

Asian Infrastructure Investment Bank

Update July 2018




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As at June 24, 2018 unless otherwise stated.

The background of the entire image is a landscape photograph with a green color overlay. It shows a winding road that snakes through a valley, surrounded by rolling hills and mountains under a cloudy sky.

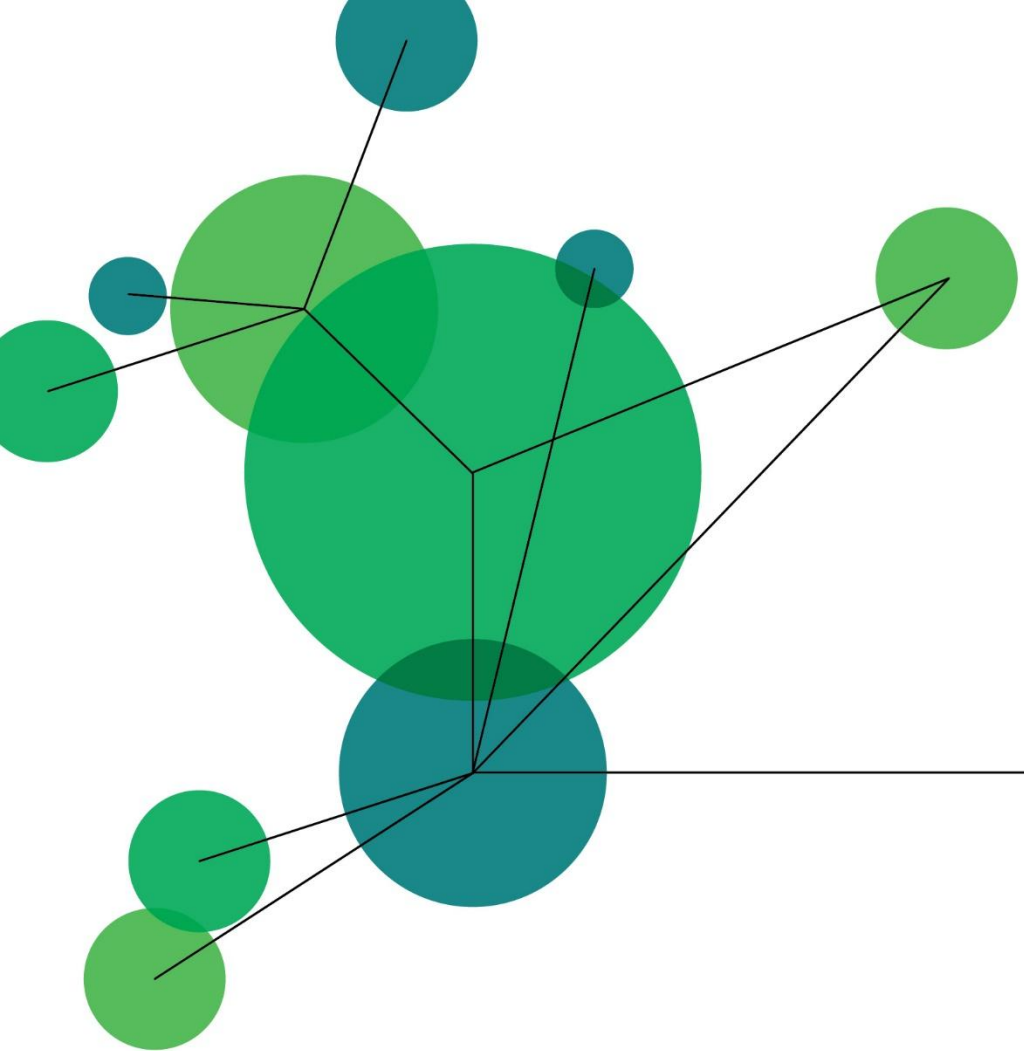
What we do now (or fail to do) will determine
the future world we and our children will live in.

The goals for a greener, cleaner tomorrow
have been set. But the clock is ticking. We must
act today if these are to be fully realized.

By investing now, we can activate sustainable
projects that, over time, will impact the lives
of millions and create a better tomorrow.



LET'S CREATE TOMORROW



I. Overview of AIIB

II. Key Approved Financial Policies

III. Investment Operations

IV. Credit Ratings

Appendix & Useful Links



About AIIB

Asian Infrastructure Investment Bank

Who we are

Multilateral Financial Institution founded to bring countries together to address Asia's daunting **infrastructure funding gap estimated at USD26 trillion through 2030¹**.

Our mission

To improve economic and social development in Asia and beyond through a focus on **sustainable infrastructure**, cross-border connectivity and private capital mobilization.

Credit strength

Strong support from diversified global shareholder base. **USD100 billion capital stock** with 20% assigned to paid-in capital. Prudent risk management and financial policies. **AAA/Aaa/AAA rating** with stable outlook.

The Bank's foundation is built on the lessons of experience of existing Multilateral Financial Institutions (MFI) and the private sector. Its modus operandi will be:

Lean, with a small efficient management team and highly skilled staff;

Clean, an ethical organization with zero tolerance for corruption;

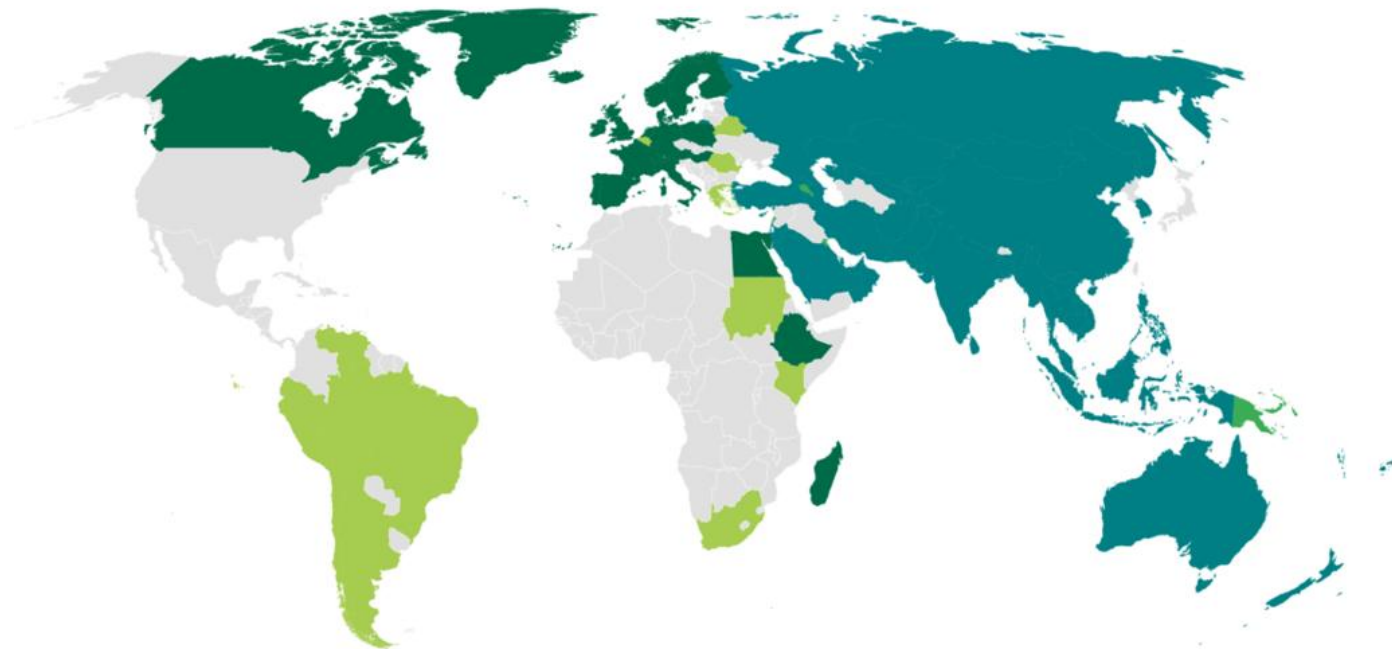
Green, an institution built on respect for the environment.

