



ASIAN INFRASTRUCTURE  
INVESTMENT BANK

# LOCAL CURRENCY FINANCING

Feb. 26, 2021



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As at November 20, 2020 unless otherwise stated.



- I. OVERVIEW OF AIIB**
- II. LOCAL CURRENCY
- III. INVESTMENT OPERATIONS
- IV. ENVIRONMENTAL, SOCIAL AND GOVERNANCE
- V. KEY FINANCIAL POLICIES
- VI. AIIB IN THE CAPITAL MARKETS

## APPENDIXES AND USEFUL LINKS

# Who We Are and What We Do

We are a multilateral development bank with a mission to finance the **Infrastructure for Tomorrow (I4T)**. We enable clients to build I4T—green infrastructure with sustainability, innovation and connectivity at its core. We do this by unlocking finance that brings this vision to fruition. As our clients succeed in building I4T, society shares in that success.



## How We Do It

We adapt and innovate constantly to deliver customized investment solutions that overcome the challenges our clients face. Clients count on our responsiveness and resilience to help them meet their objective even during the most difficult times.



## Why We Do It

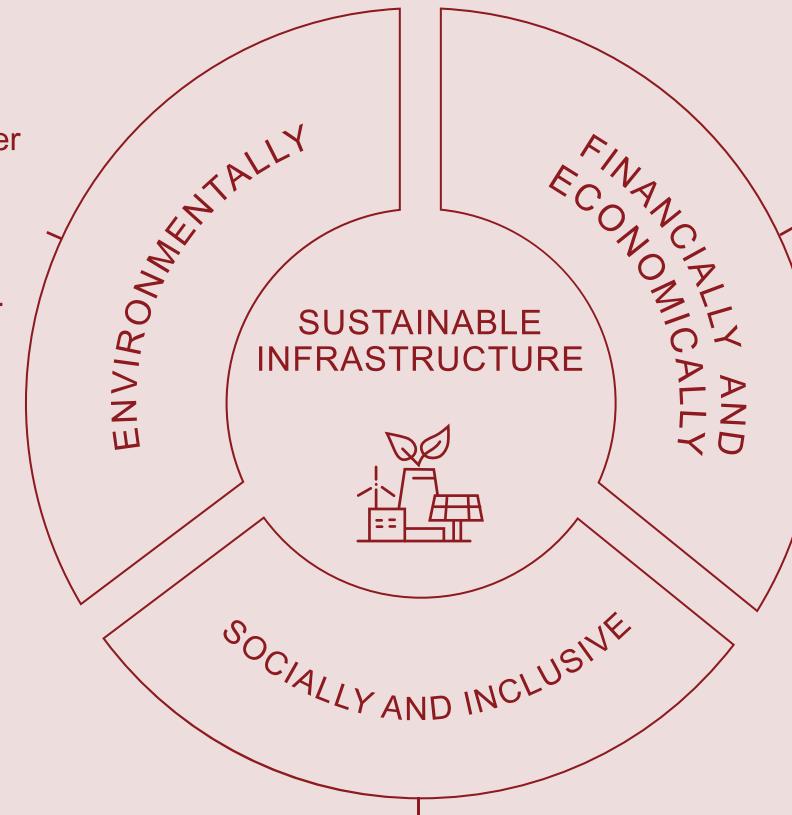
Prosperity and economic development for Asia is our goal. To realize this, we facilitate the I4T that empowers regions and their people with access to physical, digital and social services. This in turn contributes to local, regional and global sustainability.

# AIIB Invests in I4T

**The Infrastructure for Tomorrow (I4T)** reflects AIIB's firm commitment to sustainability. I4T unlocks new capital, new technologies and new ways to address climate change and to connect Asia, and the world.

## AIIB Invests in I4T, the Infrastructure for Tomorrow:

Addresses ecological impacts like water and air quality, biodiversity, pollution and climate change.



Projects with sound ROI, that raise economic growth and increase productivity.

Gives inclusive access, particularly to citizens excluded from access to infrastructure services.

# Macroeconomic Shifts Reshaping Our World

- Climate change.
- Aging population.
- Digital and information age.
- COVID-19.
- Infrastructure gap.



# The Role and Opportunity of Infrastructure

Generating short-term income, long-term growth and environmental sustainability.

Enabling cost-effective multisector resilience planning.



Closing the health and education gap in developing economies.

Mobilizing investments from the private sector through innovative and flexible financing models.



Integrating technology and connectivity to avoid being left behind.



# Why AIIB?

## Our value-add to clients and partners

- Sound banking principles to ensure financial sustainability in our operations and projects.
- Multilateral governance and a diversified, global shareholder base to ensure accountability.
- High project standards to ensure transparency and environmental and social stewardship.
- A responsive and agile culture that helps clients achieve investment outcomes.



# AIIIB's Strategic Priorities in a Post-COVID World

1. Green infrastructure.
2. Expanding into social infrastructure.
3. Private capital mobilization.
4. Connectivity and regional cooperation.
5. Technology-enabled infrastructure.

# Strong Fundamentals

## Triple-A-Rated

Ratings	Long-term	Short-term	Outlook
<b>S&amp;P Global Ratings</b>	AAA	A-1+	Stable
<b>Moody's Investor Service</b>	Aaa	Prime-1	Stable
<b>Fitch Ratings</b>	AAA	F1+	Stable

## Global Shareholder Base: 103 Approved Members

	Capital Contributions (% of bank total)	Share of votes held (% of votes)
<b>China</b>	30.77	26.58
<b>India</b>	8.64	7.61
<b>Russia</b>	6.75	5.98
<b>Germany</b>	4.63	4.16
<b>Korea</b>	3.86	3.50

# OVERVIEW OF SHAREHOLDING STRUCTURE

## 103 approved members

**“**

The Bank...will help to mobilize much needed additional resources from inside and outside Asia... and will complement the existing multilateral development banks.

Articles of Agreement

**”**

\*Prospective founding member: These are prospective members who were original signatories to the Articles of Agreement in June 2015. Countries or territories who sought membership after that date are simply called prospective members. All prospective members have been approved by the Board of Governors but have not yet met the full requirements of membership.

### Members Regional

Afghanistan	Israel	Russia
Australia	Jordan	Samoa
Azerbaijan	Kazakhstan	Saudi Arabia
Bahrain	Korea	Singapore
Bangladesh	Kyrgyz Republic	Sri Lanka
Brunei Darussalam	Lao PDR	Tajikistan
Cambodia	Malaysia	Thailand
China	Maldives	Timor-Leste
Cook Islands	Mongolia	Turkey
Cyprus	Myanmar	UAE
Fiji	Nepal	Uzbekistan
Georgia	New Zealand	Vanuatu
Hong Kong, China	Oman	Vietnam
India	Pakistan	
Indonesia	Philippines	
Iran	Qatar	

### Members Nonregional

Algeria	Guinea	Sudan
Austria	Hungary	Sweden
Belarus	Iceland	Switzerland
Belgium	Ireland	United Kingdom
Benin	Italy	Uruguay
Canada	Luxembourg	
Côte d'Ivoire	Madagascar	
Denmark	Malta	
Ecuador	Netherlands	
Egypt	Norway	
Ethiopia	Poland	
Finland	Portugal	
France	Romania	
Germany	Rwanda	
Ghana	Serbia	
Greece	Spain	

### Prospective Regional

Armenia
Kuwait*
Lebanon
Papua New Guinea
Tonga

### Prospective Nonregional

Argentina	Libya
Bolivia	Morocco
Brazil*	Peru
Chile	Senegal
Croatia	South Africa*
Djibouti	Togo
Kenya	Tunisia
Liberia	Venezuela

# STRONG SHAREHOLDER SUPPORT

## Diversified international shareholder base and excellent capital standing

- AIIB's authorized capital stock is **USD100 billion**, with USD20 billion as paid-in capital made in five annual installments<sup>1</sup>. The absolute amount of paid-in capital ranks among the highest of MDBs. Currently 98% of AIIB's allocated capital has been subscribed.
- USD18.9 billion received as at Nov. 20, 2020.
- In view of its regional focus, AIIB's regional members will hold the majority of capital stock—a minimum 75%.<sup>2</sup>
- In line with other MDBs, AIIB expects to benefit from preferred creditor treatment such as: in its members, it will not be required to participate in any rescheduling of national debt. Member liabilities to AIIB, such as sovereign loans or sovereign guarantees on private sector projects, rank on par with their obligations to the IMF and other MDBs.

### Ratings Status of AIIB Shareholders<sup>3</sup>

AAA:	13%
AA- or better:	28%
A- or better:	65%
BBB- or better:	90%

### Regional vs Nonregional Shareholding Split

Regional Members	Current Shareholding	Nonregional Members	Current Shareholding
China	30.8%	Germany	4.6%
India	8.6%	France	3.5%
Russia	6.8%	UK	3.2%
Korea	3.9%	Italy	2.7%
Australia	3.8%	Spain	1.8%
<b>Other 40 Members</b>	<b>22.4%</b>	<b>Other 32 Members</b>	<b>7.9%</b>
<b>Total: 45 Members</b>	<b>76.3%</b>	<b>Total: 37 Members</b>	<b>23.7%</b>

Notes: 1. Eight members will pay their paid-in capital amount over 10 annual installments.

