

**Information Memorandum**

Up to PHP 1,000,000,000.00  
CGIF-Guaranteed Corporate Notes Issuance



**ÆON CREDIT SERVICE (PHILIPPINES), INC.**  
Issuer



**CREDIT GUARANTEE AND INVESTMENT FACILITY,  
A TRUST FUND OF THE ASIAN DEVELOPMENT BANK**  
Guarantor



**MIZUHO SECURITIES ASIA**  
Financial Advisor



**FIRST METRO INVESTMENT CORPORATION**  
Arranger

**A Notes Issuance under the ASEAN+3 Multi-Currency Bond Issuance Framework**

As of November 12, 2018

<This page is intentionally left blank.>

## **ABSTRACT**

The purpose of this Information Memorandum (“IM”) is to provide prospective lenders with relevant information to assist them in their evaluation thereof and in making their decision to subscribe to the Fixed Rate Notes Issue (the “Issue”; the fixed rate notes subject of the Issue, the “Notes”).

## **NOTICE TO RECIPIENTS**

**THE SECURITIES BEING OFFERED OR SOLD HEREIN HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION (“SEC”) AS THE ISSUANCE IS AN EXEMPT TRANSACTION UNDER SECTION 10.1 (L) OF THE SECURITIES REGULATION CODE (“SRC”) AND RULE 10.1.3 OF ITS IMPLEMENTING RULES AND REGULATIONS (“SRC RULES”). ANY FUTURE OFFER OR SALE OF THE SECURITIES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.**

**THE OFFERING, SALE, AND ISSUANCE OF THE NOTES IS AN EXEMPT TRANSACTION UNDER SECTION 10.1 (L) OF THE SRC AND RULE 10.1.3 OF THE SRC IRR.**

**UPON ISSUANCE, THESE SECURITIES SHALL BE SIMULTANEOUSLY ENROLLED AS SECURITIES THAT MAY BE TRADED BETWEEN AND AMONG QUALIFIED BUYERS WHICH ARE JURIDICAL PERSONS NOT EXCEEDING EIGHT (8) AT ANY ONE TIME AT THE PHILIPPINE DEALING & EXCHANGE CORP. (“PDEX”) IN ACCORDANCE WITH THE PROCEDURES AND REQUIREMENTS SET FORTH IN THIS INFORMATION MEMORANDUM, AND THE RELEVANT PDEX RULES, OPERATING FRAMEWORK, AND TRADING CONVENTIONS. ANY FUTURE OFFER OR SALE OF THE SECURITIES WITHIN THE PDEX TRADING SYSTEM MUST BE TO A QUALIFIED BUYER WHICH IS A JURIDICAL PERSON, AS DEFINED AND PRESCRIBED UNDER THE SRC AND ITS IMPLEMENTING RULES AND REGULATIONS.**

**THE OFFER AND ISSUANCE OF THE NOTES ARE MADE SOLELY TO QUALIFIED BUYERS WHICH ARE JURIDICAL PERSONS UNDER SECTION 10.1 (L) OF THE SRC AND RULES 10.1.3 OF THE SRC RULES. QUALIFIED BUYERS ELIGIBLE TO PURCHASE THE NOTES UNDER RULE 10.1.3.6 OF THE SRC RULES ARE LIMITED TO JURIDICAL PERSONS ONLY FULFILLING THE FINANCIAL REQUIREMENTS UNDER SRC RULE 10.1.11.2 AND REGISTERED AS SUCH WITH AN AUTHORIZED REGISTRAR.**

**THE ISSUER (DEFINED BELOW) WILL NOT OBTAIN A CONFIRMATION OR DECLARATION OF SUCH EXEMPTION FROM OR FILE A NOTICE OF SUCH EXEMPTION WITH THE SEC.**

The information provided in this IM has been prepared solely for informational purposes, and is being furnished to prospective lenders in connection with the proposed Issue. The distribution of this IM in certain jurisdictions may be restricted by law. This IM may not be used for or in connection with an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. Persons coming into possession of this IM are required by ÆON Credit Service (Philippines), Inc. (“ÆON Credit”, the “Company” or the “Issuer”) to inform themselves about, and to observe, any and all such restrictions.

This IM is distributed upon the express understanding that no information (which has been obtained from sources other than from ÆON Credit’s own records) herein contained, has been independently verified and that no representation or warranty expressed or implied is made nor is any

responsibility of any kind accepted by ÆON Credit, or any of their respective affiliates, shareholders, directors, employees, agents or advisors with respect to the completeness or accuracy of any information contained herein. In addition, no representation or warranty expressed or implied is made that such information remains unchanged in any respect as of any date or dates after those stated herein, with respect to any matter concerning ÆON Credit or the Issue, or any statement made in this IM.

The contents of this IM are not to be considered as legal, business, or tax advice. This IM is not intended to provide the sole basis of any credit or other evaluation to provide financing to ÆON Credit. Each prospective lender should make its own independent evaluation of ÆON Credit and the Offer and the creditworthiness of ÆON Credit and of the relevance and accuracy of the information contained herein, and should make such other investigation as it deems necessary to determine whether it should provide financing to ÆON Credit. Prospective lenders are advised to observe certain risks, some of which are set out in this IM.

Where this IM summarizes the provisions of any other document, that summary should not be relied upon and the relevant documentation (which will be supplied upon request, if it has not been supplied with this IM) must be referred to for its full effect. In furnishing this IM, ÆON Credit reserves the right to amend or to replace the IM at any time and undertakes no obligation to provide the recipient with access to any additional information.

This IM contains certain “forward-looking statements”. These forward-looking statements can generally be identified by use of statements that include words or phrases such as ACSPI or its management “believes”, “expects”, “anticipates”, “intends”, “plans”, “projects”, “foresees”, or other words or phrases of similar import. Similarly, statements that describe ÆON Credit’s objectives, plans or goals are also forward-looking statements. All forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Nothing in this IM is or should be relied upon as a promise or representation as to the future. The forward-looking statements included herein are made only as of the date of this IM, and ÆON Credit undertakes no obligation to update such forward-looking statements publicly to reflect subsequent events or circumstances.

Each prospective lender must comply with all applicable laws in force in the jurisdiction where the transaction is entered into and must obtain the necessary consent, approval, authority, or permission for the same under the laws and regulations in force in any jurisdiction to which it is subject and ÆON Credit shall not have any responsibility therefore. The information contained herein is being submitted to the prospective lenders only in connection with the transaction described herein and may not be directly or indirectly divulged to any person or entity or reproduced, disseminated or disclosed, in whole or in part, for any other purpose.

<This page is intentionally left blank.>

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY.....</b>	<b>8</b>
Company Overview.....	9
Selected Financial Information.....	9
<b>INVESTMENT CONSIDERATIONS.....</b>	<b>10</b>
Key Investment Highlights.....	10
Risk Factors.....	12
<b>INDICATIVE TERMS AND CONDITIONS.....</b>	<b>14</b>
Summary of the Offer.....	14
Parties to the Transaction.....	20
<b>DESCRIPTION OF THE ISSUER.....</b>	<b>21</b>
Company Profile.....	21
Ownership and Shareholder Structure.....	22
ÆON Group Structure.....	25
Financial Highlights of Parent Company.....	25
Description of the Business.....	25
Products and Services.....	26
Lending Portfolio.....	27
Key Competitive Strengths.....	27
Disclosure on Legal Proceedings.....	28
<b>BUSINESS PLANS AND STRATEGY.....</b>	<b>29</b>
Plans and Prospects per Product/Service.....	29
<b>HIGHLIGHTS OF FINANCIAL PERFORMANCE.....</b>	<b>30</b>
<b>MARKET CHALLENGES AND COMPETITION.....</b>	<b>32</b>
<b>BOARD OF DIRECTORS AND MANAGEMENT.....</b>	<b>33</b>
<b>INFORMATION ON THE GUARANTOR.....</b>	<b>35</b>
Overview.....	35
Shareholding Structure.....	35
Governance Structure.....	36
Credit Strength.....	37
Guarantee Portfolio.....	37
Financial Highlights.....	40
<b>Annex A: ASEAN+3 Multi-Currency Bond Issuance Framework.....</b>	<b>41</b>

## **EXECUTIVE SUMMARY**

### **Company Overview**

ÆON Credit Service (Philippines) Inc. (the “Company” or “ÆON Credit”) was incorporated on February 14, 2013. A month after its incorporation, ÆON Credit commenced operations by offering ÆON Installment Plan, a loan facility availed by customers for the purchase of consumer products without any credit card, through a growing network of partner merchants and store affiliates.

ÆON Credit is a subsidiary of ÆON Financial Service Co., Ltd. Japan (“ÆON Financial”), a company listed on the First Section of the Tokyo Stock Exchange. The core business of ÆON Financial is the issuance of credit cards and prepaid cards. It has a combined total of 41 million credit card and prepaid card holders in Japan and overseas as of March 31, 2018. It is in fact one of the biggest credit card issuers and a leading consumer credit provider in Japan.

It is worthy to note that ÆON Financial is a member of the ÆON Group of Companies (“ÆON Group”), a global retail and financial services group based in Japan. ÆON Group consists of around 300 subsidiaries and affiliated companies which operate mainly in Asia.

ÆON Group’s most basic and abiding principles are the pursuit of peace, respect for humanity, and contribution to local communities through customer-centered initiatives. Under these principles, we are determined to achieve global management standards.

ÆON Group, in managing its businesses, is always guided by its fundamental principle of ‘Customer First’ philosophy. Its aim is to surpass expectations by combining excellent products with unique personal services.

ÆON Credit provides financial assistance to retail customers who wish to avail of personal loans and vehicle loans, and purchase home appliances, furniture, electronics, gadgets and other consumer products. Operations focus particularly on non-credit card holders and the unbanked, as the Company’s simple loan application process and accessible network of partner merchants facilitate opportunities for individuals with otherwise limited access to financial services.

The Company’s partnerships with key merchants such as Abenson, Automatic Centre, SM Appliance Center, Western Appliances, Metro Gaisano and Robinsons Appliances allow it the benefit of a wide customer reach without the cost of significant capital outlay that typically comes with brick and mortar-centric businesses. As of June 2018, ÆON Credit operates across a network of more than 1,470 stores across Luzon and several areas in Visayas. The Company aims to expand its operations to the Mindanao region by 2019.