Overview of Shareholding Structure

87 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



Members Regional

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

Prospective Regional

Armenia
Cook Islands
Kuwait*
Lebanon
Papua New Guinea
Tonga

Members Non-regional

Austria	Luxembourg
Canada	Madagascar
Denmark	Malta
Egypt	Netherlands
Ethiopia	Norway
Finland	Poland
France	Portugal
Germany	Spain
Hungary	Sweden
Iceland	Switzerland
Ireland	United Kingdom
Italy	

Prospective Non-regional

Argentina	Peru
Belarus	Romania
Belgium	South Africa*
Bolivia	Sudan
Brazil*	Venezuela
Chile	
Ecuador	
Greece	
Kenya	

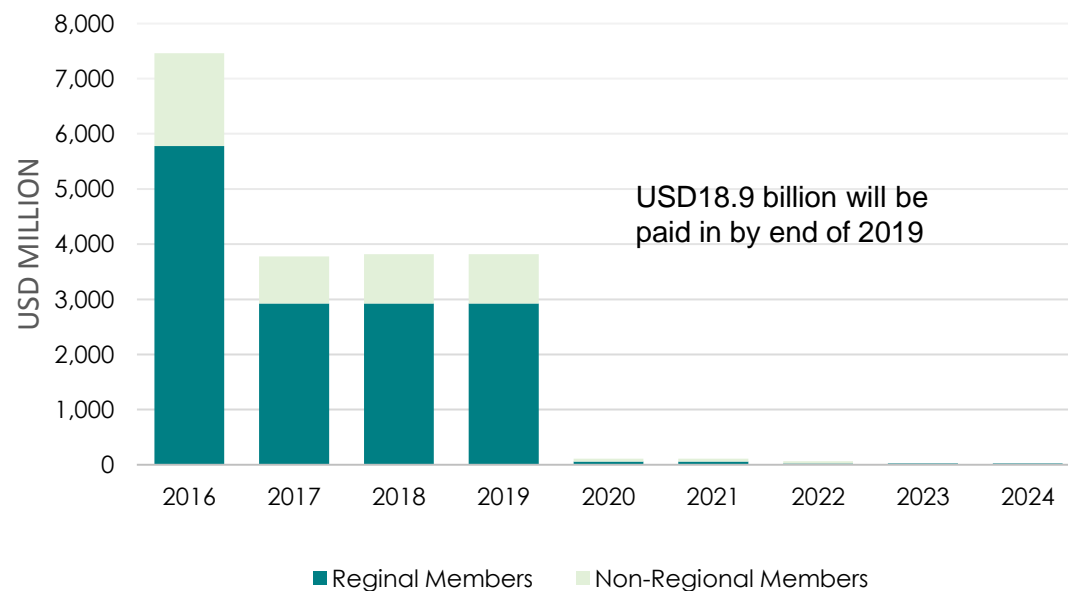
* Prospective founding member: These are prospective members who were original signatories to the Articles of Agreement in June 2015. Countries or territories who sought membership after that date are simply called prospective members. All prospective members have been approved by the Board of Governors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

Strong Shareholder Support

Diversified shareholder base and excellent capital standing

- Subscribed capital stock of the AIIB will be USD100 billion, with USD20 billion as paid-in capital made in five annual installments¹. Currently 98% capital stock is subscribed.
- As a regional bank, the AIIB's regional members will hold the majority of capital stock—a minimum 75%²

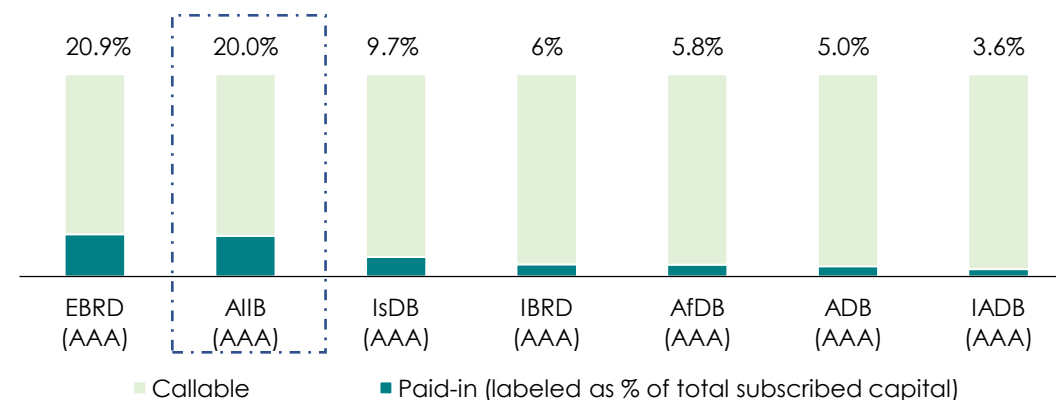
Expected Paid-in Capital Receipt Timeline



Regional vs Non-Regional Shareholding Split

Regional Members	Current Shareholding	Non-Regional Members	Current Shareholding
China	31.01%	Germany	4.67%
India	8.71%	France	3.52%
Russia	6.81%	UK	3.18%
Korea	3.89%	Italy	2.68%
Australia	3.84%	Spain	1.83%
Indonesia	3.50%	Netherlands	1.07%
Turkey	2.72%	Canada	1.04%
Saudi Arabia	2.65%	Poland	0.87%
Iran	1.65%	Switzerland	0.74%
Thailand	1.49%	Egypt	0.68%
Other 33 Members	10.53%	Other 13 Members	2.93%
Total: 43 Members	76.81%	Total: 23 Members	23.19%