2. Unless amended by the Board of Governors;

3. Based on ratings from S&P, Moody's and Fitch using the Basel 2/3 methodology – if three ratings available take median, if only two ratings available take lower rating. Ratings are then weighted by shareholding.

# EXCEPTIONALLY SOUND BALANCE SHEET

Highly liquid, minimal leverage (as at Sep. 30, 2020)

## Assets

Investment Operations  
Portfolio<sup>1</sup>  
USD7.630 billion

Treasury Liquidity  
Portfolio<sup>2</sup>  
USD22.387 billion

Others<sup>3</sup>  
USD0.760 billion

**TOTAL =**  
USD30.777 billion

## Liabilities and Equity

Equity<sup>4</sup>  
USD20.127 billion

Borrowings  
USD10.251 billion

Other Liabilities<sup>5</sup>  
USD0.399 billion

**TOTAL =**  
USD30.777 billion

### Notes:

1. Loan investments at amortized cost, bond investments at amortized cost, investment in associate, investments in Trust, and LP Funds and others. Total amount of approved financings is USD21.46 billion as at Nov. 20, 2020.
2. Cash and cash equivalents, term deposits and certificates of deposit, and investments at fair value through profit or loss (other than investments in Trust, and LP funds and others).
3. Paid-in capital receivables, funds deposited for cofinancing arrangements, derivative assets, intangible assets, property, plant, equipment, and other assets.
4. Paid-in capital plus retained earnings minus reserve for accretion of paid-in capital receivables plus reserve for unrealized gain on fair-valued borrowings
5. arising from changes in own credit risk.
6. Derivative liabilities, prepaid paid-in capital, and other liabilities.



# Self-Governing, Rules-Based Institution

- Treaty-based organization with permanent observer status at the United Nations.
- Member of a community of Multilateral Development Banks with preferred creditor status.

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APPENDICES AND USEFUL LINKS

# AIIB LOCAL CURRENCY FINANCING

The aim is to deliver diversified access to local currencies through different instruments to meet clients' needs at various stages of project and economic cycles

**For Clients Local Currency Financing represents protection from various currency risks:**

- *Reduction in earnings' volatility due to FX movements*
- *Decrease of debt burden in case of LCY depreciation*
- *Better credit rating of a borrower / project*
- *Reduced possibility of financial distress*
- *Possibility of borrowing LCY in longer tenor*

**For AIIB Local Currency Financing represents:**

- *Flexibility to offer client's currency of choice*
- *Stronger credit for loan book*
- *Lower possibility of defaults*
- *Access to loan markets that operate in LCY only*
- *Opportunity to direct LCY funds towards project finance and corporates*

No currency risk for client – better asset for AIIB

# AIIB LOCAL CURRENCY FINANCING FOR NON-SOVEREIGN CLIENT

## General terms

- Lending is based on sound banking practice
- The terms and conditions are set on a commercial basis
- Available currencies: 26 operational currencies of which five have already been utilized for lending

## Pricing is based on actual cost of funding in the currency

### AIIB's actual cost of borrowing in local currency:

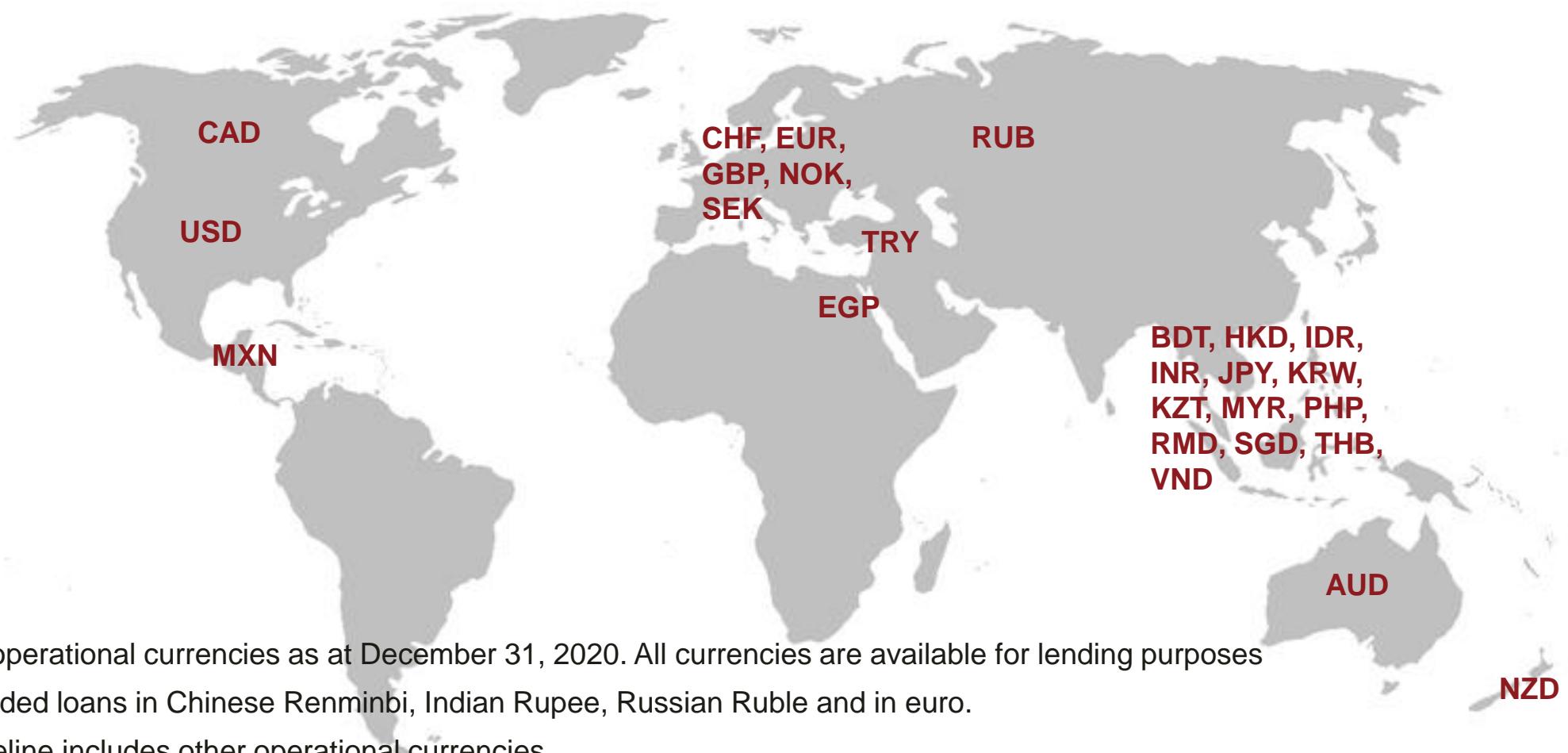
- 1) Cost based on local market-based benchmark (government bond yield or a relevant reference rate)
- 2) Issuance or execution costs (underwriting fees, execution costs) for bond-funded transactions
- 3) Recurrent costs (listing, custody, payment fees) for bond-funded transactions

### Plus

Corporate client's or project's credit spread, based on individual risks of the project or a corporate

**Final pricing:** for projects funded through cross currency swaps, AIIB hedges client's or project credit spread back to USD, with the final rate representing all-in rate after swap

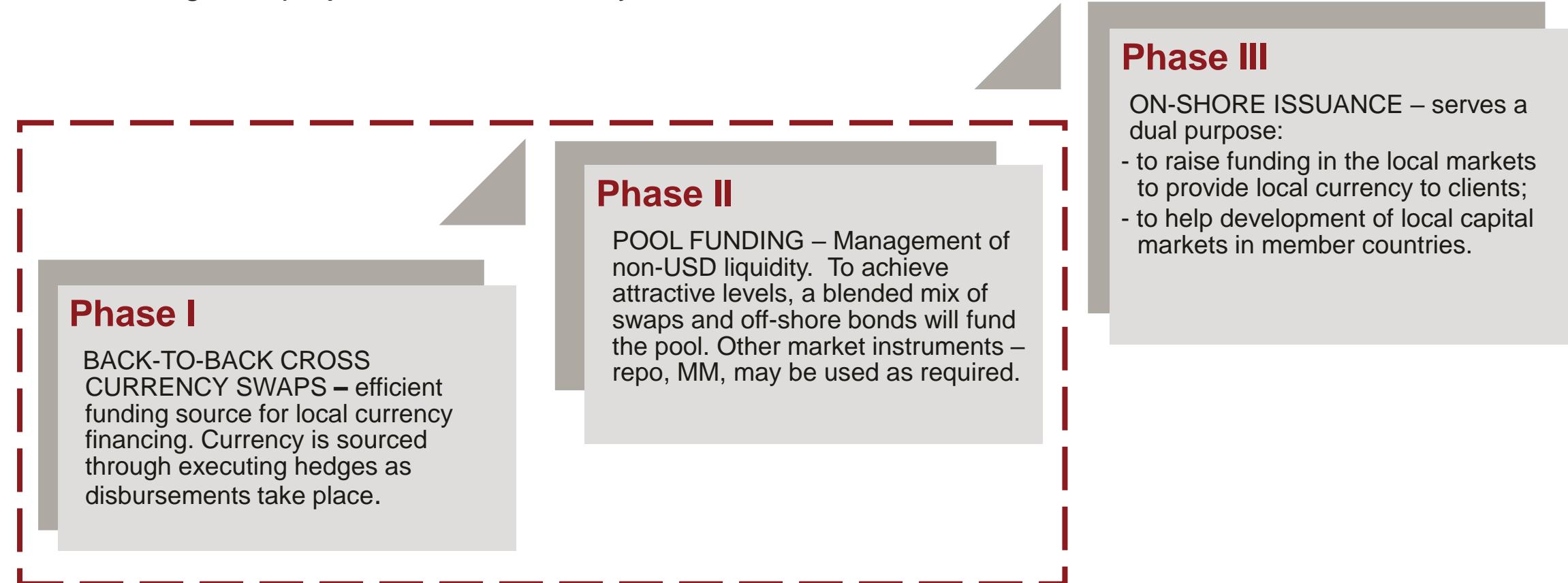
# OPERATIONAL CURRENCIES



- 26 operational currencies as at December 31, 2020. All currencies are available for lending purposes
- Funded loans in Chinese Renminbi, Indian Rupee, Russian Ruble and in euro.
- Pipeline includes other operational currencies