## Selected Financial Information

Financial Highlights	For the year ended December 31				Jan to June
(in PHP Mn)	2014 Audited	2015 Audited	2016 Audited	2017 Audited	2018 Interim
<b>Income Statement Items</b>					
Revenue	75	156	418	873	640
Gross Profit	4	54	140	248	280
EBITDA	(49)	(19)	76	198	170
Net Income	(67)	(36)	36	116	85
<b>Balance Sheet Items</b>					
Total Assets	305	483	1,264	2,188	2,551
Total Liabilities	280	325	1,070	1,879	2,156
Total Equity	26	158	193	310	395
<b>Financial Ratios</b>					
Gross Profit Margin	5%	35%	33%	28%	32%
EBITDA Margin	(65%)	(12%)	18%	23%	27%
Net Income Margin	(89%)	(23%)	9%	13%	13%
Current Ratio	0.9x	1.3x	1.4x	1.1x	1.6x
Bank Debt to Equity	10.1x	1.8x	4.9x	5.7x	5.1x
Net Debt (Bank Debt less Cash) to Equity	9.0x	1.8x	4.9x	5.7x	5.1x
Return on Assets	(22%)	(9%)	4%	7%	3.6%
Return on Equity	(262%)	(39%)	20%	46%	24.2%

## INVESTMENT CONSIDERATIONS

### A. Key Investment Highlights

**ÆON Credit promotes financial inclusion in the country by extending financial services to Filipinos with limited access to banks.**

According to the Global Findex Database Report 2017, 41% and 45% of unbanked Filipinos cite the distance of financial institutions and a lack of necessary documentation for compliance, respectively, as reasons for not having a bank account. Consequently, access to more formal sources of credit service becomes more difficult for such individuals with either limited or no banking history. ÆON Credit bridges this gap, and manages to address identified barriers by designing its business model to cater specifically to the unbanked.

The Company provides financial assistance to retail customers who wish to avail of personal loans, vehicle loans, and purchase consumer products through simple installment plans. Concerns on distance are addressed by an accessible network of partner merchants across over 1,470 stores in Luzon and Visayas where ÆON Sales Promoters are conveniently stationed to assist customers with loan application. A basic list of documentary requirements allows the Company to conduct basic Know Your Customer procedures without overwhelming potential borrowers.

By focusing operations to address the concerns of non-credit card holders and the unbanked, the Company's straightforward loan application process and extensive network of merchant partners facilitate opportunities for individuals with otherwise limited access to financial services. Moreover, hire purchase loans for home appliances and similar products allow individuals to enhance consumer lifestyle, while vehicle loans provide sources of livelihood for the underserved.

**It has growth potential being the Philippine subsidiary of ÆON Financial, and a member company of the ÆON Group, the largest retail business in Japan.**

ÆON Financial, the financial services business arm of the ÆON Group, leverages on its brand strength and extensive network to develop synergies and grow its business both in Japan and abroad. In turn, ÆON Financial's subsidiaries, such as ÆON Credit, benefit from the knowledge transfer sourced from ÆON Financial. In particular, digital initiatives to improve efficiency of receivables collection, to build a low-risk portfolio, and to increase productivity translate into large growth opportunities for ÆON Credit, especially since ÆON Financial looks to grow its Global Business to 50% of consolidated ordinary profit by 2020.

Hire purchase loans, personal loans, and vehicle loans of ÆON Credit are representative of a wider array of consumer finance services offered by its parent company that may likewise be offered by ÆON Credit in the future. The Company is set to launch a line of products similar to its parent company's once it has acquired its quasi-banking and electronic money issuer licenses. This will not only supplement the Company's revenue stream, but also allow ÆON Credit to diversify its customer base and become one of the largest retail-oriented financial services companies in the country.

### **Sustained growth in revenues and improving profitability**

Revenues of the Company continue to exhibit an upward trend, growing from PHP 75.17 Mn in 2014 to PHP 873.16 Mn in 2017, while profitability has largely improved with ÆON Credit logging a positive bottomline after previous year losses attributable to initial cash burn. Growth in the Company's portfolio has been favourable as ÆON Credit ended 2017 with PHP 1.78 Bn in Gross Loans, and more than 92% of

loans and receivables that were neither past due nor impaired considered as high grade with excellent repayment experience.

**The Notes will be guaranteed by Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (rated AA by Standard & Poor's).**

Guarantees issued by the Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (“CGIF” or the “Guarantor”), are irrevocable and unconditional commitments to pay bondholders upon non-payment by the Issuer throughout the tenor of the bond. The commitment is backed by CGIF’s equity capital from its sovereign government contributors including 10 ASEAN countries, the People’s Republic of China, Japan (Japan Bank for International Cooperation), the Republic of Korea, and the Asian Development Bank. To date, CGIF’s guarantees are backed by USD 859.2 Mn of paid-in capital.

In June 2018, S&P Global Ratings affirmed its AA long-term and A-1+ short term issuer credit ratings for CGIF, citing the institution’s adequate business profile and extremely strong financial profile. CGIF’s shareholders approved its first ever capital increase to USD 1.2 Bn from USD 700 Mn in 2017, with payments likely to be completed by the end of 2023. By increasing its capital, CGIF’s guarantee capacity will be boosted to USD 3 Bn from the current capacity of USD 1.75 Bn. Worthy to note, CGIF’s source of funding is largely considered stable given that the Guarantor does not have existing borrowings, and that funds are obtained solely through retained earnings and equity contributions.

Investing in the Notes is likewise an opportunity to participate in one of the first few CGIF-backed debt issuances in the local market. As of December 31, 2017, Philippine debt issuances accounted for only 15% of CGIF’s total guarantee portfolio, excluding matured/redeemed issuances. Since the fund was established in 2010, only two debt transactions have been arranged and issued for the Philippine market.

**The Notes will serve as a benchmark in Philippine debt capital markets, as the first issuance under the ASEAN+3 Multi-Currency Bond Issuance Framework in the country.**

The ASEAN+3 Multi-Currency Bond Issuance Framework (“AMBIF”) is a policy initiative under the Asian Bond Markets Initiative (“ABMI”) that seeks to facilitate intraregional bond and note issuances by streamlining market practices, documentation and disclosure information requirements common among ASEAN+3 domestic bond markets. Through the AMBIF, issuers are able to expand into ASEAN+3 markets outside their country of domicile, and investors are able to actively participate in the region’s various investment opportunities.

Since ABMI established the ASEAN+3 Bond Market Forum in 2010, only one entity has issued debt under the AMBIF format. The CGIF-Guaranteed Corporate Notes Issuance by ÆON Credit will be the first debt issuance in the Philippines under such format. While the Notes are a solely domestic Philippine Peso-denominated issuance, it plays a key role in fine-tuning the implementation of AMBIF in the Philippines and in the development of the local debt capital market as the pilot issuance of the initiative in the country. The Notes serve as the benchmark for Philippine issuers that may seek to tap ASEAN+3 markets in the future as a means of diversifying funding and expanding regional capital markets presence.

## **B. Risk Factors**

*An investment in the Notes involves a number of risk factors. Prospective investors should carefully consider all the data contained in the Preliminary Information Memorandum, including the investment considerations before making an investment decision. The business, financial condition and results of operations of the Issuer could be materially and adversely affected by any of these investment considerations. The following discussion is not intended to be a comprehensive discussion of the risk and other factors and is not in any way meant to be exhaustive. Investors are encouraged to make their own independent legal, financial, and business examination of the Issue.*

### **Majority of the Company's borrowers are unbanked and have either minimal or no credit history.**

The loan application process of ÆON Credit is designed to cater to non-credit card holders and the unbanked. Documentary requirements are minimal, but still able to provide the Company with information sufficient for basic KYC and internal credit risk rating processes.

### **Credit risk of customer default associated with introduction of new financing products.**

The introduction of vehicle loans to the Company's existing portfolio of financing products and services may be associated with higher risk of customer default. As informal sector workers, vehicle drivers are less likely to be protected by labor laws and standards, or covered by social insurance.

Through its partnership with GMS, ÆON Credit utilizes Internet of Things technology to mitigate the risks of such default. To date, the Company has zero non-performing loans attributable to tricycle financing.

### **Growth constraints to the Company's lending portfolio.**

Part of the Company's strategy is to expand its operations through partnerships with local appliance stores and retailers. Growth in ÆON Credit's lending portfolio may be impeded should the Company be unable to secure additional partnerships to expand its network, or should existing agreements with any of its partner merchants be cancelled.

Moving forward, the Company plans to expand its portfolio to include card business and remittances. By venturing into more comprehensive financing services, ÆON Credit manages the risk of growth constraints to its lending portfolio.

### **Difficult economic conditions may negatively affect the ability of the Company's borrowers to meet monthly installment payments.**

Given the composition of the Company's lending portfolio and borrower profile, collections may become more difficult in the case of an economic downturn. Lower income households face greater risk of missing monthly installment payments, as they may be more adversely affected than higher income households.

Nonetheless, ÆON Credit ended 2017 with PHP 1.78 Bn in Gross Loans, and more than 92% of loans and receivables that were neither past due nor impaired considered as high grade with excellent repayment experience.

### **Economic slowdown or deterioration in the economic conditions in the Philippines may adversely affect the Company's business and operations in the Philippines.**

In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant currency devaluation, debt restructuring, electricity shortages and blackouts.

From 1997 to 1999, the Asian Economic Crisis adversely affected the Philippine economy, causing a significant devaluation of the Philippine Peso, increases in interest rates, and increased market volatility. These factors had material adverse impacts on the ability of many companies to meet their debt obligations.

ÆON Credit shall continue to adopt what it considers conservative financial and operational controls and policies within the context of the prevailing political, economic and business environments taking into consideration the interests of its customers, shareholders and creditors.

### **ÆON Credit's business operations may be affected by political and military instability in the Philippines**

The Philippines has from time to time experienced severe political and social instability. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately owned public utility or business. In the last few years, there were instances of political instability, including public and military protests arising from alleged misconduct by the previous administration.

In June 2016, the Philippines elected a new Chief Executive, President Rodrigo Duterte. Since assuming office, various fiscal, monetary and trade policies were passed in congress and implemented such as the first package of the comprehensive tax reform program called the Tax Reform for Acceleration and Inclusion (TRAIN) which seeks to correct a number of deficiencies in the tax system to make it simpler, fairer, and more efficient. However, perceptions over human rights and geopolitical issues may affect overall sentiment on the Philippines and the business environment.

There can be no assurance that the current administration will continue to implement social and economic policies favored by the previous administration. Major deviation from the policies of the previous administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Any potential instability could have an adverse effect on the Philippine economy, which may impact the Company's businesses, prospects, financial condition and results of operations.

### **Any future changes in PFRS may affect the financial reporting of ÆON Credit's business.**

PFRS continues to evolve, and certain newly promulgated standards and interpretations took effect on January 1, 2018.

