1. The Asian Infrastructure Investment Bank (AIIB – the Bank) commenced its operations on January 16, 2016, to help its members to meet an estimated $21 trillion financing gap between the region’s demand for infrastructure, projected at $40 trillion from 2015 to 2030, and available financial resources. There is a clear international consensus that increased levels of sustainable infrastructure investment can play an important role in supporting growth. The Bank aims to work with public and private sector partners to channel its own resources, together with private and institutional funds, into sustainable infrastructure investment.

2. During its first year of operations, the Bank has made strong headway towards achieving its Shareholders’ institutional goals of building a strong principles-based organization, and delivering timely and cost-effective financial services to its clients. The Bank’s management team was recruited and the first stage of the strategic staffing program was completed.

3. The Bank achieved the majority of its performance milestones set forth in the 2016 Business Plan and Budget, and made substantial progress on the remaining few. It delivered a targeted lending program, with 9 projects approved totaling $1.73 billion by the end of the year.

4. During its first year of operations, client demand and stakeholder engagements have strongly validated the original rationale for the creation of the Bank, and emphasized three areas of particular relevance, which have now evolved into the Bank’s emerging thematic priorities:

- **Sustainable Infrastructure** – promoting green infrastructure and supporting countries to meet their environmental and development goals.

- **Cross-country Connectivity** – prioritizing cross-border infrastructure, ranging from roads and rail, to ports, energy pipelines and telecoms across Central Asia, and the maritime routes in South East and South Asia, and the Middle East, and beyond.

- **Private Capital Mobilization** – devising innovative solutions that catalyze private capital, in partnership with other MDBs, governments, private financiers and other partners.
5. The **institutional goals** for 2017 build on the progress made during the Bank’s inaugural year and lay the foundation for implementing the thematic priorities:

- **Sharpening the Bank’s Strategic Focus and Shaping its Corporate Brand** – the Bank has a specific geographic and sectoral mandate which enables it to offer specialized skills, expertise and market knowledge. Building on the thematic priorities described above, the Bank will sharpen its core sectoral competencies and develop its business lines. This will provide the building blocks for honing the Bank’s business lines, beginning with the energy sector, followed by transport and sustainable cities. Over time, the Bank aims to become a ‘go-to’ project finance organization in these areas of specialization.

- **Scaling-Up Support to Clients and Refining the Programming Approach** – providing high quality, cost effective and timely services to clients are at the heart of the Bank’s mandate. In 2017, the Bank will focus on enhancing engagement with clients to better understand their needs. The programming approach – the process for developing the Bank’s investment pipeline – will be further refined to better integrate the Bank’s core thematic priorities with clients’ demands.

- **Bolstering Financial Sustainability and Paving the Way for Market Access** – the Bank will further strengthen its core financial architecture, including risk management, as it poises itself to scale-up investment and enter into capital markets.

- **Continuing Institution Building** – in its second year of operation, the Bank will continue to refine, deepen and enhance its institutional and policy frameworks and ensure their effective implementation. This will allow the Bank to meet immediate business needs, as well as pave the way for longer-term business development. A key priority will be preparing a mechanism for independent investigation of complaints regarding AIIB non-compliance with its policies. The Bank will also put in place institutional arrangements to give effect to the newly enhanced Policy on Prohibited Practices (PPP), helping to keep its operations corruption free.

6. An administrative budget of $87.15 million has been approved to support the 2017 program implementation, and will be subject to a mid-year Board of Directors Review. During the Review, Management will advise the Board on progress in budget execution and seek approval for major budget adjustments, as may be warranted.