Conservative Capital Structure





AIIB Phases of Development

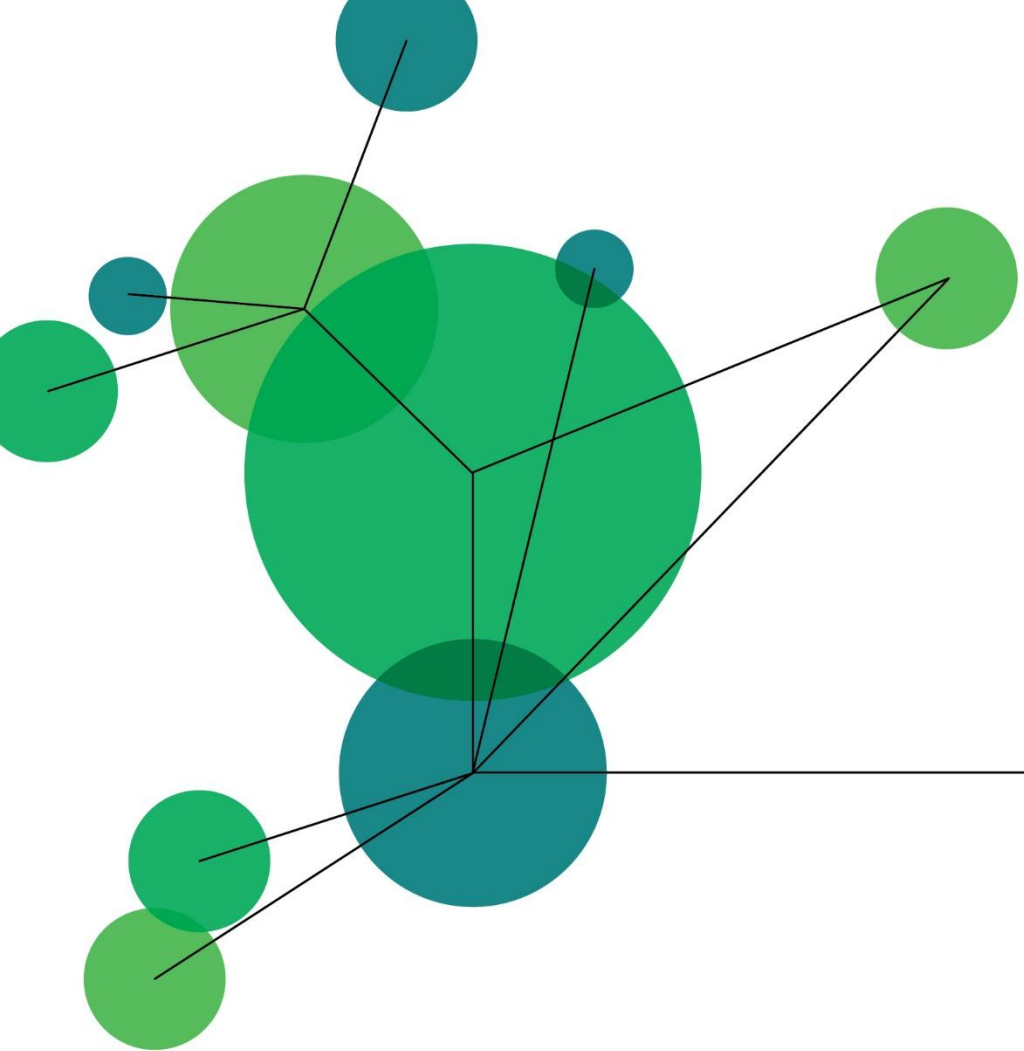
Developmental trajectory through to 2027

Start-Up Phase, 2016 – 2020

- Hiring rapidly and building institutional capacity
- Loan commitments will rise rapidly
- Primarily sovereign lending
- Borrowing mainly to establish the Bank's name in the market and create a transparent pricing reference curve
- Majority of paid-in capital will be fully realized¹
- Building partnerships through cofinancing

Growth Phase, 2021 – 2027

- As loans disburse, the balance sheet will grow rapidly
- Borrowing will expand to meet liquidity needs and is expected to grow from several USD billion per year in the first few years to in excess of USD10 billion per year in the mid 2020s



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Appendix & Useful Links



Overview of Key Approved Financial Policies

Conservative and sound risk management policies

The AIIB has put in place strong policies on governance, finance, procurement as well as environmental and social frameworks

Concentration Risk

- Hard country lending limit of 50% of total equity

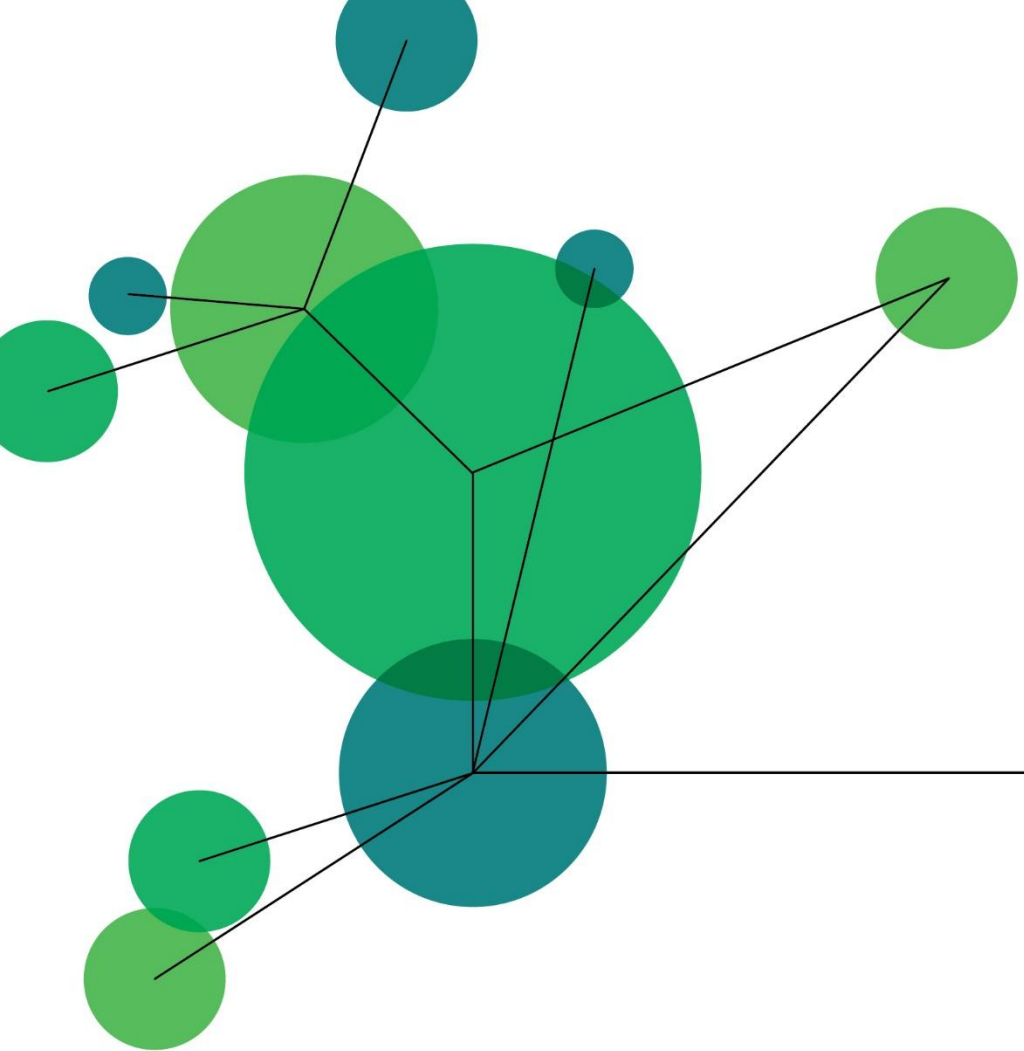
Liquidity Risk

- Liquidity portfolio will cover at least 40% of net cash requirements for the upcoming 36 months
- Conservatively managed
- Liquidity expected to be well in excess of policy requirements for first five years of operations

Asset Liability Risk

- **Currency risk:** Currency risk matching for assets financed by debt. Unhedged currency exposure for equity funded assets can be permitted
- **Interest rate risk:** Managed within internally set Value-at-Risk (VaR) limits
- **Refinancing risk:** Managed by maintaining a high quality liquidity portfolio as well as having limits on how much of the Bank's liabilities may mature during any period through a Debt Redemption Limit