PFRS 9 introduced a new expected loss impairment model that will require more timely recognition of expected credit losses. Under the impairment approach in PFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

## INDICATIVE TERMS AND CONDITIONS

### Summary of the Offer

*The following indicative summary of the offer does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Notes, and is qualified in its entirety by the remainder of this IM. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of the Company and the Issue.*

Issuer	AEON Credit Service (Philippines), Inc. (“AEON Philippines”, the “Company”)
Guarantor	Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (“CGIF”). It is a trust fund established in 2010 by the 10 members of the Association of Southeast Asian Nations (“ASEAN”), together with the People’s Republic of China (“PRC”), Japan (Japan Bank for International Cooperation (“JBIC”)), Republic of Korea (together with the ASEAN, PRC and JBIC, “ASEAN+3”), the Asian Development Bank (“ADB”) where ADB also acts as trustee of CGIF. The operations of CGIF shall be financed solely from funds that has (and from time to time may be) contributed to CGIF by the ASEAN+3 countries and ADB. Accordingly, the Noteholders will not have recourse to any other assets of the ASEAN+3 countries or ADB.
Arranger and Underwriter	First Metro Investment Corporation (“First Metro”)
Issue	SEC registration exempt Fixed Rate Corporate Notes (the “Notes”)  The Notes are proposed to be issued under the ASEAN+3 Multi-Currency Bond Issuance Framework (“AMBIF”).
Issue Amount	Up to PHP 1.0 billion (PHP 1,000,000,000.00)
Use of Proceeds	For general corporate purposes
Issue Price	100% of face value of the Notes
Issue Date	16 November 2018
Tenor/ Maturity Date	Three-Year Notes: Three (3) years from Issue Date; and/or  Five-Year Notes: Five (5) years from Issue Date
Form	The Notes shall be issued in scripless form
Manner of Offering	The offering of the Notes will be limited to a maximum of eight (8) Eligible Noteholders.  Eligible Noteholders shall refer to Philippine resident juridical persons or

	<p>entities who, at the point of offer, purchase and on the Issue Date, are classified or considered as Qualified Buyers under Rule 10.1.3 of the SRC Rules, and when applicable, duly registered with an SEC-authorized registrar. No offering shall be made to individuals or non-resident investors.</p>
Interest Rate	<p>means 7.299% per annum for the three (3)-year Notes and 7.695%% per annum, for the five (5)-year Notes, in both cases calculated based on a 30/360 day basis.</p>
Interest Period	<p>The period commencing on the Issue Date and having a duration of six (6) months, and each period thereafter commencing on the expiry of the immediately preceding Interest Period and having a duration of six (6) months; provided, however, that for purposes of calculating the interest, the first day of the Interest Period shall be excluded and the last day of the Interest Period shall be included; provided, further, that, the last day of the first Interest Period shall be adjusted to coincide with the last day of the then current Interest Period; provided finally, that the last Interest Period shall not go beyond the Maturity Date.</p>
Interest Payment Dates	<p>Last day of each Interest Period</p>
Final Redemption/Principal Repayment	<p>The Notes shall be redeemed at par or 100% face value on the Maturity Date.</p> <p>In the event the Maturity date is not a business day, payment of all amounts due on such date will be made by the Issuer through the Paying Agent, without adjustment for accrued interest, on the succeeding business day.</p>
Early Redemption Due to Taxation	<p>If payments under the Notes become subject to additional or increased Taxes other than the Taxes and rates of such Taxes prevailing on the Issue Date as a result of certain changes in law, rule or regulation, or in the interpretation thereof, and such additional or increased rate of such Tax cannot be avoided by use of reasonable measures available to the Issuer, the Issuer may redeem the Notes in whole, but not in part, (having given not more than 60 days' nor less than 30 days' prior written notice to the Facility Agent) at par or 100% face value plus accrued interest, subject to the requirements of applicable law; provided that if the Issuer does not prepay the Notes then all payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for any such new or additional taxes, duties, assessments or governmental charges, unless such withholding or deduction is required by law. In that event, the Issuer shall pay to the Noteholder(s) concerned such additional amount as will result in the receipt by such Noteholder(s) of such amounts as would have been received by them had no such withholding or deduction for new or additional taxes been required.</p>
Guarantee	<p>CGIF shall irrevocably and unconditionally guarantee in respect of Non-Payment the full payment of all scheduled principal and interest due under the Notes in accordance with the Guarantee Agreement.</p>

---

Registration	The offer of the Notes is made as an exempt transaction under Section 10.1(l) of the SRC and Rule 10.1.3 of the SRC IRR. The offer is limited to Eligible Noteholders.
--------------	--

---

Selling and Transfer Restrictions	The Notes shall be issued to not more than 8 Eligible Noteholders in the primary issue and there shall be no transfers or assignment of the Notes, which would result in the Notes, and/or custodial receipts, being held by more than 8 Eligible Noteholders.
-----------------------------------	--

Any transfer in violation of the foregoing conditions shall be void and shall not be recorded in the register of the Notes.

The Registrar shall not reflect any transfers in the relevant Registry accounts where the same are restricted transfers on Notes as follows:

- i. Transfers across Tax Categories shall not be allowed except on Interest Payment Dates that fall on a business day, provided however that transfers from a Tax-Exempt Category to a Taxable Tax Category on a non-Interest Payment Date shall be allowed using the applicable tax-withheld series name on PDEx, ensuring the computations are based on the applicable withholding tax rate of the taxable party to the trade. Should this transaction occur, the tax-exempt entity shall be treated as being of the same Tax Category as its taxable counterpart for the interest period within which such transfer occurred. For purposes hereof, "Tax Categories" refer to the two (2) applicable withholding tax categories covering, particularly, tax-exempt entities, 20% tax-withheld entities. This restriction shall be in force until a Non-Restricted Trading & Settlement Environment for Corporate Securities is implemented.
- ii. Transfers by Noteholders with deficient documents.
- iii. Transfers during a Closed Period.
- iv. Transfers that result in the total number of Eligible Noteholders exceeding 8 at any given time.

Except as otherwise contemplated under the Notes Facility Agreement, none of the Noteholders shall have the right to require Issuer to redeem and repay any or all of the Notes before the Maturity Date. Transfers of the Notes to a person other than Issuer shall not constitute pretermination.

The Issuer may engage in quasi-banking activities, insurance, electronic money issuance, credit card services, or provide any other products and services consistent with the foregoing. In this regard, the Selling and Transfer Restrictions may be lifted, subject to the agreement of the parties amending the terms of the Notes Facility Agreement, with the consent of the Majority Noteholders, the Guarantor, and the Issuer.



Sell Out Mechanism	<p>If it is discovered after purchase that (i) a buyer is not an Eligible Noteholder at the point of sale, or (ii) a transfer or recording of ownership has been made to an entity who is not an Eligible Noteholder (each of (i) and (ii) shall be deemed as a “Sell Out Trigger”), a remediation procedure via the sell-out mechanism of such ineligible investor’s or Noteholder’s Notes will be done in accordance with the following:</p> <p>(a) When the transfer or recording of ownership in the Registry will result in a transfer or recording of ownership to an entity that does not qualify as an Eligible Noteholder, the transfer or recording of ownership will not be allowed in the Registry.</p> <p>(b) The Registrar will inform PDEX of such disallowed transfer or recording of ownership, and the Sell Out Mechanism, as detailed herein, is triggered.</p> <p>(c) PDEX shall inform the Trading Participant involved to trigger the Remediation Process - Sell-out Mechanism as follows:</p> <ol style="list-style-type: none"> <li>i. The ineligible buyer’s Trading Participant shall sell out the ineligible client buyer’s holdings at the market. In the absence of a better bid then it must sell to the market maker.</li> <li>ii. The Trading Participant must execute the sell-out transaction no later than 3 trading days from the day of discovery.</li> <li>iii. No ineligible investor shall be allowed to hold the Fixed-Rate Notes by the end of 3 trading days from the day of discovery.</li> <li>iv. The sell-out mechanism may result in a price difference between the original purchase and the sell-out price. If the price difference results in a loss, such loss shall be assumed by the responsible Trading Participant. If the price difference results in a gain, it shall accrue to the ineligible investor that was forced to sell out the holdings.</li> <li>v. The sell-out shall be reported to the SEC and the responsible Trading Participant may be subject to SEC action.</li> </ol>
Purchase and Cancellation	<p>The Issuer may at any time purchase any of the Notes, in accordance with PDEX Rules applicable to the Notes, in the open market or by tender or by contract at any price, without any obligation to purchase (and the Noteholders shall not be obliged to sell) Notes pro-rata from all Noteholders. Any Note so purchased shall be redeemed and cancelled and may not be re-issued. Upon enrollment of the Notes in PDEX, the Issuer shall disclose any such transactions in accordance with the applicable PDEX disclosure rules.</p>
Status of the Notes	<p>The Notes shall constitute the direct, unconditional, unsubordinated and general and unsecured obligations of the Issuer ranking at least <i>pari passu</i> in all respects and ratably without any preference or priority with all other</p>

	<p>outstanding, unsecured and unsubordinated obligations, contingent or otherwise, present or future, of the Issuer, in each case except for obligations which have preference solely by operation of applicable Law, including but not limited to preferred claims under any bankruptcy, insolvency, reorganization, moratorium, liquidation or other similar laws affecting the enforcement of creditors' rights generally (except any preference or priority established by Article 2244, paragraph 14(a) of the Civil Code of the Philippines) and by general principles of equity.</p>
Title of the Notes	<p>The Notes will be issued to the Noteholders in scripless form. There will be a global note to be issued to and held by the Facility Agent, but the Noteholders will not receive any physical note or certificate evidencing their interest in the Notes. Title to the Notes shall be evidenced by and recorded in the Register of Noteholders maintained by the Registrar. Upon any assignment, title to the Notes shall pass by recording the transfer from a transferor to the transferee in the Register of Noteholders maintained by the Registrar.</p>
Taxation	<p>Interest income on the Notes shall be subject to a twenty percent (20%) creditable withholding tax, which tax shall be for the account of the Noteholders.</p> <p>Corporate and institutional purchasers who are exempt from or are not subject to the said tax shall submit pertinent documents evidencing their tax-exempt status.</p> <p>Any applicable gross receipts tax ("GRT") (or any tax which may supersede GRT with respect to the Noteholders which are currently subject to GRT), and any adjustments thereof, shall be for the account of the Issuer. For the avoidance of doubt, GRT on interest income and other fees payable to the Noteholders shall be for the account of the Issuer but GRT on passed-on GRT (as may be defined or otherwise described under BIR RMC 62-2016 as may be amended or made effective from time to time) shall be for the account of the [Noteholders].</p> <p>Applicable Documentary Stamp Taxes on original issuance shall be the account of the Issuer. The Issuer shall not be liable should there be any Documentary Stamp Tax or any tax that will be imposed on secondary transfers. The Documentary Stamp Tax thereon, if any, shall be for the account of either of the parties to the secondary transfer. The transfer, unless prohibited, shall not be recorded in the Register of Noteholders unless proof of payment of such Documentary Stamp Tax is provided to the Issuer and the Registrar.</p>
Positive and Negative Covenants	<p>The Notes will have the benefit of positive and negative covenants, which are usual and customary for notes facilities of this nature.</p>
Conditions Precedent and Subsequent	<p>The Issuer shall, as applicable, comply with certain conditions and submit such documents customary to transactions of similar nature, and as may be agreed between the Issuer, the Arranger and the Noteholders.</p>