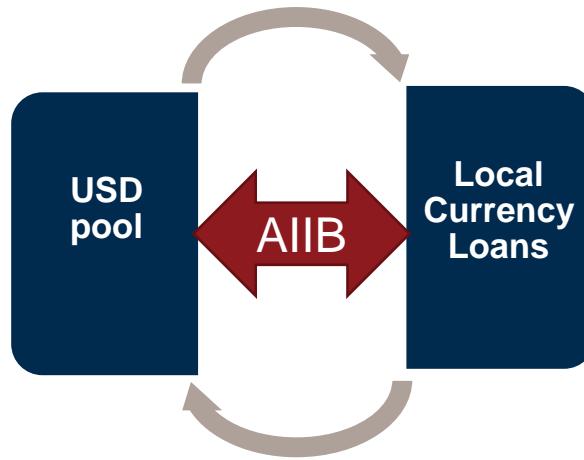
# SOURCES OF LOCAL CURRENCIES

The aim is to deliver diversified access to local currencies through different instruments to meet clients' needs at various stages of project and economic cycles



# TWO MAIN SOURCES FOR BACK-TO-BACK LOCAL CURRENCY FUNDING

## Swaps



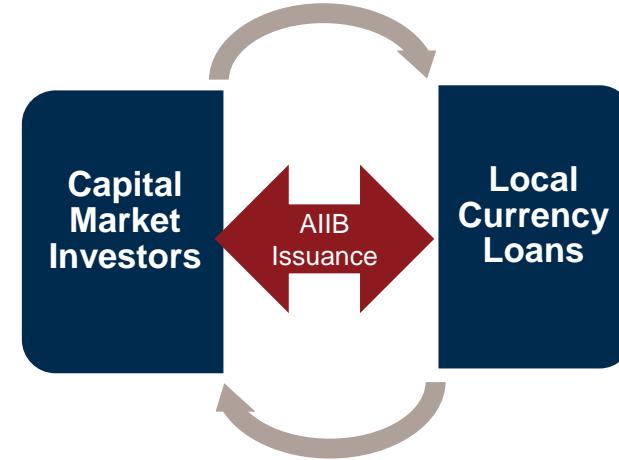
### Pros:

- Timing of the disbursement and funding is matched
- Loans profiles can be matched precisely
- Fast execution

### Cons:

- Needs reliable counterparts and legal framework
- Size may be limited
- Prepayments can be accommodated

## Bonds



### Pros:

- Additional development impact
- Local currency source where swaps market is not developed
- Potentially larger funding pool than swaps

### Cons:

- Investor demand in offshore markets is not reliable
- Prepayments or amortizations are difficult or impossible to accommodate

Currency risk is transferred to swap counterparty / bond investor

# LOCAL CURRENCY FINANCING: DELIVERABLE VS SYNTHETIC

- Back-to-back funding through cross currency swaps or bonds
- Onshore or offshore source
- Pricing is based on a relevant local market reference rate
- Currency risk is passed on to a swap counterparty or bond investors

## Deliverable local currency loans:

Clients receive local currency on a disbursement date and repay AIIB principal and interest in local currency on loan service dates

AIIB

*LCY disbursement*

*LCY Principal and Interest*

Client

## Synthetic (or non-deliverable) local currency loans:

Clients receive USD equivalent of a local currency loan amount on a disbursement date and repay USD equivalent of a local currency principal and interest on loan service dates. The FX rate is based on prevailing FX spot rate at the time of payments

AIIB

*USD amount indexed to LCY disbursement amount*

*USD amount indexed to LCY Principal and Interest*

Client

- I. OVERVIEW OF AIIB
- II. LOCAL CURRENCY
- III. INVESTMENT OPERATIONS**
- IV. ENVIRONMENTAL, SOCIAL AND GOVERNANCE
- V. KEY FINANCIAL POLICIES
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APPENDIXES AND USEFUL LINKS

# FINANCING INFRASTRUCTURE FOR TOMORROW—THEMATIC PRIORITIES

A firm commitment to sustainability in all of its dimensions—economic, financial, social and environmental



## Green Infrastructure

Promoting green infrastructure and supporting members to meet their local and national environmental and development goals, especially their commitments under the Paris Agreement and the United Nations' Sustainable Development Goals.



## Connectivity and Regional Cooperation

Facilitating better transport, digital, energy and water connectivity within Asia and between Asia and the rest of the world. It will also support projects that facilitate trade, cross-border investment, tourism, financial and digital integration across Asian economies and beyond.



## Technology-enabled Infrastructure

Based on the enhanced recognition of the important role technology plays, AIIB will support projects where the application of technology delivers better value, quality, productivity, efficiency, resilience, sustainability, inclusion, transparency and better governance along the project cycle.



## Private Capital Mobilization

To support projects that directly or indirectly mobilize private financing into sectors within AIIB's mandate. Includes developing infrastructure as an asset class in Asia.

### Private sector projects

Target by 2030  
(50% of actual financing approvals)

### Climate financing

Target by 2025  
(50% of actual financing approvals)

### Cross-border connectivity

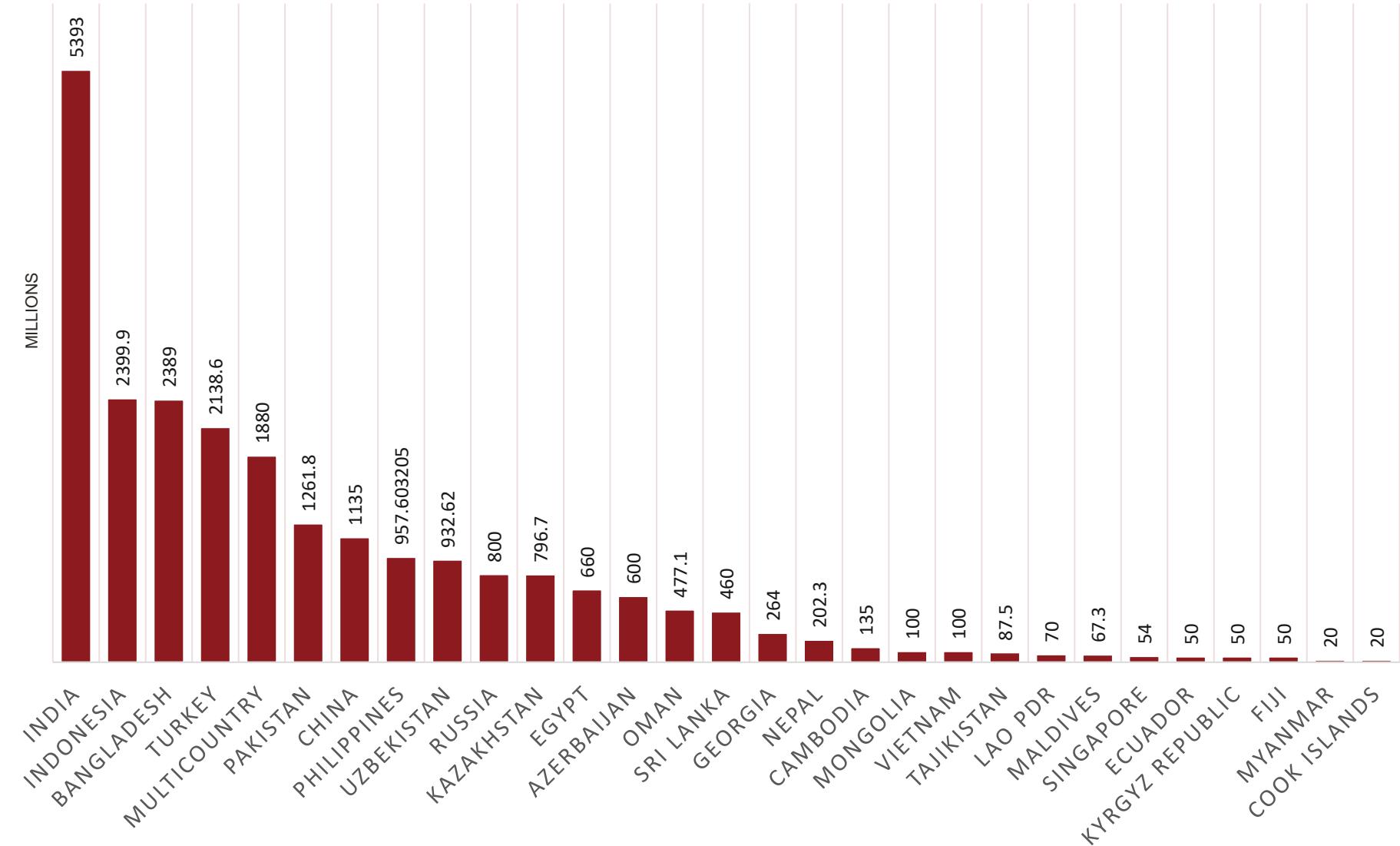
Target by 2030  
(25 to 30% of actual financing approvals)

# Investment Operations

**Loans approved since inception: USD 23.551 billion. Number of projects approved: 115.**

Investments in energy, transport, digital, water, sanitation and connectivity.