Any change to major financial policies requires an affirmative vote by 75% of voting power by the Board of Directors



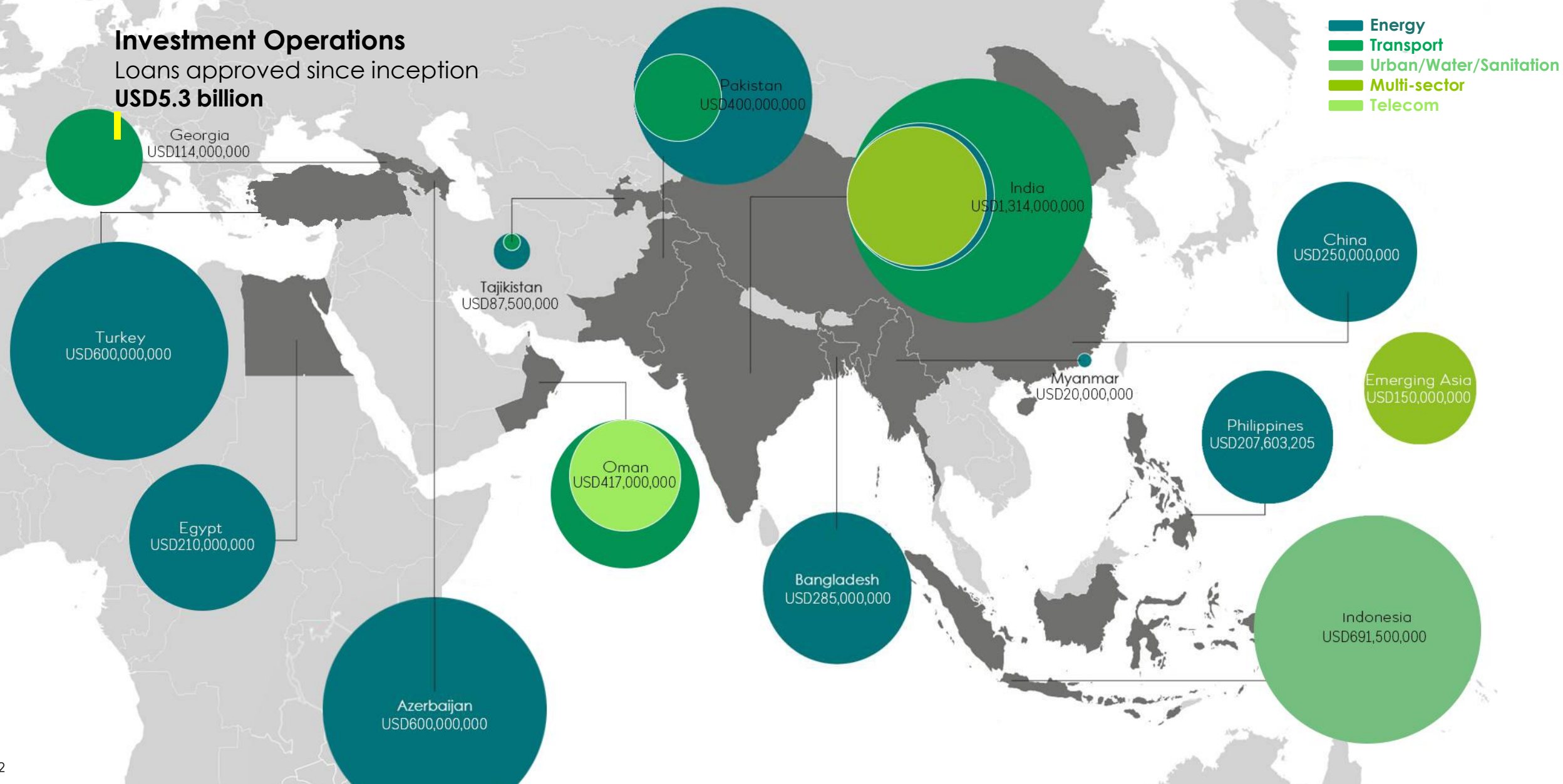
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Investment Operations

Loans approved since inception

USD5.3 billion

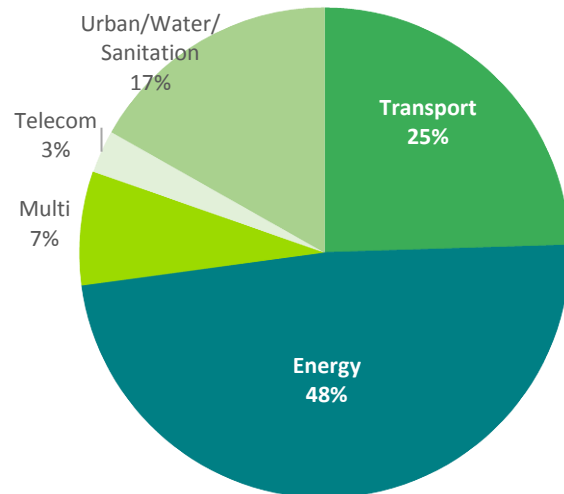
- Energy
- Transport
- Urban/Water/Sanitation
- Multi-sector
- Telecom



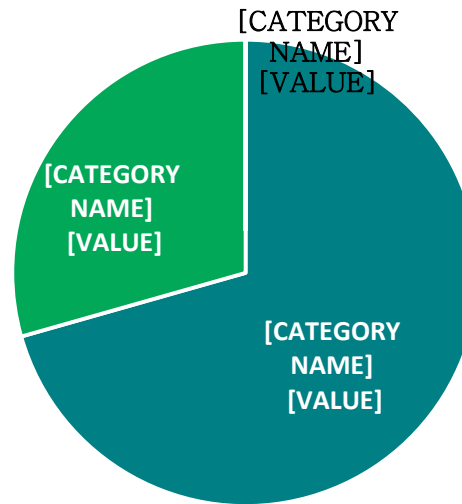
Project Breakdown

Projects began to disburse in 2016

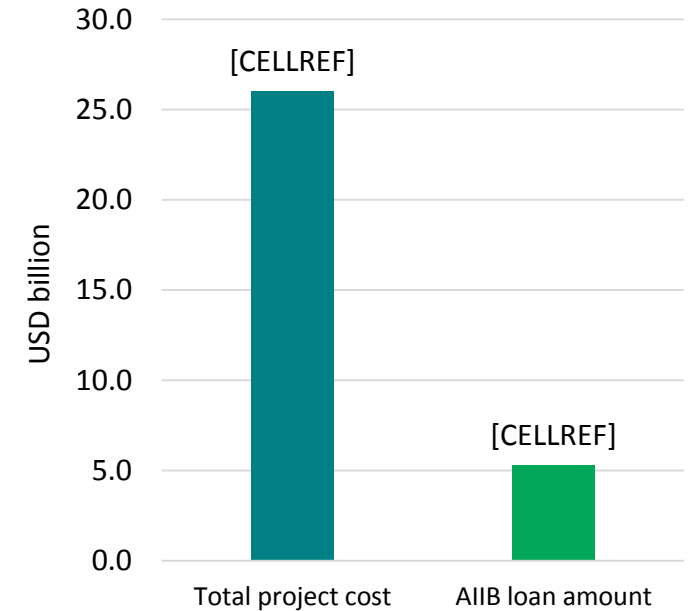
Approved Projects by Sector



Cofinancing with other MDBs



Participation in Projects



AIIB's **Sustainable Energy for Asia Strategy** sets out a clear framework for the Bank to invest in energy projects that will increase access to clean, safe and reliable electricity for millions of people in Asia. To implement the strategy, the Bank will support its members to do their part as expressed in the Paris Agreement to "hold the increase in the global average temperature to well below 2 degrees Celsius above pre industrial levels and pursue efforts to limit the temperature increase to 1.5 degrees Celsius".