Events of Default	Standard events of default relating to the Issuer including, among others, failure to pay, breach of covenants, cross default, bankruptcy, and other events which are usual and customary for facilities of this nature.
No Acceleration following Event of Default	Following the occurrence of an Event of Default, no Noteholder, nor their representatives, will have any right to accelerate the Notes for so long as the Guarantor continues to make payments of scheduled interest and scheduled principal. However, following a claim being made under the Guarantee or upon the occurrence of an Issuer Event of Default (i.e. Insolvency, Insolvency Proceedings, or Creditors' process) the Guarantor retains the right to accelerate repayment of the Notes ("Guarantor Acceleration"; upon which the Guarantor shall repay in full the outstanding principal and any accrued interest (but excluding default interest) payable in respect of the Notes.
Default Interest	18% per annum on any past due and unpaid amount from and including the due date up to and excluding the date of payment in full.
Secondary Trading of the Notes	<p>The Issuer intends to enroll the Notes with PDEX for secondary market trading. The Notes will be traded in a minimum board lot size of ₱50,000,000.00 as a minimum, and in multiples of ₱50,000,000.00 in excess thereof for as long as any of the Notes are traded on PDEX.</p> <p>The Notes shall be subject to the commitment of at least one (1) market maker that will commit to provide a live bid using the tax-withheld series name for the Notes in the Order-Driven system good for the minimum trading lot for the issue and a cumulative trading commitment of at least ₱50 Million per trading day per issue. The market maker commits to all other regulations as described in the Corporate Security Market Maker Participation Letter.</p> <p>In addition to the special provisions on the continuing restriction to Eligible Noteholders, secondary market trading in PDEX shall follow the applicable PDEX rules, conventions, operating framework and guidelines governing trading and settlement between Noteholders of different tax status and shall be subject to the relevant fees of PDEX and PDTC. The market maker further commits to:</p> <ol style="list-style-type: none"> <li>a. Adopt and abide by a rate reasonability standard that is consistent with PDEX rules, conventions and guidelines, and</li> <li>b. Disclose and explain its reference and pricing methodology and any deviations therefrom to PDEX and regulators, upon request.</li> </ol>
Registrar and Paying Agent	<p>Philippine Depository &amp; Trust Corp.</p> <p>For transfers and record updates, notices and communication with the Registrar may be made at the address below, through the appropriate</p>

---

intermediary:

Philippine Depository & Trust Corporation  
 37th Floor Enterprise Centre Tower I Ayala Avenue, Makati City, Metro Manila  
 Telephone no: (632) 884-5000  
 Fax no: (632) 884-5099  
 E-mail: baby\_delacruz@pds.com.ph  
 Attention: Josephine Dela Cruz, Director

---

Facility Agent	Metropolitan Bank & Trust Company - Trust Banking Group
----------------	---

---

Market Maker	In the event that the Notes are enrolled at the PDEX, a Market Maker shall be appointed in accordance with PDEX Rules
--------------	---

---

Governing Law of the Notes	Philippine Law
----------------------------	----------------

---

Prescription	Claims in respect of principal and interest or other sums payable under the Notes shall prescribe unless the claim is made within 10 years (in the case of principal or other sums) or 5 years (in the case of interest) from the date on which payment becomes due.
--------------	--

**Parties to the Transaction**

---

Issuer	ÆON Credit Service (Philippines), Inc.
--------	--

---

Guarantor	Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (CGIF)
-----------	---

---

Arranger	First Metro Investment Corporation
----------	------------------------------------

---

Local Law Transaction Counsel to the Guarantor and the Arranger	SyCip Salazar Hernandez & Gatmaitan
---	-------------------------------------

---

Local Law Counsel to the Issuer	Follosco Morillos & Herce
---------------------------------	---------------------------

---

English Law Transaction Counsel to Issuer, the Guarantor, and the Arranger	Simmons & Simmons LLP
--	-----------------------

---

Notes Facility Agent	Metropolitan Bank & Trust Company - Trust Banking Group
----------------------	---

---

Relationship of Issuer to Arranger, Registrar, and Notes Facility Agent	Each of the Arranger, the Registrar, and the appointed Trustee has no interest in or relation to the Issuer which may conflict with the performance of their respective functions as such Arranger, Registrar, or Trustee, in accordance with PDEX Rule 7.3 of the PDEX Listing and Enrollment Rules.
---	---

---

## DESCRIPTION OF THE ISSUER

### Company Profile

ÆON Credit Service (Philippines) Inc. (the ‘Company’ or “ÆON Credit”) was incorporated on February 14, 2013. A month after its incorporation, ÆON Credit commenced operations by offering ÆON Installment Plan, a loan facility availed by customers for the purchase of consumer products without any credit card, through a growing network of partner merchants and store affiliates.

ÆON Credit is a subsidiary of ÆON Financial Service Co., Ltd. Japan (“ÆON Financial”), a company listed on the First Section of the Tokyo Stock Exchange. The core business of ÆON Financial is the issuance of credit cards and prepaid cards. It has a combined total of 41 million credit card and prepaid card holders in Japan and overseas as of March 31, 2018. It is in fact one of the biggest credit card issuers and a leading consumer credit provider in Japan.

It is worthy to note that ÆON Financial is a member of the ÆON Group of Companies (“ÆON Group”), a global retail and financial services group based in Japan. ÆON Group consists of around 300 subsidiaries and affiliated companies which operate mainly in Asia.

ÆON Group’s most basic and abiding principles are the pursuit of peace, respect for humanity, and contribution to local communities through customer-centered initiatives. Under these principles, we are determined to achieve global management standards.

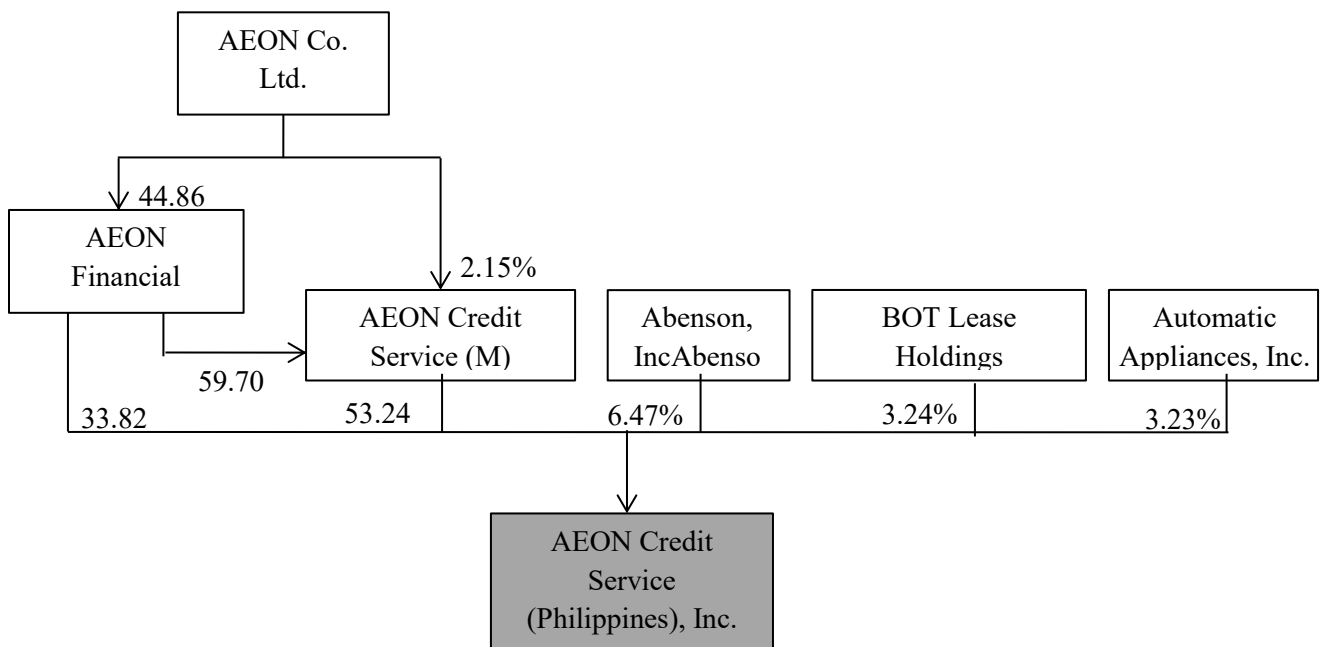
ÆON Group, in managing its businesses, is always guided by its fundamental principle of ‘Customer First’ philosophy. Its aim is to surpass expectations by combining excellent products with unique personal services. ÆON Credit provides financial assistance to retail customers who wish to avail of personal loans and vehicle loans, and purchase home appliances, furniture, electronics, gadgets and other consumer products. Operations focus particularly on non-credit card holders and the unbanked, as the Company’s simple loan application process and accessible network of partner merchants facilitate opportunities for individuals with otherwise limited access to financial services.

The Company’s partnerships with key merchants such as Abenson, Automatic Centre, SM Appliance Center, Western Appliances, Metro Gaisano and Robinsons Appliances allow it the benefit of a wide customer reach without the cost of significant capital outlay that typically comes with brick and mortar-centric businesses. As of June 2018, ÆON Credit operates across a network of more than 1,470 stores across Luzon and several areas in Visayas. The Company aims to expand its operations to the Mindanao region by 2019.

The Company's partnerships with key merchants such as Abenson, Automatic Centre, SM Appliance Center, Western Appliances, Metro Gaisano and Robinsons Appliances allow it the benefit of a wide customer reach without the cost of significant capital outlay that typically comes with brick and mortar-centric businesses. As of June 2018, AEON Credit operates across a network of more than 1,470 stores across Luzon and several areas in Visayas. The Company aims to expand its operations to the Mindanao region by 2019.



### Ownership and Shareholder Structure



Shareholders <sup>1</sup>	% Ownership	% Voting
ÆON Financial Service Co., Ltd.	33.82%	50.0%
ÆON Credit Service Malaysia	53.24%	10.0%
Abenson Inc.	6.47%	20.0%
Automatic Appliances Inc.	3.24%	10.0%
BOT Lease Holdings Inc.	3.23%	10.0%
<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>

#### ÆON Financial Service Co., Ltd

ÆON Financial is a Japan-based bank holding company that functions as the financial services business arm of the ÆON Group of Companies (“ÆON Group”). ÆON Financial is comprised of 35 business segments that offer comprehensive financial services within the retail industry, including banking, credit services, leasing, insurance, and housing loans. It is 46.88%-owned by ÆON Co. Ltd. (rated BBB+ by Standard & Poor’s), and publicly listed on the first section of the Tokyo Stock Exchange. Over the years, ÆON Financial has accelerated business development in emerging markets to operate in 12 countries and regions in Asia including Japan. To date, ÆON Financial is listed on the Hong Kong Stock Exchange, Bursa Malaysia, and Stock Exchange of Thailand through locally-listed companies.

#### ÆON Credit Service (M) Berhad

ÆON Credit Service (M) Berhad (“ÆON Berhad”) is a publicly-listed company in Malaysia and an operating subsidiary of ÆON Financial. Similar to ÆON Credit, ÆON Berhad provides easy payment schemes for the purchase of consumer products through appointed retail merchants and chain stores. It also offers credit card services, personal loans, insurance, and other consumer finance services. It operates via 6 regional offices, 64 branches and services centers, and more than 12,000 participating merchant outlets across Malaysia.