AIIB will leverage its balance sheet to mobilize financing for the private sector.



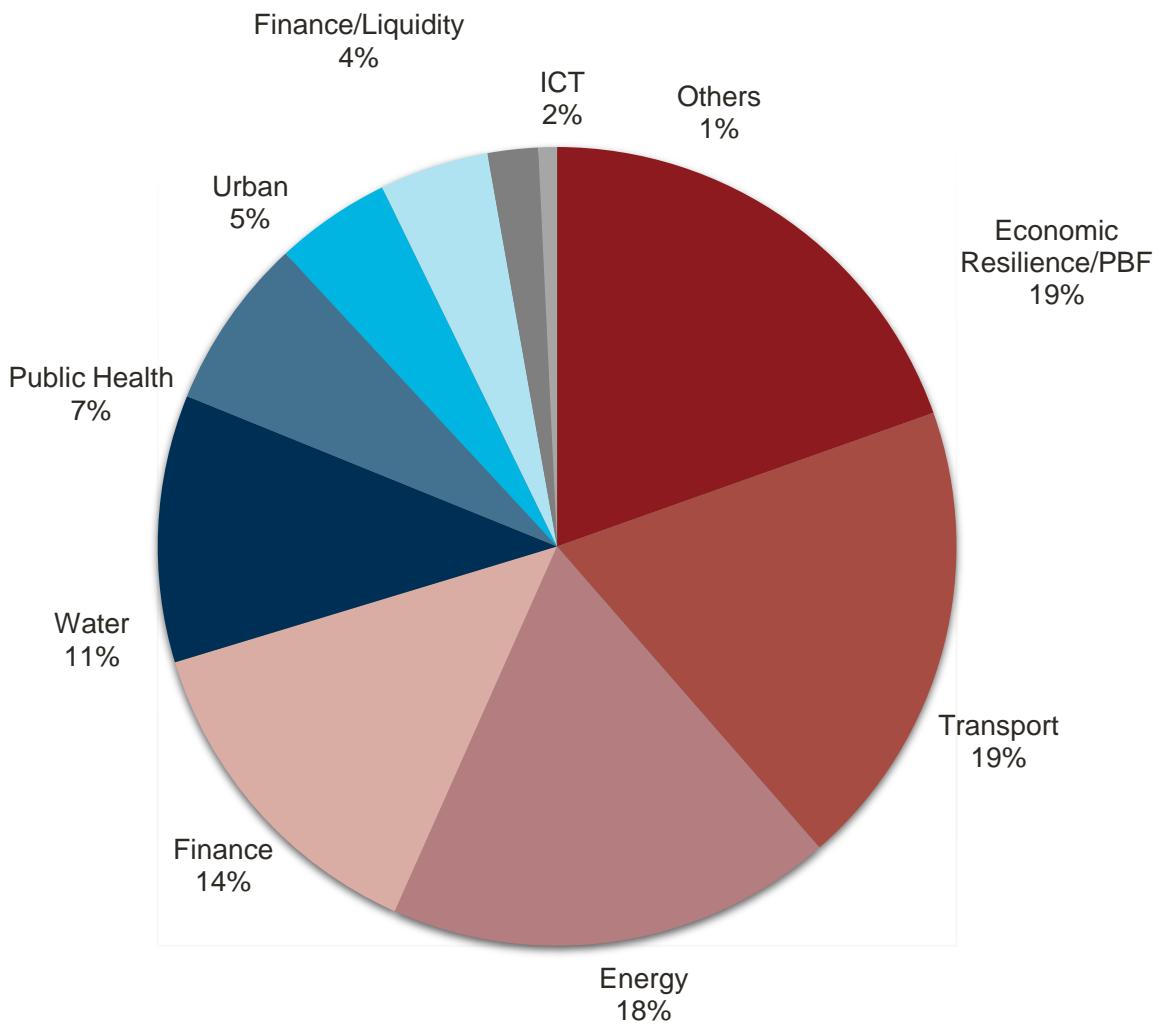
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MILLIONS



# COVID-19 CRISIS RECOVERY FACILITY—UP TO USD13 BILLION

## Scope—what can the facility be used for?

AIIB has created a Crisis Recovery Facility to support AIIB's members and clients in alleviating and mitigating economic, financial and public health pressures arising from COVID-19.



### Financing of immediate health sector needs

Support emergency public health responses, including:

- The development of health system capacity and the provision of essential medical equipment and supplies to combat COVID-19.
- Long-term sustainable development of the health sector.



### Economic resilience

Provide financing to supplement government productive expenditures to support the social and economic response and recovery.

- This includes investments in infrastructure but also social and economic protection to prevent long-term damage to the productive capacity of the economy.
- Investment to protect and restore productive capital, including human capital.



### Financings to address liquidity constraints

- Support clients to overcome liquidity constraints and maintain critical long-term investments which may have to be curtailed, delayed or suspended.
- Focus on clients in infrastructure and other productive sectors.

Sylhet to Tamabil Road Upgrade Project

# Bangladesh

Projects Approved—USD21.46 billion



We're helping Bangladesh build Infrastructure for Tomorrow through a USD404-million loan to improve cross-border connectivity between Bangladesh and India via a safe and efficient road between Sylhet and Tamabil.

The project is expected to have positive social impact in terms of substantial travel time and associated cost savings. The road can lead to improved connectivity to health, education, employment and other social services and opportunities.



Zhanatas 100 MW Wind Power Plant

# Kazakhstan

Projects Approved—USD21.46 billion



AIIB is helping Kazakhstan generate clean electricity by mobilizing private capital and investing in a 100-megawatt wind power plant that will become central Asia's largest.

We're investing USD34.3 million out of the total project cost of USD139.9 million (the rest being funded by sponsors and other financial institutions) to enable the client, Zhanatas Wind-Power Station LLP, develop a wind farm infrastructure for tomorrow. The project promotes the use of renewable energy, generates approximately 319 GWh per annum (0.3 percent of total electricity generation in Kazakhstan) and avoids about 260,623 tons of carbon dioxide equivalent per year.



Zhanatas 100 MW Wind Power Plant

# Oman

Projects Approved—USD21.46 billion



**AIIB raised USD239.2 million non-sovereign-backed financing including B Loan to improve telecommunications connectivity in Oman.**

The financing provided to Oman Broadband will be used for its rollout of a fiber optic broadband cable network to circa 406,003 homes / premises by the end of 2021.

Upon its completion, 80% of Muscat will be fiber-ready for connection with the gigabit-capable optical networks. The Project will improve Oman's infrastructure in the information and communication technology sector, thereby increasing the attractiveness of Oman as a destination for manufacturing business and strategic logistics services. This will contribute to the diversification of the economy away from its current dependence on export of hydrocarbon products.



# PROJECT EXAMPLES

## Projects Approved—USD21.46 billion



### Transport



Project Video

**Sylhet to Tamabil Road Upgrade Project, Bangladesh**—AIIB is providing USD404 million loan to improve cross-border connectivity between Bangladesh and India via a safe and efficient road link between Sylhet and Tamabil.

Sylhet, a special economic zone, is located in the heart of a tea growing area and is the hub of the tea industry in Bangladesh. Through the development of this

project, Dhaka, the capital city of the country and Chittagong, the commercial capital will be well connected with eastern India through Tamabil.

The project will have positive impacts in terms of substantial improvements in travel time and associated cost savings; improved connectivity to health, educational and other social services; and better access to employment opportunities.



# PROJECT EXAMPLES

## Projects Approved—USD21.46 billion



Energy



Project Documents

### Zhanatas 100 MW Wind Power Plant, Kazakhstan

AIIB is investing USD46.7 million, to promote the use of renewable energy by mobilizing private capital.

The project is to develop, construct, and operate a 100 MW wind farm in Southern Kazakhstan. The total project cost is USD136.2 million, of which AIIB loan is about USD46.7 million and the rest is funded by sponsors and other financial

institutions.

Once completed, the Zhanatas wind power plant will become the largest wind farm in Central Asia. Greenhouse gas emissions can be avoided—about 260,623 tons of carbon dioxide equivalent per year. More importantly, Kazakhstan stands to generate clean electricity, approximately 319 GWh per annum or 0.3 percent of total electricity generation in the country.