Areas of Operations

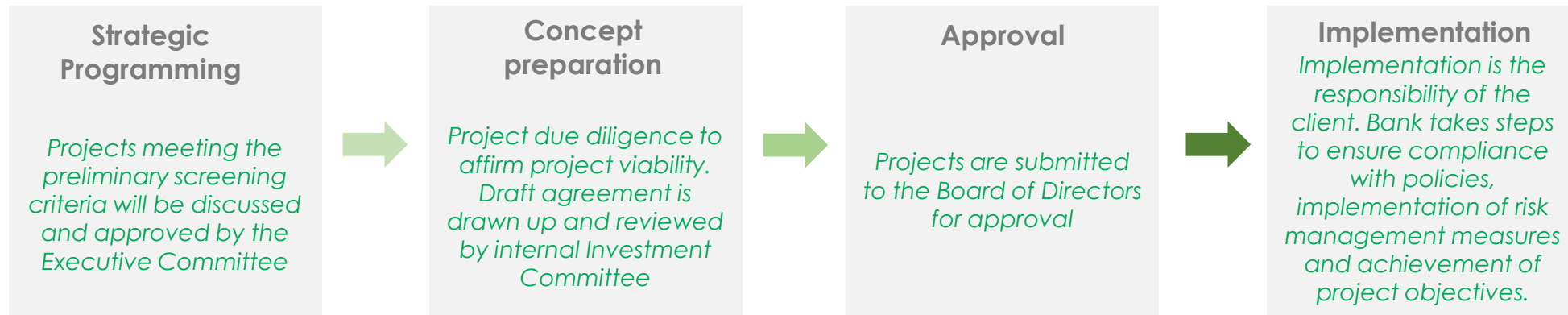
Range of instruments offered

Sovereign loans	<ul style="list-style-type: none">▪ Sovereign-backed loans will have an average maturity of up to 20 years and a final maturity limit of up to 35 years▪ Cofinanced sovereign lending will be encouraged▪ Appraisal of sovereign loans will take into account a full assessment of the project's benefits, risks and borrower implementation capacity
Nonsovereign backed financing	<ul style="list-style-type: none">▪ The Bank takes a progressive approach to building its book of nonsovereign-backed financing based on sound banking practice▪ The borrowers could range from sub-sovereign public entities to special purpose vehicles set up for concession-based financing▪ The terms and conditions will be on commercial basis albeit the tenor could be slightly longer than the same provided by commercial banks
Equity investments	<ul style="list-style-type: none">▪ The Bank will only consider making equity investments under terms it considers fair, where clear potential exit strategies are present, and where an acceptable internal rate of return is projected▪ The Bank expects to play the role of a minority investor, and shall not seek a controlling interest in the target entity or enterprise
Guarantees	<ul style="list-style-type: none">▪ The Bank aims to offer Guarantees▪ Projects involving guarantees will be appraised, processed, and monitored the same way as loans▪ For capital headroom and exposure management purposes, guarantees will be treated as if they were on the balance sheet (i.e. treated the same way as loans)



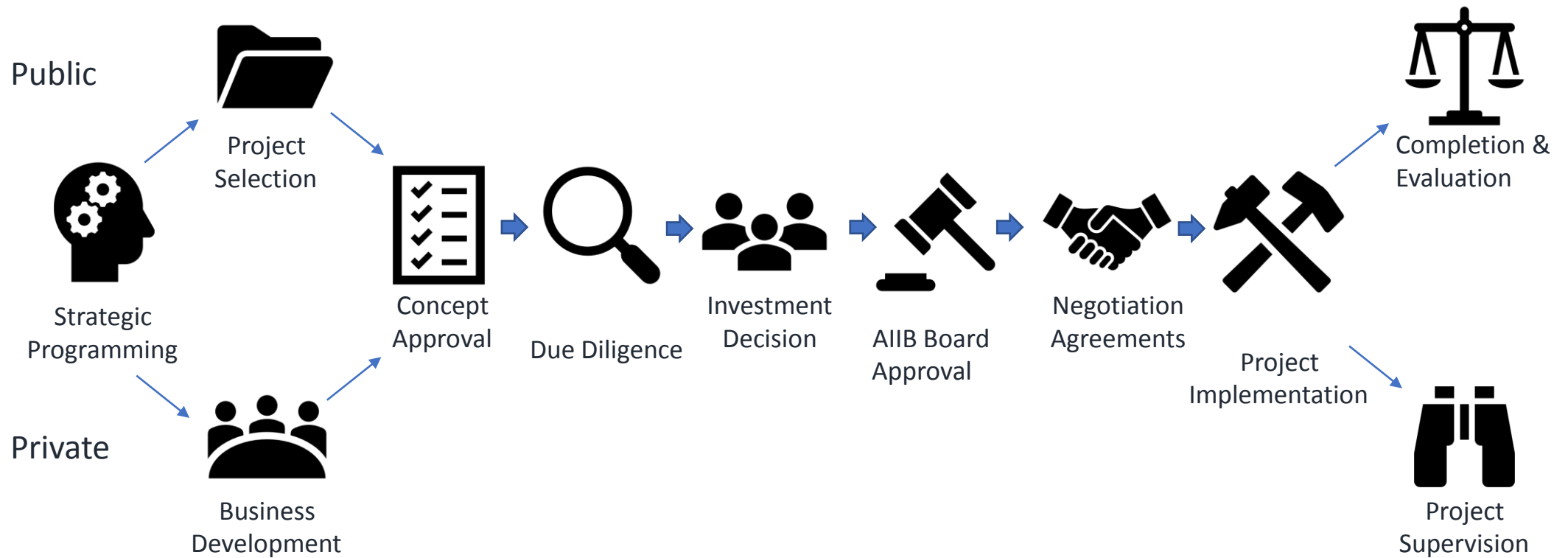
Project Approval Process

AIIB will follow a clear and well-defined approval process before financing projects



- For sovereign-backed financing, Board of Directors' approved financial policies require approvals to be based on use of loan proceeds for intended purpose
- For nonsovereign-backed financing, Board of Directors' approved financial policies require credit decisions to be based on sound assessments of the borrower's capacity to service a loan
- Environmental and social assessments are carried out to ensure that all projects comply with the Bank's policies

PROJECT DUE DILIGENCE

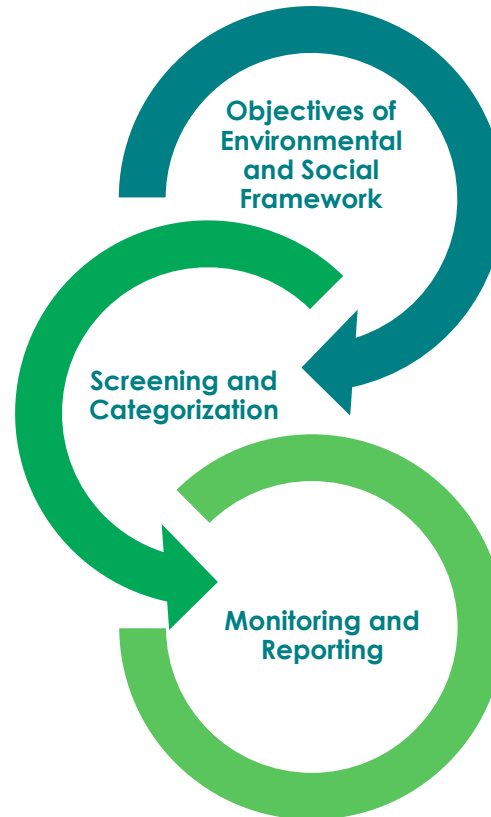


Environmental and Social Framework at the core of AIIB's business

Commitment to the Environmental and Social Framework (ESF)

