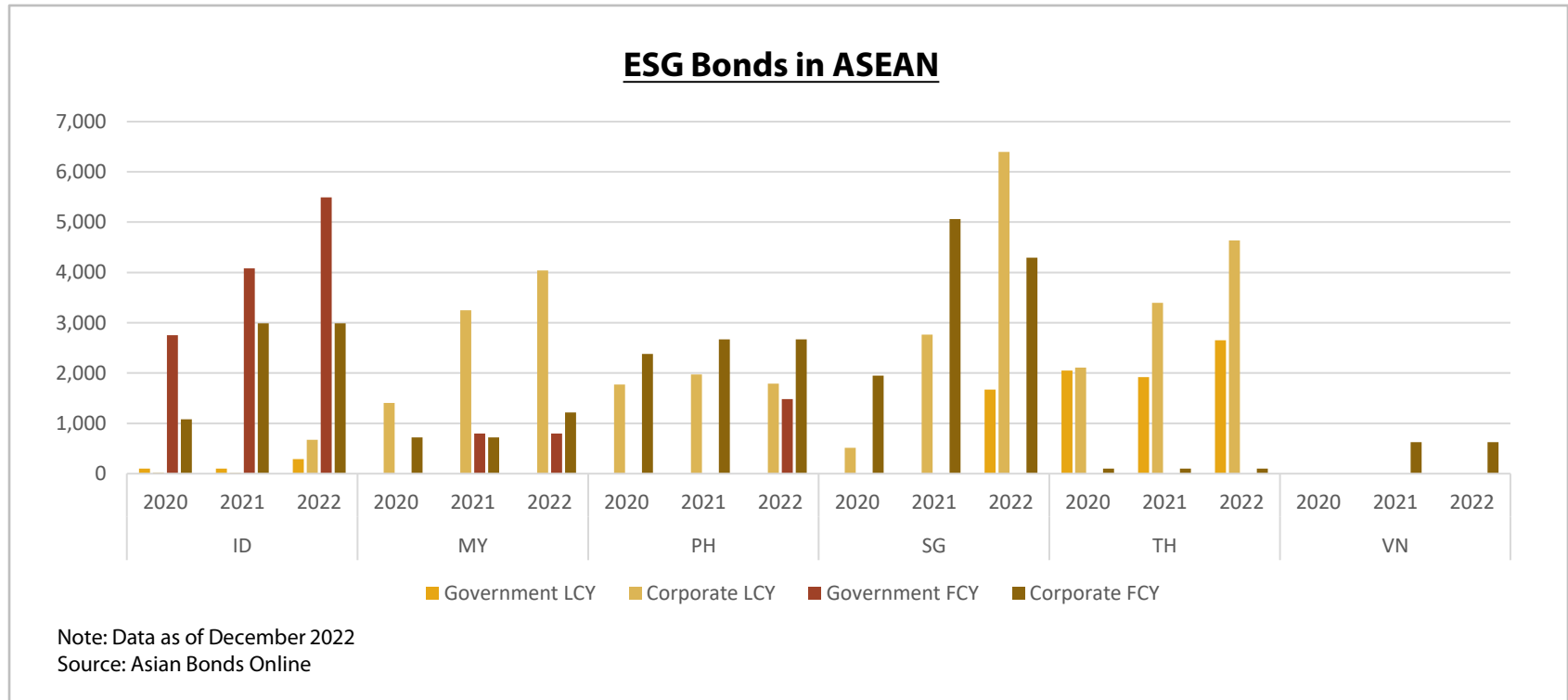
# Cross-Border Bonds: CGIF's Guaranteed Cross-Border Bonds

- **CGIF** has strength in helping the cross-border bond issuance as the unfamiliarity of the issuer in the foreign market can be overcome with CGIF guarantee.
- Singapore and Thailand are the most frequently used markets for the cross-border bonds guaranteed by CGIF.

## List of CGIF's Guaranteed Cross-Border Bonds

Issuance Venue	Issuer	Issuer Country	Currency	Issue Year	Tenor (Y)	Size*
Japan	GLP	Singapore	JPY	2020	9	\$149M
Singapore	Kolao	Lao PDR	SGD	2014	3	\$48M
	Protelindo	Indonesia	SGD	2014	10	\$138M
	ASF	Indonesia	SGD	2014	3	\$76M
	Nexus	Malaysia	SGD	2019	12	\$110M
	Hanwha	Korea	CNH	2021	3	\$153M
	CEG	China	CNH	2022	3	\$76M
Thailand	Noble	HK	THB	2013	3	\$98M
	KNM	Malaysia	THB	2016	5	\$78M
	Yoma	Singapore	THB	2019	5	\$70M

\* USD Value at the time of issuance.



- In **Indonesia**, FCY-denominated ESG bonds are more active compared to LCY. In fact, Indonesia has the highest FCY-denominated ESG bonds issued by the government in ASEAN.
- **Singapore's** corporates are more active in issuing ESG bonds compared to its government.
- ESG bonds in **Thailand** are mostly LCY-denominated.
- The **Philippines** are tapping both foreign and local currencies for ESG bond issuances.



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# Thank You!

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[www.cgif-abmi.org](http://www.cgif-abmi.org)