# PROJECT EXAMPLES

## Projects Approved—USD21.46 billion



ICT



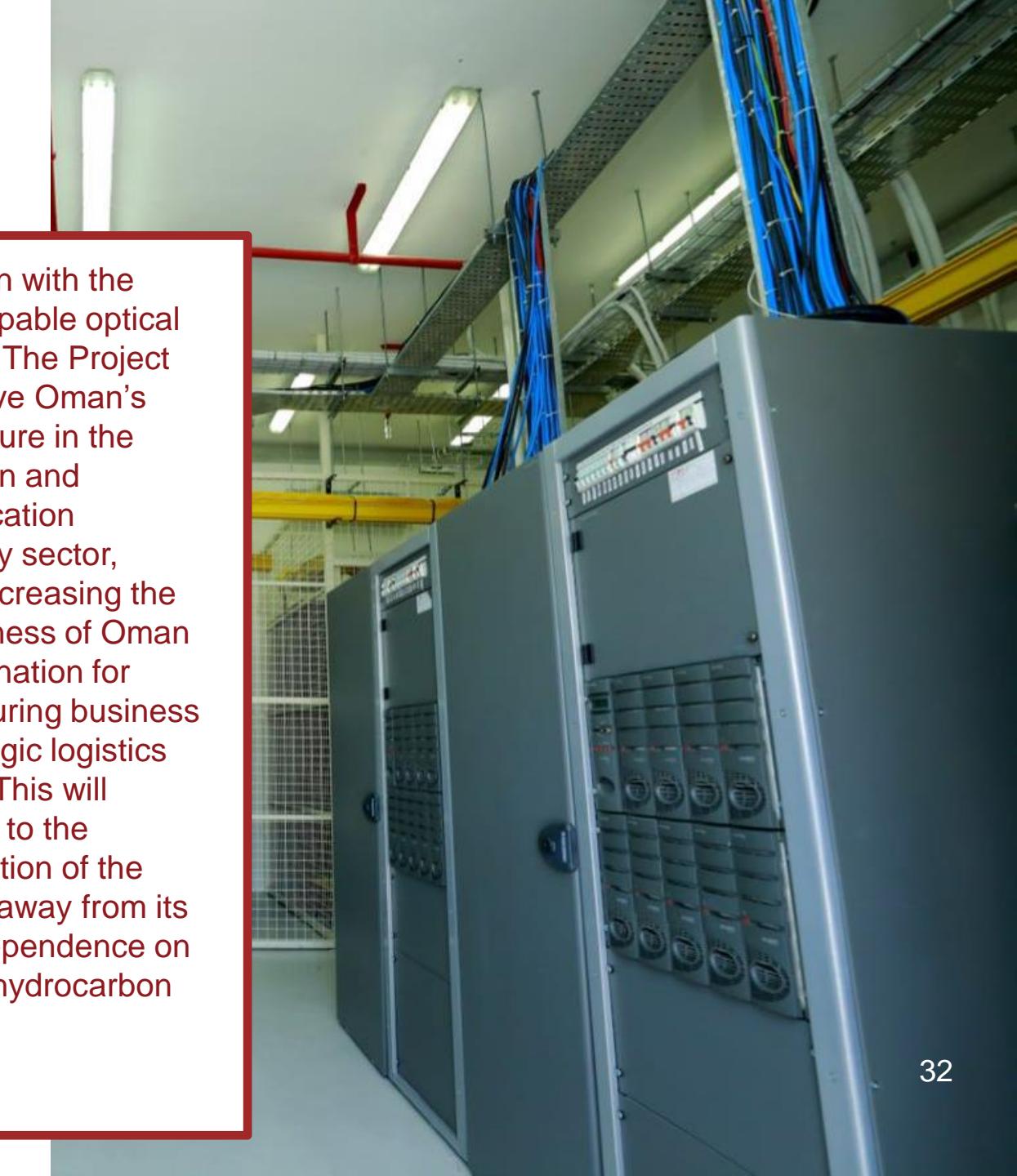
Project Video

**Oman Broadband Infrastructure, Oman—** AIIB raised USD239.2 million non-sovereign-backed financing including B Loan to improve telecommunications connectivity in Oman.

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- III. INVESTMENT OPERATIONS
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APPENDIXES AND USEFUL LINKS

# AIIB'S COMMITMENT TO SUSTAINABLE GROWTH

## Financing Infrastructure for Tomorrow

### Firm commitment to sustainability by requiring that all investments be:

- **Financially and economically sustainable** in terms of financial returns and economic impact which generates positive economic returns and does not exacerbate a country's debt sustainability. This is assured through economic and financial analyses made for all investments of the Bank.
- **Socially sustainable and inclusive** in terms of addressing direct and indirect impacts, especially on displaced persons, vulnerable groups and community health and safety. Social sustainability promotes inclusive access to project benefits for all citizens—irrespective of age, gender, location, ethnicity and other socioeconomic characteristics and particularly to groups which are often marginalized, vulnerable or excluded from access to services.
- **Environmentally sustainable** in terms of addressing direct and indirect impacts on the physical and biological environment such as water and air quality, biodiversity, local pollution, climate change and land and water use. Environmental and social sustainability is assured through the Bank's ESF which reflects good international practices.

# AIIB'S COMMITMENT TO SUSTAINABLE GROWTH

Environmental and Social Framework (ESF) at the core of the organization

## Elements of the ESF

- Vision
- Environment and Social Policy (ESP)
- Environmental and Social Standards (ESS)
- Environmental and Social Exclusion List (ESEL)

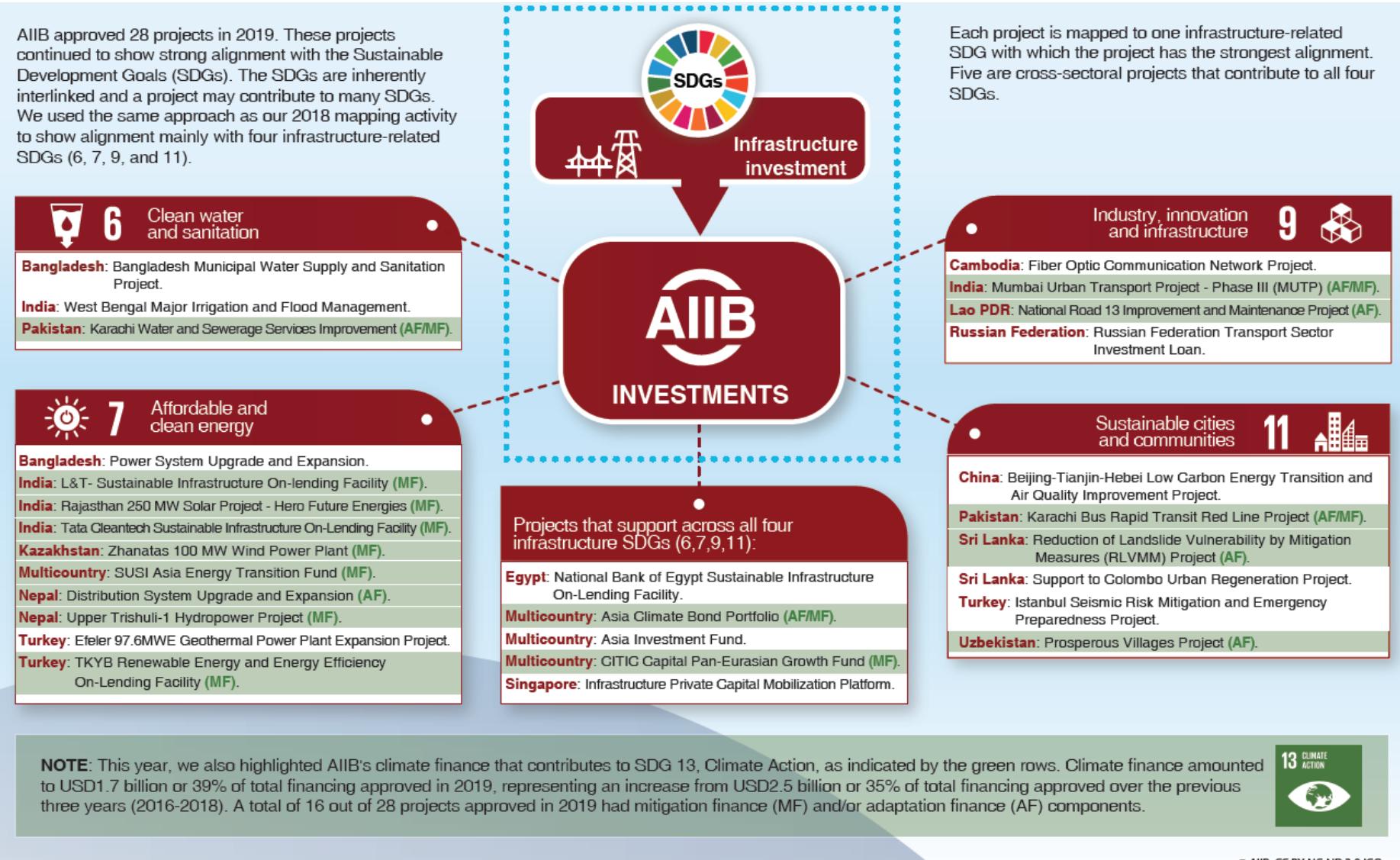
## Objectives of the ESF

- Provide a robust structure for managing operational and reputational risks of the Bank and its shareholders in relation to project environmental and social risks and impacts.
- Ensure the environmental and social soundness and sustainability of projects.
- Support integration of environmental and social aspects of projects into the decision-making process by all parties.
- Provide a mechanism for addressing environmental and social risks and impacts in project identification, preparation and implementation.
- Enable Clients to identify and manage environmental and social risks and impacts of projects, including those of climate change.
- Provide a framework for public consultation and disclosure of environmental and social information in relation to projects.