#### Abenson Inc.

Abenson Inc. is engaged in the retail sale of electronics and other durable goods such as household appliances and furniture. It is a member of the Abenson Group of Companies, which was founded by Mr. Wilson Lim and includes Electroworld, Walter Mart Supermarket and Walter Mart Mall, among others.

#### Automatic Appliance Inc.

For more than 60 years, Automatic Appliance Inc. offers the best and latest top brand appliances. They offer convenient payment options extended after-sales service and other premium programs that have gained Automatic Appliance Inc. various honors through the decades, including the “Retailer of the Year” award in 1998. Automatic Centre’s mission is to serve the greatest number of people, and its vision is to transform every household into a comfortable and efficient home where the family can enjoy and enhanced quality of life.

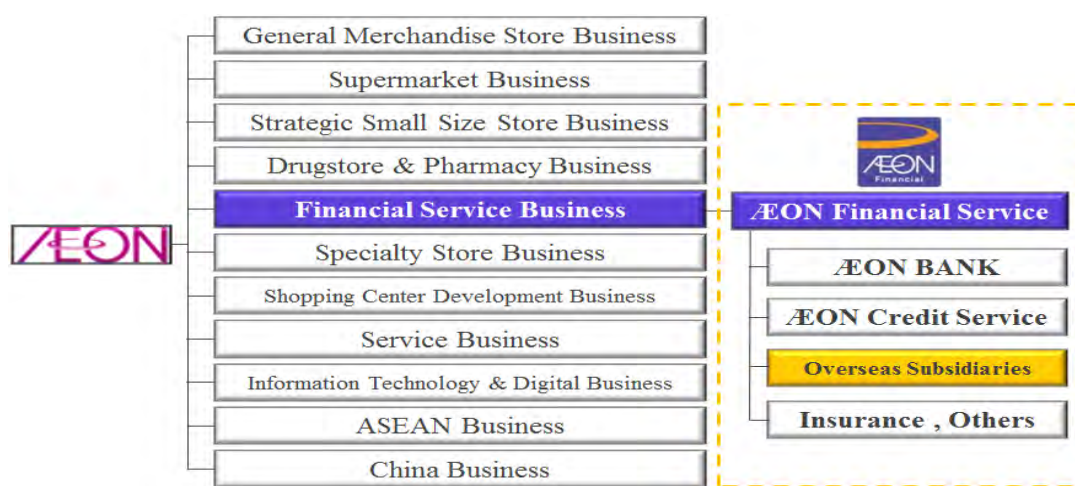
---

<sup>1</sup> Based on the Company’s 2018 General Information Sheet

## BOT Lease Holdings Inc.

BOT Lease And Finance Philippines, Inc. is the only Japanese general service leasing company in the Philippines when it opened its doors for business in 1996. It provides support (credit) not only for Japanese firms in the Philippines but for local companies as well. Other than providing financing for capital investment, BOT Lease and Finance Philippines, Inc. also supports Japanese companies in a wide variety of ways, such as providing consultancy services and/or other data.

## **ÆON Group Structure**



## **Financial Highlights of ÆON Co. Ltd. (Parent Company)**

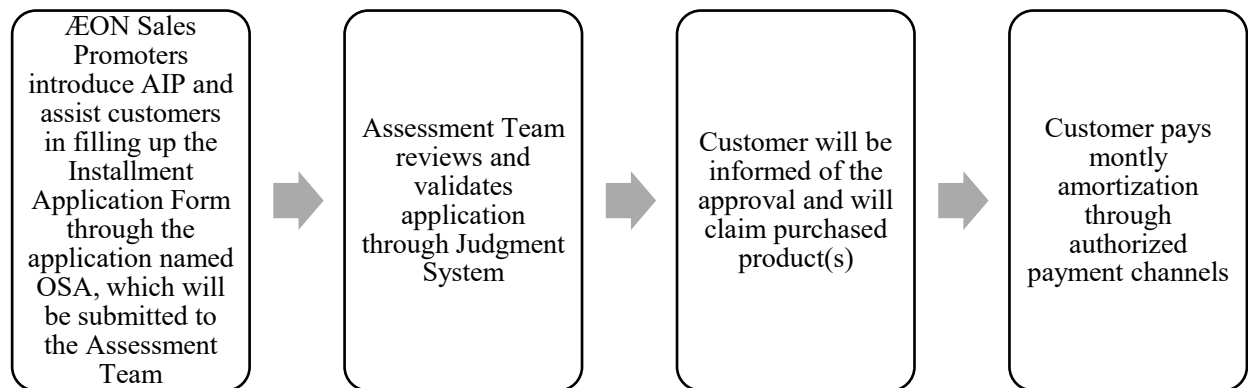
in USD Mn	Fiscal year ended February		
	2016 Audited	2017 Audited	2018 Audited
Total Assets	72,141	77,970	88,194
Total Liabilities	56,184	61,376	70,311
Total Equity	9,495	9,536	9,908
Revenue	71,710	73,152	78,279
Net Income	533	675	866



## Description of Business

The Company's installment plans are availed mostly by unbanked individuals and non-credit cardholders for the purchase of consumer products. The target market is comprised of households with monthly income between PHP 8,000 and PHP 79,000.

In 2017, ÆON Credit expanded product offerings to include vehicle loans and personal loans, and does not require collateral.



ÆON employs a simple marketing strategy to reach its target segment and extend credit and loans for the purchase of customers' desired product(s). In particular, marketing personnel by ÆON ("Promoters") are located in different stores of its Partner Merchants (e.g., Abenson Ventures, Automatic Centre, Western Appliances, SM Appliance Centre, Metro Gaisano, etc.) where the ÆON Booth displays relevant information about its AIP.

The Loan Application process starts with these Promoters approaching customers in the stores to offer AIP. These Promoters are trained to guide the customers in applying for the AIP using an electronic form with the use of a laptop or tablet. The accomplished electronic application form is directly linked to the Judgment system of the Company's head office in Pasig City for credit approval.

The credit standing and history of each AIP applicant is reviewed by the ÆON's Head Office itself through its Judgment system. This way, ÆON is able to control and limit its applicant approvals to those customers who have a good credit history in order to ensure good collection rate. Approvals of ÆON's Head Office are sent to corresponding ÆON Promoters through a Letter of Notification (LON) stating the approval of the Customer's Application, the item/s to be purchased, and the agreement number. In cases wherein approved customers want to amend the LON, approval by ÆON Credit will be necessary even if the Product Price is less than the original Product Price. The release of the product shall be scheduled based on the availability of the customer or the product.

During the release of the product, the Promoter shall brief the customer of the contents of the LON and the Payment Schedule. The Payment Schedule contains the dates to which the payments are to be made by the customer and the partner payment channels where payments may be coursed through. Customers are expected to diligently pay their loan obligations based on the said Payment Schedule.

## **Products and Services**

### **A. Hire Purchase** (since 2013)

Hire Purchase Loans refer to the AEON Installment Plan, a set of financial services offered by AEON credit to Customers for the purchase of consumer products sold by retailers such as Abenson Ventures and Automatic Centre, with an applicable term ranging from six (6) to twenty-four (24) months, as may be agreed upon with the Customer.

### **B. Vehicle Loan** (Tricycles since July 2017; Four-wheel vehicles since 2018)

Consistent with the Company's mission of providing livelihood and improving the lifestyle of the Filipinos, AEON Credit offers an installment plan specifically designed for drivers. This loan enables customers to easily acquire vehicles (i.e. tricycles and secondhand 4-wheel vehicles) that they can use to drive to earn a living. The installment plan allows customers to pay on a monthly basis with an applicable term ranging from thirty-six (36) to sixty (60) months.

These vehicles are equipped with a device developed by the Company's partners Global Mobility Service ("GMS") and Tau Corporation that can remotely stop the vehicle in a specified location if the monthly loan amortization is unpaid and can remotely activate the vehicle once payment has been made.

Since this was offered in the market, the Company has not experienced any defaults from its Vehicle loan customers.

### **C. Personal Loans** (since 2018)

This is a non-collateral loan issued by AEON Credit to customers with good credit history. Terms offered an applicable term ranging from six (6) to twelve (12) months, as may be agreed upon with the customer.

## **Lending Portfolio**

The Company's portfolio consists of Hire Purchase loans bearing interest rates ranging 2.95% to 3.30% in 2017. In addition, The Company started offering tricycle loans bearing interest rates ranging 1.00% to 2.50% and personal loans bearing interest rates of 1.00% to 2.5%. Portfolio-wise, Hire Purchase loans still account for 99% of loans granted to customers.

Based on the Company's 2018 record of customers, most of their customers are between 21 to 40 years old where customers aging 24 to 27 years old contributed to 20% of the total current sales as of date. Majority of the customers have a monthly salary range between PHP 10,001 to PHP 20,000 and work in the manufacturing industry.

## **Key Competitive Strengths**

### **A. The Company is a part of the AEON Group, the largest retail business in Japan**

The AEON Group operates a portfolio of retail-oriented businesses through a network of over 20,000 stores and locations across 11 countries in Asia including China, South Korea, Malaysia, Vietnam, and the Philippines. In 2017, operating revenues amounted to JPY8,210.0 Bn, allowing the AEON Group to mark its sixth consecutive fiscal year as the largest company in the Japan retail industry in terms of operating revenues. The AEON Group has been a staple in the Fortune 500 since 1995.

ÆON Financial, the largest shareholder of the Company, functions as the financial services arm of the ÆON Group, and has drawn on its brand strength and extensive store network to develop synergies and grow its business. For the year-ended March 31, 2017, ÆON Financial's global business accounted for approximately 40% of consolidated ordinary profit or JPY24.0 Bn; made possible by efforts to channel its expertise to other countries and regions outside Japan. Share in consolidated ordinary profit accounted for by ÆON Financial's global business is set to increase to 50% by fiscal year 2020.

## B. Sustained growth in revenues and improving profitability

The Company grew its revenue to PHP 873.0 Mn in 2017 from PHP 75.0 Mn in 2014 or at a CAGR of 126%. Profitability ratios such as gross profit margins, EBITDA margins and net income margins improved across the board posting positive figures after only two years of operations.

(in PHP Mn)	For the year ended December 31				Jan - June
Period	2014 Audited	2015 Audited	2016 Audited	2017 Audited	2018 Interim
Revenue**	75	156	418	873	640
Gross Profit Margin	5%	35%	33%	28%	32%
EBITDA Margin	(65%)	(12%)	18%	23%	27%
Net Income Margin	(89%)	(23%)	9%	13%	13%

\*\*Interest and processing fee

## C. Innovative approach to consumer lending

ÆON Credit recently tied-up with Global Mobility Services, a Japanese start-up that specializes in the installation of GPS tracking systems. To enable ÆON Credit to better monitor collections from the vehicle of the loan agreement, a GPS device will be attached to the vehicle. In the event of late payment or if the device is forcefully removed from the vehicle, the vehicle's engine will automatically shut off making it hard for the borrower to flee without making payments.