The Bank recognizes that environmental and social sustainability is a fundamental aspect of achieving outcomes consistent with its mandate

- The Bank screens and categorizes each proposed project based on their environmental and social risks and impacts
 - Identifies actions to avoid, minimize, mitigate and/or offset impacts
 - Includes provisions for disclosure of information and public consultation
 - Every project has Grievance Redress Mechanism accessible to the general public
-
- Mandatory requirements that apply to Clients and Operations are set out in 3 Environmental and Social Standards:
 1. Environmental and Social Assessment and Management
 2. Involuntary Resettlement
 3. Indigenous Peoples



- Ensure the environmental and social soundness and sustainability of each project
 - Support integration of environmental and social aspects of projects into the decision-making process by all parties
 - The Environment and Social Framework **applies to all projects**
-
- Strict monitoring and reporting required by the client on implementation of the environmental and social measures agreed with the Bank
 - The Bank also conducts periodic site visits and comprehensive field-based reviews to ensure compliance with ESF standards

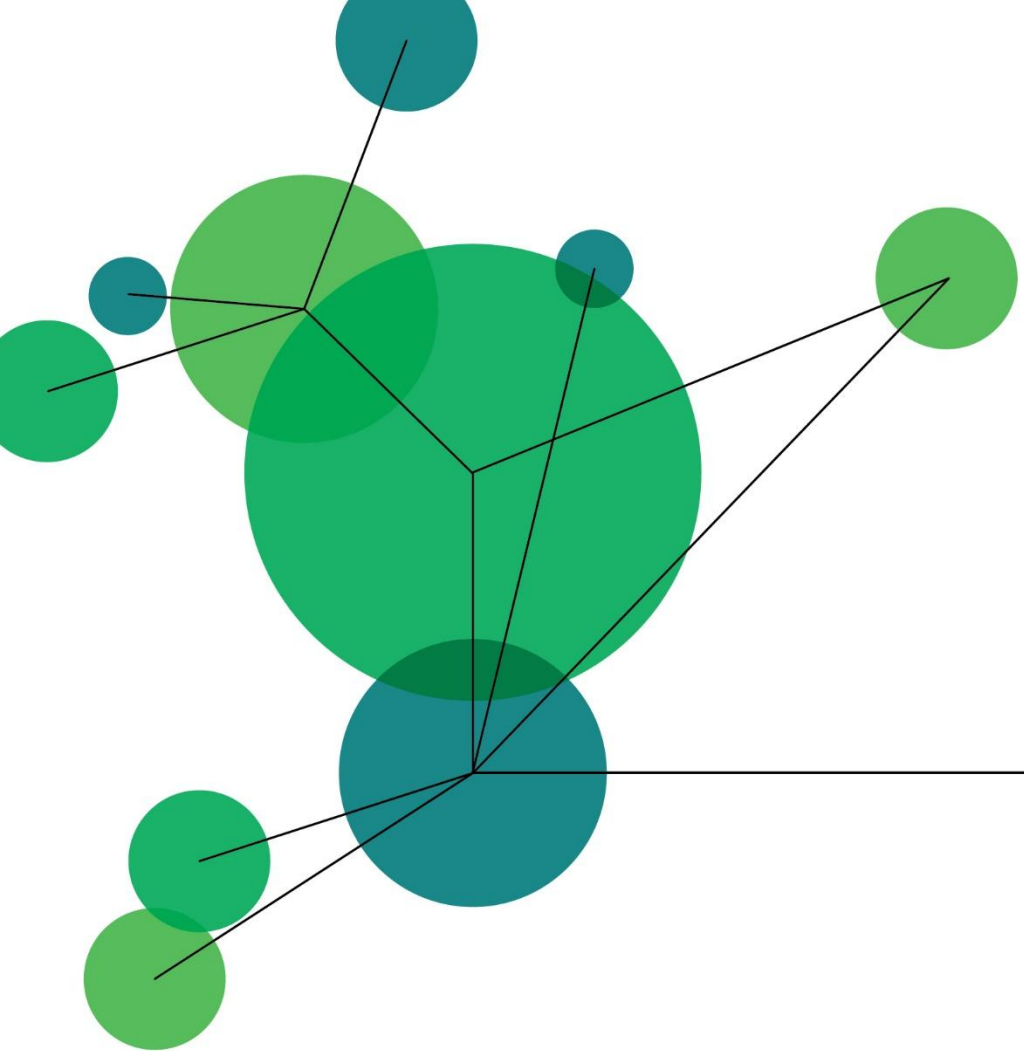
Every project is subject to AIIB's Environmental and Social Framework



AIIB's Commitment to Sustainable Growth

Elements of the ESF

- ✓ Use Environmental and Social Standards
- ✓ Abide by the Environmental and Social Exclusion List
- ✓ Ensure safe and healthy working conditions for all workers, promote gender equity, encourage inclusive development and empower vulnerable group
- ✓ Pursue green growth, biodiversity and climate change action; guided by the Energy Policy
- ✓ Use Country and Corporate system; strengthening country systems for environment and social due diligence
- ✓ Adopt policies and procedures of other MFIs provided that they are consistent with the Articles of Agreement of the Bank and the ESF
- ✓ Use of Independent Advisory Panels for Complex Operations
- ✓ Include in Financial Agreement & Contracts