# AIIB'S COMMITMENT TO SUSTAINABLE GROWTH

## 2019 AIIB Investments Mapped Across the SDGs



# SUSTAINABLE DEVELOPMENT BONDS

## Use of Proceeds

- AIIB's Environmental and Social Framework (ESF) is the cornerstone of the Bank's commitment to supporting environmentally and socially sustainable infrastructure projects for both sovereign and nonsovereign clients.
- The vision section of the ESF describes the Bank's aspirations in integrating environmental and social sustainability into its mission. It is part of our mission to help our members to address their commitments to the United Nations' Sustainable Development Goals (SDGs) and to achieve their nationally determined contributions under the Paris Agreement, as demonstrated by our investment in projects related to climate mitigation, climate adaptation and other environmental objectives.
- All debt issued to date has Use of Proceeds language highlighting the Bank's sustainable mission and referring to the Bank's environmental and social criteria.
- AIIB project summaries contain environmental and social information on each project. These are posted on the AIIB Website under [Approved Projects](#) and [Proposed Projects](#).
- AIIB is rated by three ESG rating agencies; **ISS ESG**, **Sustainalytics**, and **Vigeo Eiris**. These ratings are solicited by investors and are based on industry-specific environmental, social and governance (ESG) criteria.



C+ (Prime), Nov. 2018



Average Performer, Nov. 2018



Robust, Oct. 2020

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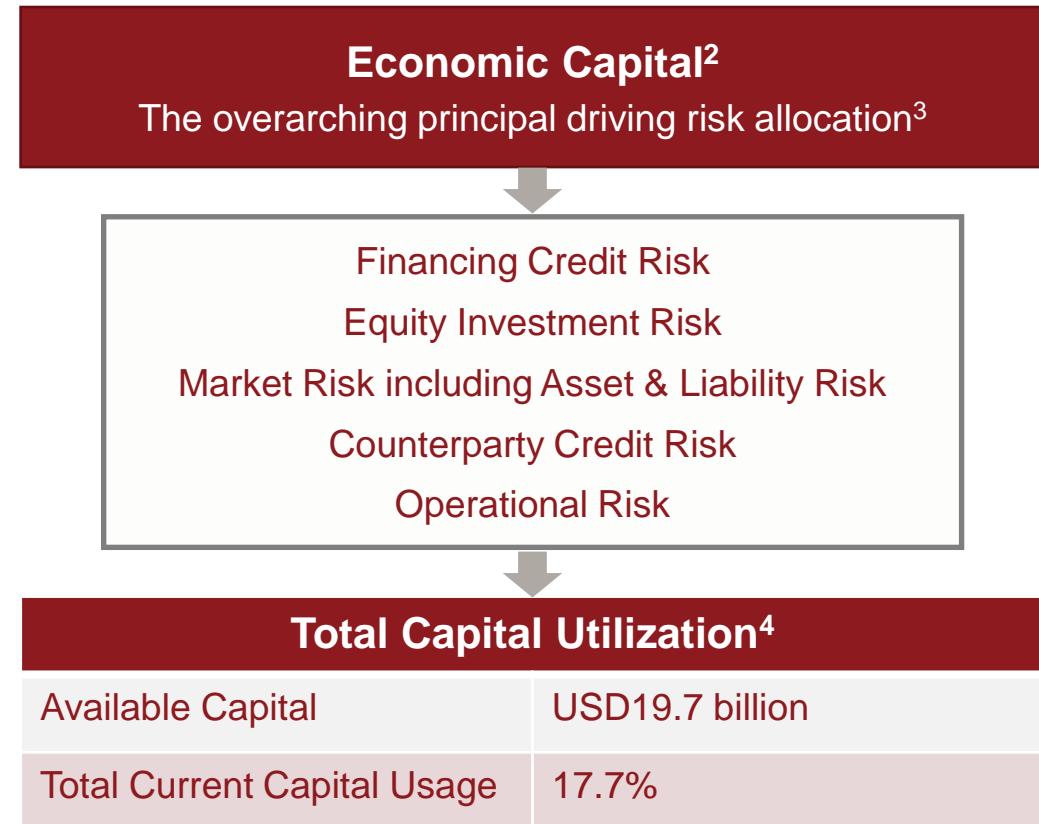
APPENDIXES AND USEFUL LINKS

# OVERVIEW OF CAPITAL AND RISK MANAGEMENT

Economic capital is the fundamental measure of risk appetite

## Key financial and risk management policies

- Prudent risk management policies with economic capital being the fundamental measure of risk appetite utilization.
- Manage risks, such that AIIB is financially sustainable on a standalone basis, preventing the need to require recourse to its callable capital.
- All risks are managed to defend, preserve and protect AIIB's triple-A ratings.
- AIIB's Risk Appetite Statement requires that AIIB risk appetite is allocated below its capacity, determined by the Bank's available capital (i.e. received paid-in capital, reserves and retained earnings).
- Total amount outstanding of loans, equity investments, guarantees and other types of financings shall not exceed the total amount of the Bank's unimpaired subscribed capital, reserves and retained earnings<sup>1</sup>.
- Market risk is managed within internally set Value-at-Risk (VaR) and duration limits.



Notes: 1. Source: Article 12.1, Chapter III, AIIB Articles of Agreement.

2. Economic Capital is defined as the capital required to withstand losses over one year to a 99.99 percentile level of confidence.

3. The following financial risks are managed outside the economic capital framework: liquidity risk and model risk.

No economic capital is allocated for other nonfinancial risks (compliance risk, integrity risk, and environmental and social risk).

4. Based on current usage of USD3,470 million of economic capital, as at September 30, 2020.

# OVERVIEW OF LIQUIDITY MANAGEMENT

## Prudent liquidity risk management

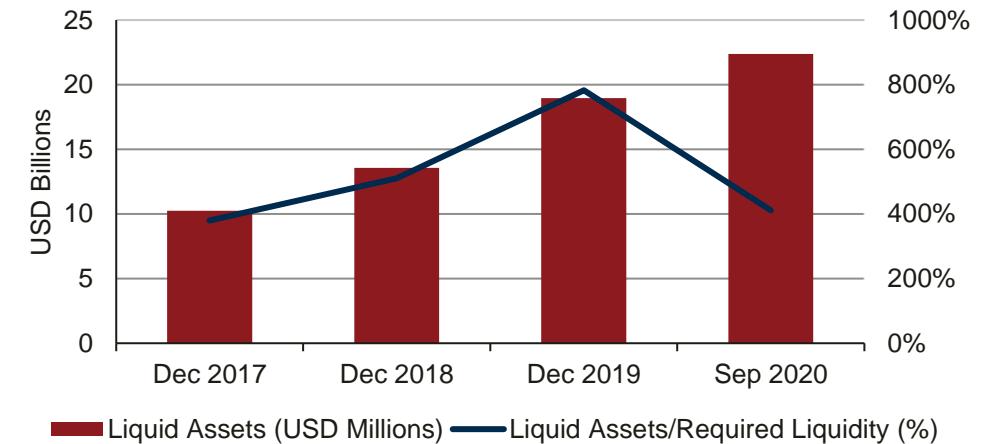
### Liquidity Portfolio

- Managed to ensure liquidity available via conservative and stress-tested models.
- Eligible investments:
  - Money market funds (AAA rating)
  - Sovereign, Supranational, Agency (SSA)—senior debt (minimum A rating)
  - Corporate—senior debt (minimum AAA rating)
  - Other Financials (minimum A minus rating)
- External managers used for portfolio diversification.

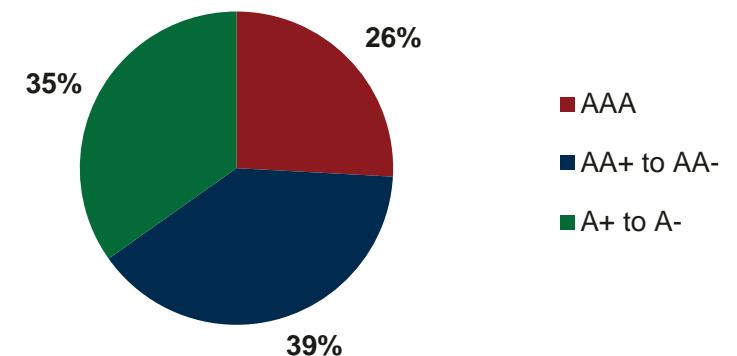
### Liquidity Risk

- Liquidity portfolio should cover at least 40% of net cash requirements for the upcoming 36 months and 100% of stressed net cash requirements for any upcoming 12-month period.
- Liquidity expected to be well in excess of policy requirements for first five years of operations.

Treasury Liquid Assets versus Required Liquid Assets (rolling 36 month)



Treasury Liquid Assets by Rating<sup>1</sup>



Note: 1. Data as of Sep. 30, 2020.