The innovative approach to consumer lending provides the Company with a risk hedging mechanism, and allows ÆON Credit to reach markets previously untapped by most banks. It is also representative of a brand new initiative by the ÆON Group, which ÆON Financial plans to expand to its operating subsidiaries in Indonesia, Malaysia, Vietnam and Cambodia.

## D. Strategic partnerships with key merchants.

ÆON Credit utilizes strategic partnerships with key merchants -many of which are located in malls and areas with high foot traffic- to widen its reach in the domestic market. By tapping a number of established and widely recognized local appliance stores for its consumer finance products, the Company is able to benefit from a wider customer reach without the cost of significant capital outlay that typically comes with brick and mortar-centric businesses.

As of June 2018, key merchants of ÆON Credit include SM Appliance Center, Western Appliances, Metro Gaisano, and Robinsons Appliances. Two of the Company's minority shareholders, Abenson and Automatic Centre, also hold partnerships with ÆON Credit as key merchants.

## **E. Strong demand from a growing target market.**

ÆON Credit caters to non-credit card holders and unbanked individuals representative of the Class C and D segments- a growing low and lower-middle income market that remains largely underserved, taking into account that only 22.6% of the total Filipino adult population own formal bank accounts<sup>2</sup>. The Company is able to address this gap through a simple loan application process that makes financing accessible to individuals who may have purchasing power but minimal or no credit history.

### **Disclosure on Legal Proceedings**

As of the date of this Information Memorandum, the Company is not a party to, nor any of the Company's properties are the subject of any pending material litigation, arbitration or other legal proceeding, and no litigation or claim of material importance is known to the management and the directors to be threatened against the Company, its subsidiaries or any of its properties.

## **BUSINESS PLANS AND STRATEGY**

The high competition, seasonal demand and high risk in providing loans for appliances compelled the Company to review its business strategy by: (1) exploring other underserved market demands such as transportation, and (2) updating its business model from merchant-centric, linear relationship, unknown & random customers, and limited reach to market focused, dynamic relationship, known & targeted customer, and wider reach.

This pushed the Company to improve its business by (a) setting up IT infrastructure for expanding its customer base and building platforms; (b) improving data management and analytics; and (c) strengthening controls toward efficient and low-cost business operations.

Its medium-term plan aims at diversifying financial business field by reinforcement of installment credit services corresponding to stronger demands for consumer products into development of new financial products, remittance, care and personal loans in order to meet potential needs arising from the market. Given the targeted clientele of ÆON Credit are classes C & D which are composed of mostly un-banked clients, the Company sees potential growth of retail finance market due to the following factors: (1) the rapid increase of installment credit and personal loans, (2) the advancement of digital tools for cash settlement and (3) the development of Easy-To-Use tools for cash remittances.

### **Plans and Prospects per Product/Service**

#### **A. Hire Purchase**

The Company plans to further expand its market in Visayas and Mindanao regions such as entering the Iloilo City market by activating seven new stores which will generate an additional minimum of PHP 3 Mn sales per month and activate 19 new stores in Davao City.

---

<sup>2</sup> *Bangko Sentral ng Pilipinas 2017 Financial Inclusion Survey*

## **B. Vehicle Loan**

The Company plans to continue marketing this product more extensively. New areas of expansion are in the pipeline within the year that will include Bataan and Tarlac. ÆON Credit is finalizing its partnership with third parties further expand its business in Cebu, Batangas, Bicol region (Legazpi and Naga) and Davao.

## **C. Personal Loan**

The Company aims to offer more loan programs that would expand payment options for its borrowers. One example would be through a monthly salary deduction program. To achieve this, the Company plans to approach companies under the ÆON Group, its existing merchant partners, and Japanese companies to tie-up and offer the program to its employees. The Company also wants to be able to offer loans to Overseas Filipino Workers that can cover pre-deployment expenses.

## HIGHLIGHTS OF FINANCIAL PERFORMANCE

Financial Highlights in PHP Mn	For the year ended December 31				Jan - June
	2014 Audited	2015 Audited	2016 Audited	2017 Audited	2018 Unaudited
<b>Income Statement Items</b>					
Revenue (see below for breakdown)	75	156	418	873	640
Gross Profit	4	54	140	248	280
EBITDA	(49)	(19)	76	198	170
Net Income	(67)	(36)	36	116	85
<b>Balance Sheet Items</b>					
Current Assets	249	423	1,122	1,383	1,711
Noncurrent Assets	56	61	142	806	780
Total Assets	305	483	1,264	2,188	2,551
Current Liabilities	279	324	827	1,220	1,079
Noncurrent Liabilities	-	1	244	659	1,077
Total Liabilities	280	325	1,070	1,879	2,156
Total Equity	26	158	193	310	395
<b>Cash Flow Items</b>					
Net Cash from (used) in operating activities	(138)	(208)	(632)	(776)	(243)
Net Cash from (used) in investing activities	(9)	(9)	(36)	(37)	(23)
Net Cash from (used) in financing activities	165	195	667	814	265
Cash and cash equivalents at end of year	29	7	7	8	8
<b>Financial Ratios</b>					
Gross Profit Margin	5%	35%	33%	28%	32%
EBITDA Margin	(65%)	(12%)	18%	23%	27%
Net Income Margin	(89%)	(23%)	9%	13%	13%
Current Ratio	0.9x	1.3x	1.4x	1.1x	1.6x
Debt to Equity (Bank Debt)	10.1x	1.8x	4.9x	5.7x	5.1x
Return on Assets	(21.9%)	(7.5%)	2.8%	5.3%	3.6%
Return on Equity	(261.9%)	(22.9%)	18.5%	37.6%	24.2%
Past Due Ratio**	9%	11%	18%	17%	19%
NPL Ratio**	9%	5%	7%	9%	10%
* Past Due = All past-due accounts/ Gross portfolio					
** NPL Ratio = Over 90-days past-due accounts including interest/ Gross portfolio					

Revenue Mix* (in PHP Mn)	For the year ended December 31				Jan – Jun
	2014 Audited	2015 Audited	2016 Audited	2017 Audited	2018 Unaudited
Hire Purchase	75	156	418	868	617
Vehicle Loan	-	-	-	5	22
Personal Loan	-	-	-	-	1
<b>Total</b>	<b>75</b>	<b>156</b>	<b>418</b>	<b>873</b>	<b>640</b>

*\*Interest and Processing Fees*

### Financial Analysis (2014-2017)

The Company's financial performance exhibited rapid growth from 2014 to 2017, growing its top-line from PHP 75.1Mn to PHP 873.1Mn or at a CAGR of 126%. This was primarily due to the increase in loan bookings which grew from PHP 173Mn to PHP 1.61Bn over the same period. In addition, the Company added two additional revenue streams, namely, tricycle loans and personal loans in 2017.

The revenue is in a continuous upward trend driven by the good trend of trade volume totaling PHP 2.3Bn with an overall annual increase of 162%. This is a reflection of the rapid increase of the number of incoming applications in FY2017 which totaled to 218,412 accounts which is 116% of the previous year. The Company believes that this fast growth was due to its (a) improved sales from key merchants (i.e. Abenson, FC Home, SM, Robinsons, Home Along and All Home) and new key business partners, namely, Mega Savers (26 stores) and LCC (18 stores), (b) existing stores' business improvements like promotions, (c) fast processing through Online Submission Application (OSA) and SSS/Philhealth verification, (d) real-time sales recording, (e) Cebu business operation which opened 26 stores in 2017 contributing PHP 50 Mn sales and (f) Vehicle loan operation which started in July 2017 and garnered sales amounting to PHP 47 Mn. Vehicle loan and Cebu operating income accounts for 27% of the Company's operating income as of June 30, 2018 while posting operating income of PHP 8.7M and PHP 15.8M, respectively. In addition, the Company expanded its operations in North Luzon which now includes Tuguegarao, Ilagan, Isabela and Baguio as well as in South Luzon (Bicol Region). These expansions contributed PHP 921 Mn to its 2017 sales.

Profit Margins and EBITDA Margins stabilized by the end of 2016 as a result of the efficient deployment of debt to fund the loans granted to its customers as well as proper management of corporate expenses. This is exhibited by loan growth outpacing total expense growth by an average of 100% over the historical period. Due to this, the Company's net income margins improved year-on-year settling at 13% by the end of 2017.

Balance Sheet Items (in PHP Mn)	For the year ended December 31			
	2014 Audited	2015 Audited	2016 Audited	2017 Audited
Total Loan Bookings	182	379	1,123	1,914
<b>Total Assets</b>	<b>305</b>	<b>483</b>	<b>1,263</b>	<b>2,188</b>
Total Bank Borrowings	258	285	952	1,766
<b>Total Liabilities</b>	<b>279</b>	<b>325</b>	<b>1,070</b>	<b>1,878</b>
<b>Total Equity</b>	<b>25</b>	<b>157</b>	<b>193</b>	<b>310</b>

Total Assets expanded to PHP 2.2 Bn or around 7.2x its initial total asset level in 2013. 90% of total assets were comprised of loans deployed to its customer base.

The loans were primarily financed by bank borrowings as indicated by the 584% increase in short-term and long-term borrowings from PHP 258 Mn in 2014 to P1.76 Bn in 2017.

### Liquidity, Leverage and Loan Quality

Selected Financial Ratios	2014	2015	2016	2017
Current Ratio	0.9x	1.3x	1.4x	1.1x
Debt to Equity Ratio	10.1x	1.8x	3.7x	3.6x
NPL Ratio	9.0%	5.1%	7.0%	9.3%

On the Liquidity side, the Company has a healthy Current Ratio and Quick Ratio of 186.1% and 178.7%, respectively, compared to the corresponding Current and Quick Ratios of its competitor, non-banks with quasi-banking functions, and financing companies.

Leverage position has improved from 10.1x in 2014 to 3.6x in 2017 primarily from the PHP 200Mn capital made in 2015 increasing share capital to PHP 300Mn. This capital infusion was mostly used for IT-related investments made for the new product line (i.e. Vehicle loan). These figures are all within the industry average for financing companies.

### MARKET CHALLENGES AND COMPETITION

In the last five years, the Company faced challenges in controlling impact of lending to high risk customer base with high risk products while coping up with the evolving market practice, such as relaxation of credit verification and risk taking thru the use of data and technology resulting to quick and easy loan approval.

The Company has also recognized that there has been an increasing competition in providing Hire Purchase Loan due to aggressive sales activities of major its competitor and the new entrants. Furthermore, demand and spending for home appliance in the Philippines is only 3.6% of Total Filipino Household Consumption & Expenditure based on Philippine Statistics Authority data as of August 2018. This implies that home appliance is considered a luxury product by Filipinos and is therefore not a priority to majority of the population as compared to Food and Non-alcoholic beverage (41.4%), Housing, Water and Utilities (12.2%) and Transportation expense (12.2%). Though this may be a challenging factor for the industry, this can also be viewed as a motivation to make purchases of home appliance more affordable which ÆON Credit and the like are offering to Filipinos.



## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Name	Positions
Takayuki Araki	President & CEO
Kosei Yahiro	Executive Vice President
Dennis Siapno	Executive Vice President & Compliance Officer
Lee Kit Seong	Non-Executive Director
Tomohiro Miyasaka	Non-Executive Director
Tetsuro Takano	Non-Executive Director
Geraldine B. Sakamoto	Independent Director
Oliver S. Faustino	Independent Director
Glenn Yves C. Berdan	Treasurer
Rachel P. Folloso	Corporate Secretary

### **Takayuki Araki**

Mr. Takayuki Araki, was appointed as a President/CEO of ÆON Credit Service (Philippines) Inc. on 01 July 2016. He obtained a Bachelor's Degree in Economics from Kwansai Gakuin University, Japan in 1987. He began his career in 1987 in Crédit Lyonnais, Osaka Branch, Japan. Subsequently, he served as manager in Corporate Business Department in Crédit Lyonnais, Tokyo Branch from 1997, as Vice President in Corporate Banking Department in Calyon (formerly known as Crédit Lyonnais) Tokyo Branch from 2004 and as Senior Vice President of Corporate Coverage Department of Credit Agricole Corporate & Investment Bank (formerly known as Calyon) as well as head of Osaka sub-branch from 2006. Thereafter, he participated in a restaurant business in Shanghai, China from 2011. In 2013, he joined ÆON Financial Service Co., Ltd., Japan (formerly known as ÆON Credit Service Co., Ltd.) as General Manager, prior to his transfer to the Company in Philippines as President/CEO in July 2016. He is currently the Chairman of the Board of Director and a member of the Nomination and Remuneration Committees. He does not hold any directorship in any other public or public listed company.

### **Kosei Yahiro**

Mr. Kosei Yahiro, was appointed as Executive Vice President of the Business Management Group at ÆON Credit Service (Philippines) Inc. on 25 October 2016. He is obtained his Bachelor's Degree in Law from Kinki University (presently known as Kindai University), Japan in 2003. In 2008 he was appointed as Assistant Manager of the Business Management at ÆON Credit Service Co. Ltd. In 2009, he was appointed as Manager of the Sales Development at ÆON Credit Service India Private Ltd. He is currently the member of the Board of Director. He does not hold any directorship in any other public or public listed company.

**Dennis Siapno**

Atty. Dennis Siapno, was appointed as Executive Vice President of the Control Management Group at ÆON Credit Service (Philippines) Inc. on 01 July 2016. Atty. Dennis Siapno obtained his Bachelor of Laws degree from the University of Santo Tomas in 2006 and was admitted to the Philippine Bar in 2007. He graduated from the Saint Louis University in 2001, with a degree in Bachelor of Arts in Communication. From 2007 to 2010 he worked as Associate Lawyer from various Law Firms. He was appointed as a Commissioner at the Integrated Bar of the Philippines – Commission on Bar Discipline from 2009 to 2011. Thereafter, he joined the corporate field as Director and Legal Counsel of Manpower Outsourcing Services Inc. in 2011. In 2013, he joined ÆON Credit Service (Philippines) Inc. as Senior Manager of Human Resource and General Affairs Department. In 2015, he was appointed as Assistant Vice President at ÆON Credit Service (Philippines) Inc. He is currently the Compliance Officer, Data Protection Officer, and a member of the Board of Director. He does not hold any directorship in any other public or public listed company.

**Rachel P. Follosco**

Atty. Rachel Follosco, was appointed as Corporate Secretary of ÆON Credit Service (Philippines) Inc. on 01 July 2016. Atty. Follosco received her Bachelor of Laws degree from the University of the Philippines in 1993, graduating third in her class, and was admitted to the Philippine Bar in 1994. She graduated Magna Cum Laude from the University of the Philippines in 1988, with a degree in Bachelor of Science in Business Administration and Accountancy.

From 1993 to 1996, she worked with the Philippine firm associated with Baker & McKenzie, where she specialized in the Tax, Commercial, and Corporate practice areas of the firm. She has extensive exposure in international taxation, tax structuring, and tax planning in relation to property acquisition, financing, and capital investment transactions. She is a tax consultant for various USAID-funded projects for the Bureau of Internal Revenue, particularly the taxation of the telecommunications industry and projects focused on improving business competitiveness in the Philippines. In addition, she was a senior lecturer in Taxation Law, Banking and Finance, and Legal Accounting at the University of the Philippines from 1994 to 2000 and in 2009.

In the corporate field, she has extensive experience in assisting foreign investors in the registration of their Philippine business entities, structuring of their Philippine investments, and addressing their other common legal concerns concerning their business operations, including all regulatory compliance. She authored/co-authored and updated the Philippine section of the International Tax and Investment Service (published by Tolley Lexis Nexis), International Joint Ventures (published by Kluwer Law International), International Secured Transactions (published by Thomson Reuters) and International Banking Law and Regulation (published by Thomson Reuters). Since 1997, she has conducted several labor law seminars and workshops and has been engaged to render extensive HR consultancy work to include compensation and benefits package planning and review, drafting of employment-related contracts, and preparation of HR policies manuals, company rules and regulations, and labor law manuals.

As she remains eager to acquire new competencies, she has recently obtained training as a Data Privacy Officer and completed the training course for Certified International Privacy Manager (CIPM) with the International Association of Privacy Professionals, of which the Firm is a silver member. She has paved the way for the Firm to be the service partner of Straits Interactive Pte Ltd., a regional leader in privacy and operational compliance and leading provider of interactive platform for privacy management.

**Glenn Yves C. Berdan**

Mr. Glenn Berdan, was appointed as Corporate Treasurer of ÆON Credit Service (Philippines) Inc. on 24 February 2017. He obtained his Professional License as Certified Public Accountant in 2009. He graduated from the University of Rizal System in 2009, with a degree in Bachelor of Science in

Accountancy. He began his career in 2009 as an External Auditor at SGV & Co. (ERNST & YOUNG Philippines). In 2011, he served Robinsons Retail Holdings Inc. as Accounting Manager. In 2013, he is the Head of Group Internal Audit at State Investment Trust Inc. In 2016, He joined ÆON Credit Service (Philippines) Inc. as Senior Manager of Finance and Accounting Department. He is currently the Head of Internal Control Division which composed of Accounting, Finance, Control, Risk and Strategy department.

## **INFORMATION ON THE GUARANTOR**

### **Overview**

Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank (“CGIF”) was established by 10 members of the Association of Southeast Asian Nations (“ASEAN”), together with the People’s Republic of China (“PRC”), Japan (Japan Bank for International Cooperation (“JBIC”)), Republic of Korea (together with the ASEAN, PRC and JBIC “ASEAN+3”), and the Asian Development Bank (“ADB”) in 2010. The 10 members of ASEAN consist of Brunei Darussalam, Cambodia, Indonesia, Lao People’s Democratic Republic (“Lao PDR”), Malaysia, Republic of the Union of Myanmar, Philippines, Singapore, Thailand and Vietnam.

CGIF was part of the Asian Bond Markets Initiative to develop and strengthen local currency and regional bond markets. CGIF provides credit guarantees for local currency denominated bonds issued by creditworthy ASEAN+3 domiciled corporations.

As a credit guarantor, CGIF will unconditionally and irrevocably assume the liability of its guaranteed-bond issuers should these issuers default on obligations to their guaranteed bond investors. It aims to help guaranteed companies secure long-term financing, reduce their dependency on short-term foreign currency borrowing, and address currency and maturity mismatches.

By promoting deep and liquid local currency and regional bond markets, CGIF helps foster economic development, build the resilience of the financial markets, and prevent disruptions to the international financial order. By facilitating the access of creditworthy entities to local currency and regional markets, and by pushing the issuance of debt securities with longer-term maturities that match the gestation of investment projects, efficient allocation of savings within the Asia and Pacific region are achieved.

The ADB is the trustee of CGIF and as such, and in line with the provisions of the Articles of Agreement (“AoA”), it holds in trust and manages all CGIF funds and other properties. In accordance with Article 10.3.2 of the AoA, ADB, as the trustee of CGIF, has also delegated the trustee’s powers to the Meeting of Contributors, except for certain limited powers specified therein. The Meeting of Contributors, in turn, has delegated such powers to the Board of Directors.

According to a report by the Organisation for Economic Co-operation and Development (“OECD”), in the period between 2012 and 2015, CGIF ranked third in private finance mobilization by multilateral guarantees after the World Bank and African Development Bank.

### **Shareholding Structure**

CGIF’s guarantees are backed by USD 859,200,000 of paid-in capital from its sovereign government contributors and ADB. Neither the ADB nor the other contributors are liable for the obligations of CGIF.

## CGIF Shareholding as at 05 November 2018

Contributor	Contribution (USD)	Shareholding Percentage (%)
People's Republic of China	200,000,000	23.28%
Japan (Japan Bank for International Cooperation)	342,800,000	39.90%
Republic of Korea	100,000,000	11.64%
Brunei Darussalam	5,600,000	0.65%
Cambodia	200,000	0.02%
Indonesia	12,600,000	1.47%
Lao People's Democratic Republic	100,000	0.01%
Malaysia	12,600,000	1.47%
Republic of the Union of Myanmar	100,000	0.01%
Philippines	19,900,000	2.32%
Singapore	21,600,000	2.51%
Thailand	12,600,000	1.47%
Vietnam	1,100,000	0.13%
Asian Development Bank	130,000,000	15.13%
<b>Total</b>	<b>859,200,000</b>	<b>100.00%</b>

### Governance Structure

CGIF has a governance structure comprising of oversight by the: (i) Meeting of Contributors; (ii) Board of Directors; and (iii) Board Committees (Internal Control and Risk Management, Nomination and Remuneration, and Audit).

The Board of Directors is comprised of eight Contributor-appointed members, including the Chief Executive Officer. Each of the PRC and Japan are entitled to nominate two Directors. Korea is entitled to nominate one Director. One nomination each is entitled for the Asian Development Bank, and the ASEAN countries representing Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

The Board of Directors is accountable and reports to the contributors of CGIF (the “Contributors”) on the operations and performance of management and of CGIF.

Name	Position
Mr. Yuchuan Feng (Chairman)	People's Republic of China
Ms. Hongxia Li	People's Republic of China
Mr. Kenichi Aso	Japan (Japan Bank for International Cooperation)
Mr. Mitsutoshi Kajikawa	Japan (Japan Bank for International Cooperation)
Mr. Sun-joon Jun	Korea
Mdm. Azah Hanim Ahmad	ASEAN - Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam
Mr. Stefan Hruschka	Asian Development Bank
Mr. Kiyoshi Nishimura	CGIF Management

CGIF is led by an internationally recruited management team with experience in development banking, risk management, and credit assessment through senior positions in European Bank for Reconstruction and Development (“EBRD”), JBIC, International Monetary Fund, Export-Import Bank of Japan, Bank of

the Philippines Islands, Danajamin Nasional Berhad, Hong Leong Bank Berhad, Standard Chartered Bank and Citibank.