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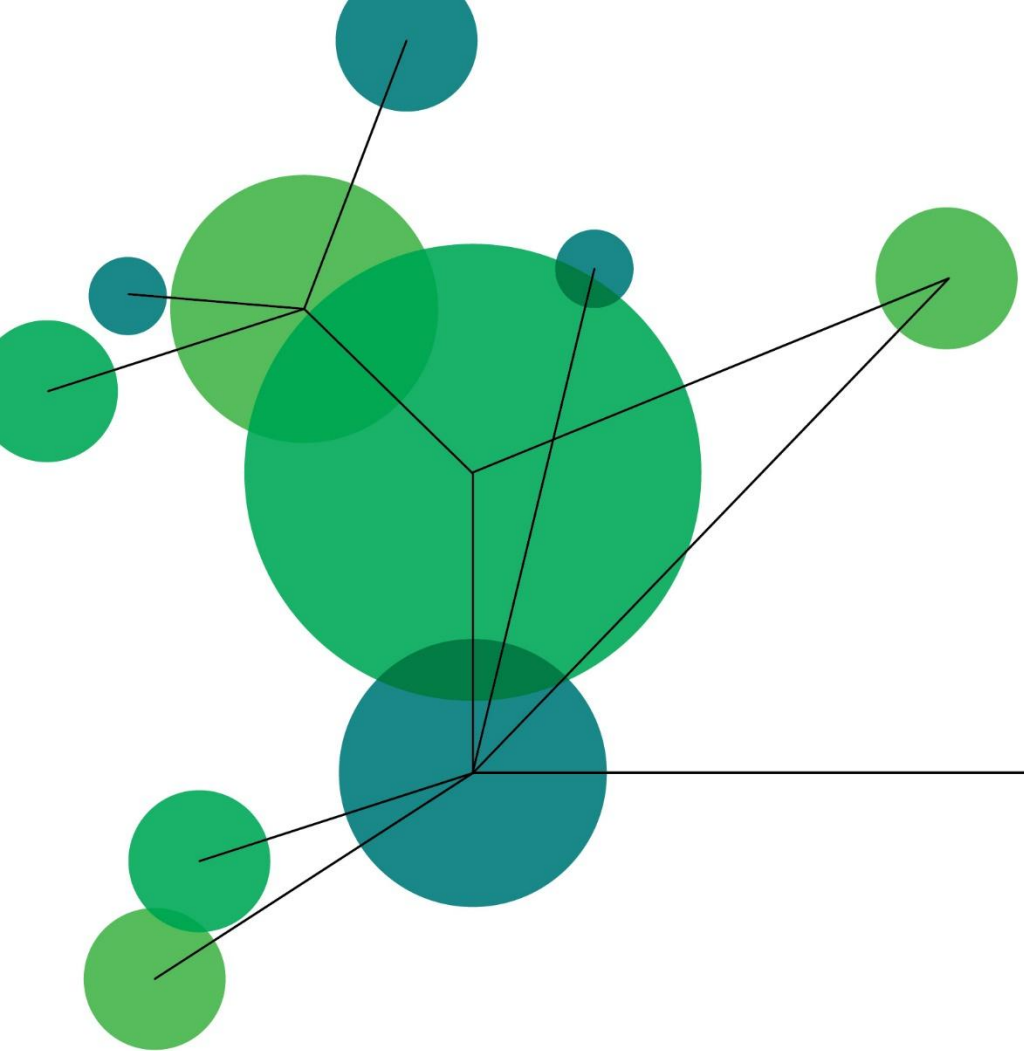
Appendix & Useful Links

Strong Credit Fundamentals

AIIB assigned highest rating by three agencies

Ratings	Long Term	Short Term	Outlook
<u>STANDARD</u> & <u>POOR'S</u>	AAA	A-1 +	Stable
MOODY'S	Aaa	P-1	Stable
FitchRatings	AAA	F1+	Stable
Summary Rating Rationale	<ul style="list-style-type: none"> ✓ Strong capital commitment from diversified sovereign shareholder base ✓ Set to have a significant impact on Asia's large infrastructure needs ✓ Strong governance and risk management framework ✓ Strong financial profile with very high projected liquidity position ✓ Very high strength of member support ✓ Preferred creditor status ✓ BIS 0% RW / HQLA level 1 status 		

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.



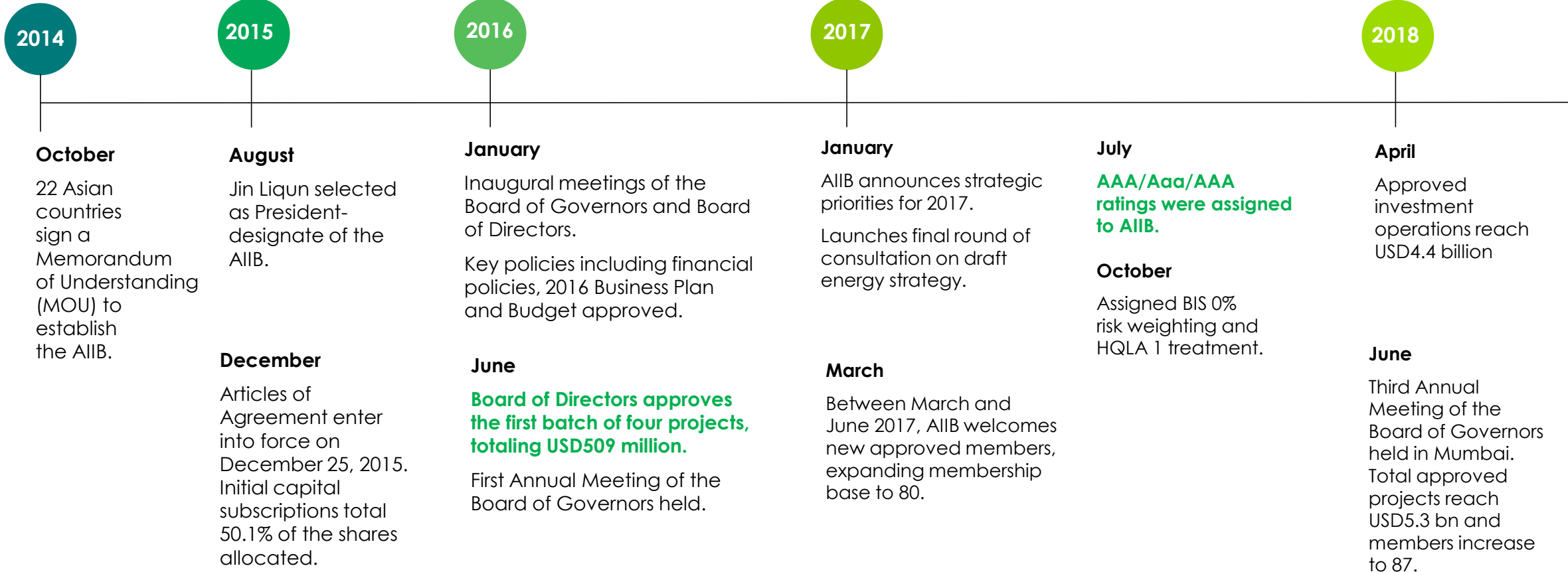
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Timeline

Policies approved and investment operations of USD5.3 billion



Official Launch of



AIIB's Case Project (1)

East Asia – Mitigating CO2 Air Impact

Beijing Air Quality Improvement and Coal Replacement Project

- Aimed at reducing China's dependence on coal and enabling a transition to cleaner fuel – natural gas.
- 4 year construction timeline, projected 4,500km of gas pipelines
- 217,000 household connections.
- Total cost - US\$761 million.
- Project to reduce coal consumption by 650,000 tons/year
 - Energy savings: 113,000 tons of CO2 -eq
 - Emissions reduction of
 - 595,700 tons CO2-eq
 - PM 2.5 by 3,700 tons
 - SO2 by 1,488 tons
 - NOx 4,442 tons.

AIIB financing: non-sovereign backed loan of \$251 million (or 33% of the project cost), to Beijing Gas Group Co.,Ltd



AIIB's Case Project (2)

South Asia – Transport and Connectivity

Bangalore Metro Rail Project – Line 6

- Project to provide efficient and high-capacity north-south connectivity through the center of Bangalore by expanding the city's metro system.
- Line R6 is approximately 22 km long, and consists of 6 elevated stations and 12 underground stations.
- Projected to carry more than average 300,000 passengers daily.
- The project will enhance GHG emission reductions, improve overall mobility and travel times for passengers and reduce traffic congestion.
- Final maturity of 15 years, including a grace period of 5 years.

AIIB financing: co-financing of sovereign loan with European Investment Bank (total cost US\$1,785 million, AIIB's portion US\$335 million (or 19% of the project cost)).