- I. OVERVIEW OF AIIB
- II. LOCAL CURRENCY
- III. INVESTMENT OPERATIONS
- IV. ENVIRONMENTAL, SOCIAL AND GOVERNANCE
- V. KEY FINANCIAL POLICIES
- VI. AIIB IN THE CAPITAL MARKETS**

APPENDIXES AND USEFUL LINKS

# STRONG CREDIT FUNDAMENTALS

AIIB assigned highest rating by three agencies

Ratings	Long Term	Short Term	Outlook	Commentary	Summary Rating Rationale
Standard & Poor's	AAA	A-1+	Stable	<p>“AIIB continues making progress on delivering on its mandate by building up its operational capacity and increasing loan commitments to the region. We are affirming our 'AAA/A-1+' ratings on AIIB. The stable outlook reflects our expectation that, over the next 12-24 months, AIIB will continue achieving key targets as part of its start-up phase and will adhere to sound governance and risk management principles supported by an extremely strong financial profile”</p> <p><i>Dec. 16, 2019</i></p>	<ul style="list-style-type: none"> <li>✓ Strong capital commitment from diversified sovereign shareholder base.</li> </ul>
Moody's	Aaa	P-1	Stable	<p>“The credit profile of the Asian Infrastructure Investment Bank (AIIB, Aaa stable) reflects our view that the bank is evolving in a manner consistent with the highest-rated multilateral development banks (MDBs), as it incorporates changes to operational capabilities, governance and market access. Investment operations have accelerated as the bank has built up its staff, developed its internal processes and systems and focuses more on sector-specific strategies. In 2019, AIIB formally commenced its borrowing program, establishing access to international capital market funding well ahead of any imminent need, given the bank's ample liquidity. Shareholder support will also remain strong as the bank's membership and, consequently, its capital base, expand beyond the levels at its founding in 2015.”</p> <p><i>Oct. 12, 2020</i></p>	<ul style="list-style-type: none"> <li>✓ Set to have an important mandate of filling the infrastructure financing gap in Asia.</li> <li>✓ Strong governance and risk management framework.</li> <li>✓ Excellent capitalization with very high projected liquidity position.</li> </ul>
Fitch Ratings	AAA	F1+	Stable	<p>“AIIB's 'AAA' IDR continues to reflect its intrinsic credit strengths. Given the relatively early years of development at AIIB, Fitch bases its projections on an eight-year forecast period (2020-2028). Based on this, the bank's 'excellent' capitalisation and 'low' risk profile translate into a 'aa+' assessment of solvency. Liquidity is assessed at 'aaa'. AIIB's 'medium' risk business environment leads to a one-notch uplift over the lower of solvency and liquidity, to 'aaa' for the bank's intrinsic assessment. Our assessment of the bank's solvency, liquidity and business environment are unchanged from last year. Shareholders' support, assessed at 'a+' (unchanged from last year), does not provide a rating uplift.”</p> <p><i>Jul. 2, 2020</i></p>	<ul style="list-style-type: none"> <li>✓ Very high strength of member support.</li> <li>✓ Preferred creditor status.</li> <li>✓ 0% risk weight.</li> </ul>



Credit ratings do not constitute investment or financial advice, and credit ratings are not recommendations to purchase, hold or sell particular securities.

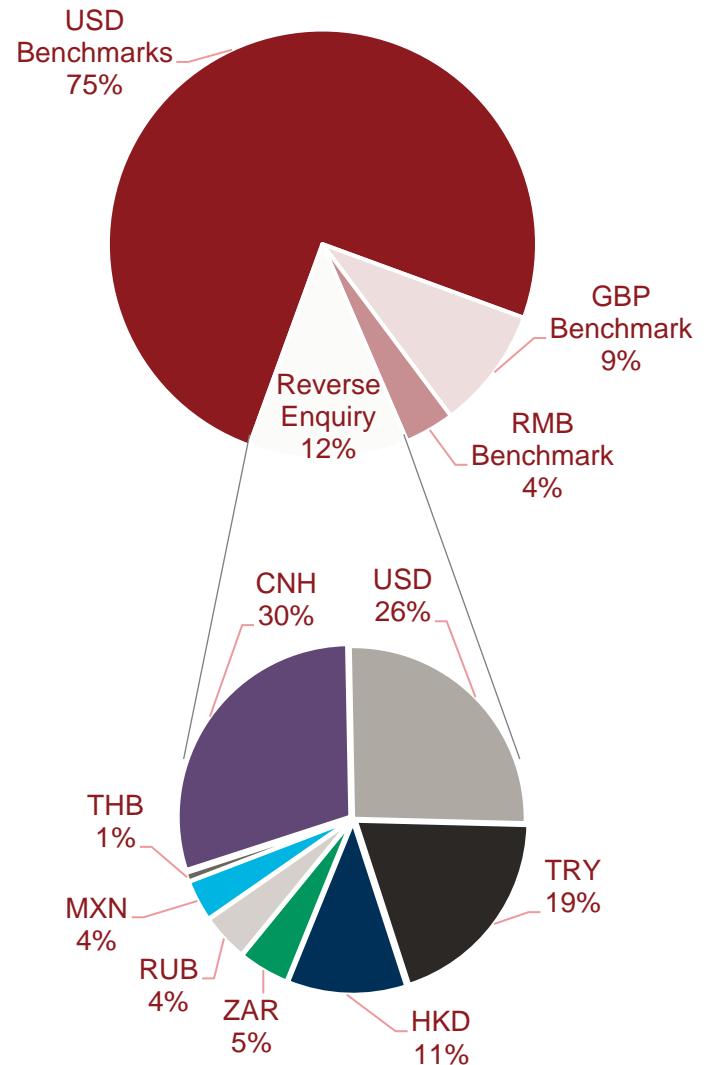
Credit ratings do not comment on the suitability of an investment for any particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

# FUNDING STRATEGY

## AIIB as a prime, frequent issuer in international markets

- Two main pillars of capital market funding:
  - Public transactions - global benchmark format as well as smaller public offerings, and
  - Reverse enquiry issues.
- Develop a broad range of unsecured funding instruments and sources of liquidity.
- Diversify in terms of currency and investor type.
- Deliver comprehensive and continuous investor marketing.
- Utilize money market funding for bridge financing.
- Current 2020 borrowing authority is USD9 billion<sup>1</sup>. This is expected to reach in excess of USD10 billion per annum in the mid 2020s.
- AIIB was added to the EU Capital Requirements Regulation (CRR) Article 117, paragraph 2 list of MDBs, resulting in a 0% risk weight assignment and the same HQLA1 treatment as other MDBs in the EU.

AIIB Outstanding Borrowings



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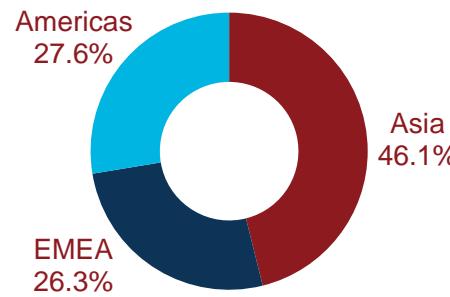
APPENDIXES AND USEFUL LINKS

# AIIB USD3 billion 3-year Global Sustainable Development Bond in the context of COVID-19

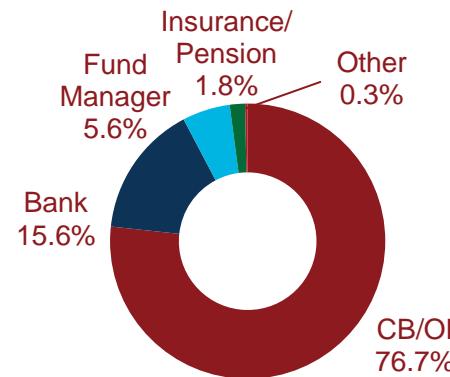
## Highlights

- Priced USD3 billion with a spread of m/s+9bps equivalent to UST+16.5bps. This transaction represents AIIB's inaugural 3-year benchmark, and its second USD global benchmark of 2020, reinforcing its commitment to investors to further establish a liquid USD curve.
- Over 4.2 billion in orders from 70 investors across the globe representing 29 countries.
- Pricing cements AIIB's positioning among its MDB peers.
- Well diversified book by investor type and geography.
- Very high-quality orderbook, evidenced by the significant proportion of allocations going to central banks and official institutions (76.7%); the highest percentage distribution into these investors in a 3-year USD benchmark year-to-date.
- Prior to issuance, AIIB met with investors who made up 96% of the allocated book in USD terms.

**Distribution By Region**



**Distribution By Investor Type**



**Issuer**

**AIIB**

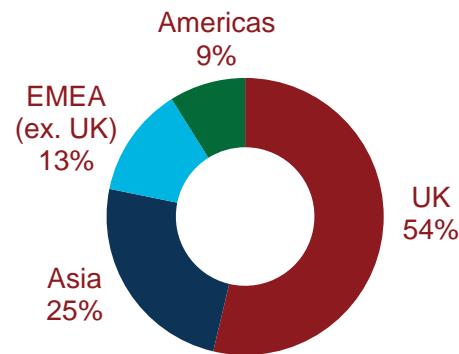
<b>Issuer Rating:</b>	Aaa/AAA/AAA (stable/ stable/stable)
<b>Format:</b>	Global (SEC-registered)
<b>Amount:</b>	USD3 billion
<b>Maturity date:</b>	September 29, 2023
<b>Coupon:</b>	0.25%
<b>Reoffer Yield</b>	0.316% (S/A)
<b>Re-offer price:</b>	99.803%
<b>Re-offer spread vs. m/s</b>	m/s+9bps
<b>Re-offer spread vs. Bmk</b>	16.5bps v CT3

# AIIB Inaugural GBP800 million 5-year Sustainable Development Bond

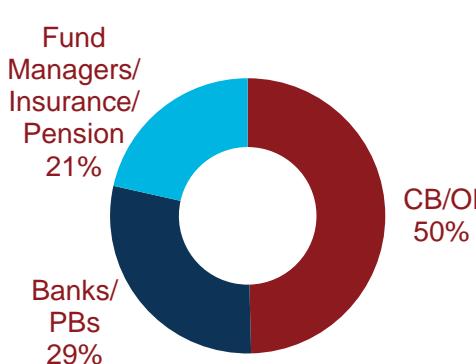
## Highlights

- Priced GBP800 million with a spread of UKT+33bps (UKT 2% 09/07/2025).
- Over GBP2 billion in orders from over 74 investors across the globe.
- Price tightened by 2bps with no New Issue Concession (NIC).
- Prior to issuance, AIIB met with investors who made up 80% of the allocated book in GBP terms.
- The excellent investor reception is a testament to AIIB's significant investor work in recent years and excellent strategic market approach. This transaction is a successful start for future diversification requirements and opportunities.