The executive decision-making powers of CGIF, and the day-to-day management of CGIF, are mandated and vested in the Chief Executive Officer. The Chief Executive Officer is recommended by the Board of Directors and approved by the Meeting of Contributors. He is the legal representative of CGIF. The Chief Executive Officer heads the management team currently comprising the Chief Risk Officer, Vice President Operations, Chief Financial Officer, General Counsel and Board Secretary, Corporate Planner and Head of Budget, Planning, Personnel and Management Systems and Internal Auditor.

Name	Position
Mr. Kiyoshi Nishimura	Chief Executive Officer
Mr. Aarne Dimanlig	Chief Risk Officer
Mr. Boo Hock Khoo	Vice President Operations
Mr. Dong Woo Rhee	Chief Financial Officer
Mr. Gene Soon Park	General Counsel and Board Secretary
Mr. Hou Hock Lim	Corporate Planner and Head of Budget, Planning, Personnel and Management Systems
Ms. Jackie Jeong-Ae Bang	Internal Auditor

### Credit Strength

CGIF is rated by the following international and domestic credit rating agencies:

Credit Rating Agency	Scale	Rating	Outlook	Date Issued
Standard & Poor's ("S&P")	Global Long-Term/Short Term	AA/A-1+	Stable	June 22, 2018
RAM Ratings (Malaysia)	Global/ASEAN/National	gAAA/ seaAAA/ AAA	Stable	Dec. 18, 2017
MARC (Malaysian Rating Corporation Berhad)	National	AAA	Stable	Jan. 18, 2018
TRIS Ratings (Thailand)	National	AAA	Stable	Nov. 6, 2017
Fitch Ratings (Indonesia)	National	AAA	Stable	Sept. 14, 2017

### Guarantee Portfolio

Since its establishment in 2010, the CGIF has issued twenty-one (21) guarantees, totaling to USD 1.7 Bn, to fifteen (15) companies in five (5) local currency bond markets from eight (8) ASEAN+3 countries. The table below provides a summary of CGIF's guarantee portfolio as of December 31, 2017, excluding matured and redeemed issuances.

Issue Date	Issuer	Country of Origin	Country of Issuance	Issue Size (LCY)	Issue Size (USD)	% Guarantee	Tenor
October 2018	Hoan My Medical Corporation	Vietnam	Vietnam	1.4 Tn	~60 Mn	100%	7Y
October 2018	Hoan My Medical Corporation	Vietnam	Vietnam	930 Bn	~40 Mn	100%	5Y
September 2018	The PAN Group Joint Stock Company	Vietnam	Vietnam	1.135 Tn	~43 Mn	100%	5Y
Feb 2018	Siamgas and Petrochemicals Public Company Limited	Thailand	Thailand	2 Bn	~64 Mn	85%	5Y
Jan 2018	ASA Philippines Foundation, Inc.	Philippines	Philippines	500 Mn	10 Mn	75%	5Y
Nov 2017	Mobile World Investment	Vietnam	Vietnam	1,135 Bn	50 Mn	100%	5Y
June 2017	ASA Philippines Foundation, Inc.	Philippines	Philippines	500 Mn	10 Mn	75%	5Y
Feb 2017	ASA Philippines Foundation, Inc.	Philippines	Philippines	1.0 Bn	20 Mn	75%	5Y
Nov 2016	KNM Group Berhad	Malaysia	Thailand	2.78 Bn	78 Mn	100%	5Y
July 2016	Fullerton Healthcare	Singapore	Singapore	50 Mn	37 Mn	100%	5Y
July 2016	Fullerton	Singapore	Singapore	50 Mn	37 Mn	100%	7Y

	Healthcare						
April 2016	PT Mitra Pinasthika Mustika	Indonesia	Indonesia	160 Bn	12 Mn	100%	3Y
Mar 2016	PT Mitra Pinasthika Mustika	Indonesia	Indonesia	140 Bn	11 Mn	100%	3Y
Mar 2016	AP Renewables, Inc.	Philippines	Philippines	10.7 Bn	100 Mn	Up to PHP 4.7 Bn Risk Sharing with ADB	10Y
Feb 2016	Vingroup Joint Stock Company	Vietnam	Vietnam	1,950 Bn	87 Mn	100%	5Y
Feb 2016	Vingroup Joint Stock Company	Vietnam	Vietnam	1,050 Bn	47 Mn	100%	10Y
Oct 2015	IVL Singapore PTD Ltd.	Thailand	Singapore	195 Mn	137 Mn	100%	10Y
Dec 2014	Masan Consumer Holdings	Vietnam	Vietnam	2,100 Tn	98 Bn	100%	10Y
Nov 2014	Protelindo Finance BV	Indonesia	Singapore	180 Mn	138 Mn	100%	10Y

*\*LCD: Local Currency Denomination*

In the Philippines, CGIF guaranteed PHP-denominated debt facilities issued by ASA Philippines Foundation Inc. (“ASA Philippines”) in three tranches in 2017 and 2018, and by AP Renewables, Inc. (“AP Renewables”) in 2016.

The issuances by ASA Philippines and AP Renewables are each considered significant milestones by CGIF as the first guarantee given to a local currency microfinance bond in the ASEAN capital market, and the first guarantee transaction in the Philippines, respectively.

## Financial Highlights (Auditor: Deloitte)

(In USD thousands)	Summary of Financials			
	2015	2016	2017	Unaudited 1H 2018
<b>Balance Sheet Items</b>				
Total Assets	751,569	772,002	779,109	930,095
Guarantee Liability	27,841	41,804	37,277	35,406
Total Liabilities	29,012	44,481	39,885	37,130
Members' Equity	722,557	727,521	739,224	892,965
<b>Income Statement Items</b>				
Revenues	14,751	19,206	21,048	13,754
Net Operating Income	8,194	10,806	10,658	8,494
Net Income	7,781	10,082	10,844	7,938

In 2017, CGIF generated a net income of USD 10.8 Mn, which is USD 0.8 Mn or 7.5% higher than the previous year. This increase was realized through the USD 2.8 Mn increase in total revenues but was partly offset by the USD 2.0 Mn increase in total expenses. Of the total revenue of USD 21.2 Mn, USD 11.8 Mn was contributed from the investment income, which had an 11.7% increase from USD 10.6 Mn in 2016, and USD 9.1 Mn from the guarantee income, which also showed a 13.5% increase or an increase of USD 1.1 Mn from 2016. The total expenses ended at USD 10.4 Mn, 23.7% higher than previous year due to reinsurance expenses and the write-off of withholding taxes on guarantee fees paid by clients, which were deemed un-reimbursable from the tax authority.

Outstanding guarantee issued as of the end of 2017 decreased to USD 1,096.3 Mn or by 2.2% from USD 1,120.5 Mn in 2016 due to the completion of three accounts during the year. Recognized guarantee fee receivables and guarantee liability recorded USD 34.5 Mn and USD 37.3 Mn, which mark decreases of 10.5% and 10.8% from 2016, respectively.

Total Member's Equity increased to USD 739.2 Mn in 2017, a 2.4% increase from last year's USD 727.5 Mn. Retained Earnings for 2017 was USD 10.8 Mn. CGIF's Reserve, which is the accumulation of allocated retained earnings since its establishment, stood at USD 34.8 Mn.



## Annex A: ASEAN+3 MULTI-CURRENCY BOND ISSUANCE FRAMEWORK

The CGIF-Guaranteed Fixed Rate Corporate Notes issued by **ÆON CREDIT SERVICE (PHILIPPINES), INC.** are proposed to be issued under the ASEAN+3 Multi-Currency Bond Issuance Framework (AMBIF).

AMBIF is a policy initiative under the Asian Bond Markets Initiative (ABMI) to create a nexus among domestic professional local currency bond markets in the region to help facilitate intraregional transactions through standardized bond and note issuance and investment processes.

AMBIF facilitates intraregional bond and note issuance and investment by creating common market practices; utilizing a common document for submission, the Single Submission Form (SSF); and highlighting transparent issuance procedures as documented in the Implementation Guidelines for each participating market, including the Philippines.

AMBIF is expected to expand opportunities for issuers and investors: issuers can raise funds in local currencies in multiple locations in the region more easily, and investors can invest in local currency bonds more easily.

To be recognized as a bond or note issued under AMBIF (AMBIF Bond or Note), certain requirements need to be satisfied. These so-called AMBIF Elements are summarized in the table below. Integral to AMBIF is the use of the SSF.

AMBIF Elements	Brief Description
<b>Domestic Settlement</b>	Bonds/notes are settled at a national central securities depository in ASEAN+3
<b>Harmonized Submission Documents (Single Submission Form)</b>	Common approach of submitting information as input for regulatory process(es) where approval or consent is required. Appropriate disclosure information needs to be included.
<b>Registration or profile listing at ASEAN+3 (Place of continuous disclosure)</b>	Information on bonds/notes and issuer needs to be disclosed continuously in ASEAN+3. Registration or listing authority function is required to ensure continuous and quality disclosure.
<b>Currency</b>	Bonds/notes are denominated in currencies normally issued in domestic bond markets of ASEAN+3
<b>Scope of Issuer</b>	Resident of ASEAN+3
<b>Scope of Investors</b>	Professional investors defined in accordance with applicable laws and regulations or market practice in each market in ASEAN+3

At this stage, the SSF, in conjunction with the AMBIF Implementation Guidelines, is accepted in six jurisdictions in ASEAN+3: Hong Kong, China; Japan; Malaysia; the Philippines; Singapore; and Thailand. The region's other markets are expected to join as soon as they are ready.

The SSF, as the single and comprehensive issuance and disclosure document, has been modelled on the information memorandum used in international bond markets and its contents complies with the information and disclosure requirements of all participating markets, including those of the Philippines. The SSF has been recognized by the Securities and Exchange Commission of the Philippines (SEC) to serve as issuance documentation for bonds and notes issued as exempt transactions under Section 10 of the Securities Regulation Code (SRC) and its Implementation Rules and Regulations (IRR) – the issuance of the CGIF-Guaranteed Fixed Rate Corporate Notes would be such exempt transaction under

10.1 (L) of the SRC, the offer and issuance of which are made solely to Qualified Buyers which are juridical persons under Section 10.1 (L) of the SRC and Rules 10.1.3.1. to 10.1.3.6 of the SRC Rules - and as supporting document for the filing of a Notice of Exempt Transaction with the SEC which is required by the issuer under the SRC and IRR to avail themselves of exempt transaction status.

The SSF is a public document and was created and is maintained by the ASEAN+3 Bond Market Forum (ABMF), a public sector-private sector forum under the guidance of the Asian Development Bank, in conjunction with the AMBIF Documentation Recommendation Board (ADRB), a group of bond market participating institutions and professionals in ASEAN+3 that support and represent best market practices. The template for the SSF is available for download from the ADB website.