AIIB's Case Project (3)

Middle East – Increasing Renewable Energy, Solar Generation

Egypt – Nubian Suns Solar PV Financing Program

- 11 photovoltaic solar power plants ranging between 50MW and 20MW each located in Benban close to the Nile (within Egypt's New and Renewable Energy Agency (NREA) Park) near Aswan, with an aggregate power generation capacity of 490MW.
- Impact of the project will contribute to ensuring Egypt's energy security (play a catalytic role in starting solar power development in the country), as well as impact of job creation in construction and operations.
- Largest RE project in MENA ever launched.
- Climate related mitigation impact - clean, zero emissions electricity and reduction of greenhouse gas emissions of approximately 60,750 tons of CO₂ / year.
- Project was recognized by Project Finance International Global Awards as the Multilateral Deal of the Year.

AIIB financing: Co-financing of syndicated loan with IFC (total cost of the project close to US\$720 million, AIIB to finance US\$147.5 million).

AIIB's Case Project (4)

South East Asia – Cleaner Power Generation, Gas

Myanmar – 225MW CCGT Power Plant

- The Myingyan Project is a 225 MW Combined Cycle Gas Turbine Plant and was AIIB's first approved private sector project.
- Generally recognized as the most significant private sector infrastructure project in Myanmar.
- Approval timeline of 2-3 months, fixed rate disbursement mechanism and ISDA agreement were signed with IFC.
- AIIB led resolution of environmental and social concerns through our E&S due diligence process.
- Project was recognized by Project Finance International Asia-Pacific Awards as the Power Deal of the Year in 2016.

AIIB financing: non-sovereign backed loan of US\$20 million (Total cost - US\$312 million) or 6% of the project.



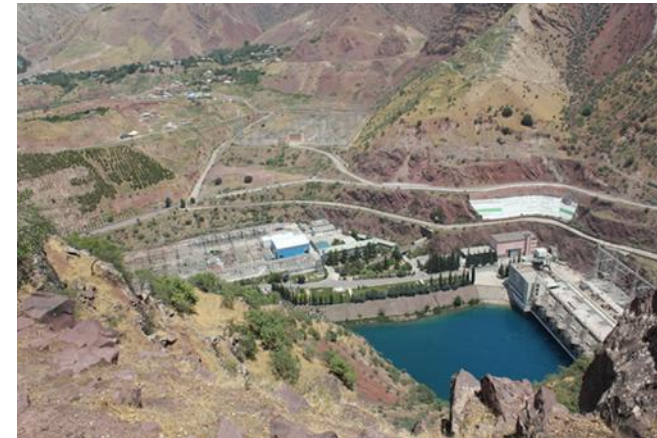
AIIB's Case Project (5)

Central Asia – Increasing Renewable Energy, Hydro Generation

Tajikistan – Nurek Hydropower Rehabilitation Project Phase I

- Project to rehabilitate the generating capacity of three units of Nurek HPP, improve their efficiency, and strengthen the safety of the Nurek Dam.
- About 1000MW of generation capacity will be constructed/rehabilitated.
- Expected annual generation of 3.8GWh/year and an estimated 8.28 million people will be provided with improved services.
- Loan: 25-year term, including a 5-year grace period.
- Interest rate: LIBOR+1.15%, in accordance with Sovereign Backed Loan and Guarantee Pricing of the Bank.






AIIB financing: sovereign loan co-financed with WBG IDA of \$60 million (Total cost - US\$350 million) or 17% of the project.



Leveraging the experiences of existing MFIs to enhance functionality

Partnerships with other MFIs

AIIB will draw lessons from the past experiences of multilateral financial institutions to enhance its operating efficiency, product offerings and reduce costs.

Collaboration with the World Bank Group, ADB, EBRD and EIB		
MFIs	MOUs and other agreements	Cofinancing arrangements to date (Total project cost)
 THE WORLD BANK  IFC International Finance Corporation WORLD BANK GROUP	<ul style="list-style-type: none"> ▪ Cofinancing Framework Agreement signed with the World Bank Group on April 13th 2016 ▪ ISDA Master Agreement signed with IFC on Feb 9th 2017 to enable both entities to hedge with each other the interest rate and currency risks associated with investments 	<ul style="list-style-type: none"> ▪ World Bank: USD16.87 billion cofinanced projects to date, across a number of transport, urban, energy and water projects in Indonesia, Pakistan, Azerbaijan, India, Tajikistan and the Philippines ▪ International Finance Corporation: USD1.72 billion cofinanced projects to date, in energy projects in Myanmar and Egypt
 ADB	<ul style="list-style-type: none"> ▪ MOU signed on May 2nd 2016 	<ul style="list-style-type: none"> ▪ USD9.95 billion cofinanced projects to date, in transport and energy projects across Pakistan, Bangladesh, Myanmar, Georgia, Azerbaijan and India
 European Bank for Reconstruction and Development	<ul style="list-style-type: none"> ▪ MOU signed on May 11th 2016 	<ul style="list-style-type: none"> ▪ USD8.71 billion cofinanced projects to date, focused on the energy and transport sectors in Tajikistan and Azerbaijan
 European Investment Bank	<ul style="list-style-type: none"> ▪ Framework agreement signed on May 30th 2016 in an accord seeking to jointly finance strategically important projects 	<ul style="list-style-type: none"> • USD10.39 billion cofinanced projects to date, in the transport sector in Bangalore

Financial Overview

Key financial figures – as at March 31, 2018

Balance Sheet

In thousands of US Dollars	December 31, 2017 (audited)	March 31, 2018 (unaudited)
Assets		
Cash and cash equivalents	1,104,866	865,935
Term deposits	5,885,854	6,429,390
Investment at fair value through profit or loss	3,255,140	3,258,123
Funds deposited for cofinancing arrangements	1,592	5,801
Loan investments, at amortized cost	773,238	873,619
Paid-in capital receivables	7,948,901	7,781,193
Intangible assets under construction	1,032	1,526
Other assets	1,983	1,812
Total Assets	18,972,606	19,217,399
Liabilities		
Other liabilities	13,587	14,410
Total Liabilities	13,587	14,410
Total Members' Equity	18,959,019	19,202,989
Total Liabilities & Members' Equity	18,972,606	19,217,399

Income Statement

In thousands of US Dollars	Jan 1, 2017 – March 31, 2017 (unaudited)	Jan 1, 2018 – March 31, 2018 (unaudited)
Interest income	19,677	45,087
Interest expense	-	-
Net Interest Income	19,677	45,087
Net fee and commission expense	(87)	(169)
Net gain on investment at fair value through profit or loss	12,184	1,410
Impairment provision	(3,156)	(1,470)
General and administrative expenses	(12,427)	(15,478)
Net foreign exchange loss	(20)	(64)
Operating Profit for the Period	16,171	29,316
Accretion of paid-in capital receivables	46,403	25,665
Net Profit for the Period	62,601	54,981
Total Comprehensive Income	62,601	54,981



Useful Links

- **AIIB's Articles of Agreement**

<https://www.aiib.org/en/about-aiib/basic-documents/articles-of-agreement/index.html>

- **AIIB's Full Environment and Social Framework**

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>

The background image is a landscape photograph of a mountainous region, heavily tinted with a green color. A prominent feature is a winding road that snakes through the hills, with several sharp turns and loops. The mountains in the background are layered, creating a sense of depth. The sky is filled with soft, white clouds. The overall mood is serene and forward-looking.

LET'S
CREATE
TOMORROW