### Distribution By Region



### Distribution By Investor Type



### Issuer

### AIIB

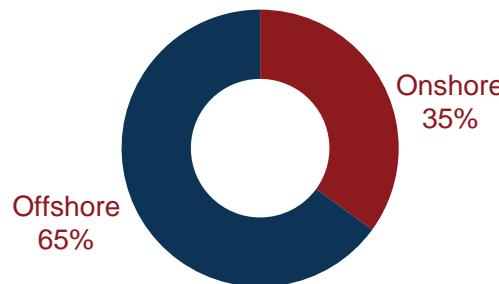
<b>Issuer Rating:</b>	Aaa/AAA/AAA (stable/ stable/stable)
<b>Format:</b>	GMTN
<b>Amount:</b>	GBP800 million
<b>Maturity date:</b>	December 15, 2025
<b>Coupon:</b>	0.20%
<b>Reoffer Yield</b>	0.242% annual
<b>Re-offer price:</b>	99.803%
<b>Re-offer spread vs. Bmk</b>	UKT+33bps (UKT 2% 09/07/2025)

# AIIB RMB3 billion 3-year Sustainable Development Bond Panda (COVID-19 label)

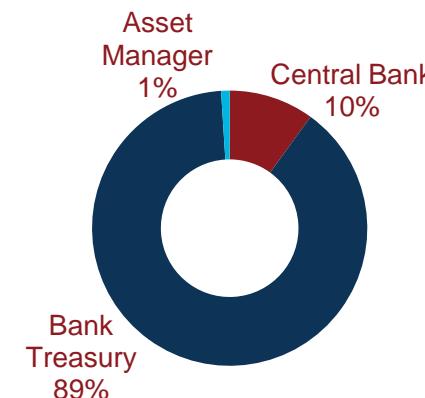
## Highlights

- Priced RMB3 billion with a spread of CDB-23bp equivalent to CGB+7bp.
- Over 8.3 billion in orders from 32 investors, final allocation to 16 investors 35% onshore and 65% offshore.
- Represents the tightest spread to CDBs ever achieved in the Panda market and the first issuer to price at a negative spread.
- Good participation from offshore investors.
- Sustainable Development Bond with the NAFMII COVID-19 label.
- Prior to issuance, AIIB marketed to more than 100 investors including 87.6% of the allocated book.

**Distribution By Region**



**Distribution By Investor Type**



**Issuer**

**AIIB**

<b>Issuer Rating:</b>	Aaa/AAA/AAA (stable/ stable/stable)
<b>Format:</b>	Panda Bond
<b>Market:</b>	China Inter-bank Bond Market
<b>Amount:</b>	RMB3 billion
<b>Maturity date:</b>	June 15, 2023
<b>Coupon:</b>	2.40%
<b>Issue price:</b>	100%
<b>Issue spread vs. 3y CDB</b>	-23 bps
<b>Issue spread vs. 3y CGB</b>	+7 bps

# FINANCIAL OVERVIEW

Key financial figures—as at Sep. 30, 2020

## Balance Sheet

In thousands of US Dollars	Sep. 30, 2020 (unaudited)	Dec. 31, 2019 (audited)
<b>Assets</b>		
Cash and cash equivalents	3,630,893	3,113,763
Term deposits and certificates of deposit	14,072,873	11,864,578
Investments at fair value through profit or loss	4,829,868	4,096,263
Loan investments, at amortized cost	6,978,197	2,272,950
Bond investments, at amortized cost	478,098	479,767
Investment in associate	26,642	-
Paid-in capital receivables	466,923	748,267
Derivative assets	202,878	49,987
Funds deposited for cofinancing arrangements	3,889	787
Intangible assets	2,477	1,934
Property, plant and equipment	3,786	789
Other assets	80,492	2,559
<b>Total Assets</b>	<b>30,777,016</b>	<b>22,631,644</b>
<b>Liabilities</b>		
Borrowings	10,251,306	2,557,324
Derivative liabilities	34,428	-
Prepaid paid-in capital	440	600
Other liabilities	364,068	87,549
<b>Total Liabilities</b>	<b>10,650,242</b>	<b>2,645,473</b>
<b>Total Members' Equity</b>	<b>20,126,774</b>	<b>19,986,171</b>
<b>Total Liabilities &amp; Members' Equity</b>	<b>30,777,016</b>	<b>22,631,644</b>

## Income Statement

In thousands of US Dollars	For the six months ended Sep. 30, 2020 (unaudited)	For the six months ended Sep. 30, 2019 (unaudited)
Interest income	276,801	324,824
Interest expense	-56,347	-21,094
<b>Net Interest Income</b>	<b>220,454</b>	<b>303,730</b>
Net fee and commission income	9,186	9,087
Net gain on financial instruments measured at fair value through profit or loss	107,292	63,950
Net loss on financial instruments measured at amortized cost	-4,221	-
Net loss on investment in associate	-358	-
Impairment provision	-108,798	-17,184
General and administrative expenses	-114,828	-89,102
Net foreign exchange gain/(loss)	17,793	-277
<b>Operating Profit for the period</b>	<b>126,520</b>	<b>270,204</b>
Accretion of paid-in capital receivables	5,955	47,881
<b>Net Profit for the period</b>	<b>132,475</b>	<b>318,085</b>
<b>Other comprehensive income</b>	<b>3,093</b>	<b>-</b>
<b>Total Comprehensive Income</b>	<b>135,568</b>	<b>318,085</b>

# GLOBAL BEST PRACTICE IN MDB GOVERNANCE

## Transparency, independence and accountability

<b>Board of Governors</b>	<ul style="list-style-type: none"> <li>• Each AIIB member appoints a Governor.</li> <li>• All powers of the AIIB are vested in the Board of Governors.</li> <li>• Members' voting power is the sum of basic votes, share votes and founding member votes.</li> <li>• Basic votes: Each member has the same number of basic votes calculated to sum to 12 percent of members' total share votes.</li> <li>• Share votes: Each member has one vote for each share of capital stock held.</li> <li>• Founding member votes: 600 votes allocated to each founding member.</li> </ul>
<b>Board of Directors</b>	<ul style="list-style-type: none"> <li>• Composed of 12 Directors, 9 elected by regional members and 3 elected by nonregional members.</li> <li>• Supervise the management and the operation of the Bank.</li> <li>• Two-year terms and may be re-elected.</li> </ul>
<b>President</b>	<ul style="list-style-type: none"> <li>• Elected by the Board of Governors.</li> <li>• National of a regional member.</li> <li>• May serve up to two 5-year terms.</li> </ul>
<b>Vice Presidents</b>	<ul style="list-style-type: none"> <li>• Appointed by the Board of Directors upon the recommendation of the President.</li> </ul>

### **Major decisions require a Super Majority<sup>1</sup> vote of the Board of Governors**

- Election, suspension or removal of the President.
- Increase in the Bank's authorized capital stock.
- Changes to the regional capital stock ownership percentage.
- Increase a member's capital subscription at its request.
- Increase the Bank's gearing ratio above 1:1.
- Allocation of net income to purposes other than retained earnings.
- Revise the composition of the Board of Directors.
- Amendments to the Articles of Agreement.

# USEFUL LINKS

- AIIB's Articles of Agreement  
<https://www.aiib.org/en/about-aiib/basic-documents/articles-of-agreement/index.html>
- AIIB's Environment and Social Framework  
[https://www.aiib.org/en/policies-strategies/\\_download/environment-framework/20160226043633542.pdf](https://www.aiib.org/en/policies-strategies/_download/environment-framework/20160226043633542.pdf)
- AIIB's Financial Reports  
<https://www.aiib.org/en/about-aiib/financial-statements/index.html#statement>
- AIIB's Treasury and Investor Marketing materials  
<https://www.aiib.org/treasury>
- AIIB's 2020 Annual Report  
<https://www.aiib.org/en/news-events/annual-report/2019/home/index.html>
- AIIB's Corporate Strategy  
[https://www.aiib.org/en/policies-strategies/strategies/.content/index/\\_download/AIIB-Corporate-Strategy.pdf](https://www.aiib.org/en/policies-strategies/strategies/.content/index/_download/AIIB-Corporate-Strategy.pdf)



ASIAN INFRASTRUCTURE  
INVESTMENT BANK

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