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As at August 20, 2020 unless otherwise stated.
I. OVERVIEW OF AIIB

II. INVESTMENT OPERATIONS

III. ENVIRONMENTAL, SOCIAL AND GOVERNANCE

IV. KEY FINANCIAL POLICIES

V. AIIB IN THE CAPITAL MARKETS

APPENDICES AND USEFUL LINKS
ABOUT AIIB
Asian Infrastructure Investment Bank

Who we are
Multilateral Development Bank (MDB) established by international treaty and headquartered in Beijing, founded to bring countries together to address Asia’s infrastructure funding gap, estimated at USD26 trillion through 2030. Our core principles are openness, transparency, independence and accountability.

Our mission
To improve economic and social development in Asia, through a focus on sustainable infrastructure, cross-border connectivity and private capital mobilization. Projects are supported via sovereign and nonsovereign loans, equity participations and guarantees.

Credit strength
Strong support from diversified global shareholder base. USD100 billion capital stock with 20 percent assigned to paid-in capital. Conservative risk management and financial policies. Experienced management team. AAA/Aaa/AAA credit rating with stable outlook. 0% risk weight from the BIS, China, UK, and EU through CRR Article 117.

The Bank's foundation is built on the lessons and experience of existing Multilateral Development Banks (MDB) and the private sector. Its core values are:

**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.

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Source: “Meeting Asia’s Infrastructure Needs”, ADB 2017
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.
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. 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 August 20, 2020.

- In view of its regional focus, AIIB’s regional members will hold the majority of capital stock—a minimum 75%.

- 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 the AIIB, such as sovereign loans or sovereign guarantees on private sector projects, rank on par with their obligations to the IMF and other MDBs.

<table>
<thead>
<tr>
<th>Ratings Status of AIIB Shareholders&lt;sup&gt;3&lt;/sup&gt;</th>
<th>Regional Members</th>
<th>Current Shareholding</th>
<th>Non-Regional Members</th>
<th>Current Shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA:</td>
<td>13%</td>
<td>China</td>
<td>30.8%</td>
<td>Germany</td>
</tr>
<tr>
<td>AA- or better:</td>
<td>28%</td>
<td>India</td>
<td>8.6%</td>
<td>France</td>
</tr>
<tr>
<td>A- or better:</td>
<td>65%</td>
<td>Russia</td>
<td>6.8%</td>
<td>UK</td>
</tr>
<tr>
<td>BBB- or better:</td>
<td>90%</td>
<td>Korea</td>
<td>3.9%</td>
<td>Italy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Australia</td>
<td>3.8%</td>
<td>Spain</td>
</tr>
<tr>
<td>Other 40 Members</td>
<td>22.4%</td>
<td>Other 32 Members</td>
<td>7.9%</td>
<td></td>
</tr>
<tr>
<td>Total: 45 Members</td>
<td>76.3%</td>
<td>Total: 37 Members</td>
<td>23.7%</td>
<td></td>
</tr>
</tbody>
</table>

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 June 30, 2020)

**Assets**

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>USD Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Operations Portfolio¹</td>
<td>4.075 billion</td>
</tr>
<tr>
<td>Treasury Liquidity Portfolio²</td>
<td>22.305 billion</td>
</tr>
<tr>
<td>Others³</td>
<td>0.714 billion</td>
</tr>
</tbody>
</table>

**TOTAL = USD27.094 billion**

**Liabilities and Equity**

<table>
<thead>
<tr>
<th>Category</th>
<th>USD Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity⁴</td>
<td>20.091 billion</td>
</tr>
<tr>
<td>Borrowings</td>
<td>6.641 billion</td>
</tr>
<tr>
<td>Other Liabilities⁵</td>
<td>0.362 billion</td>
</tr>
</tbody>
</table>

**TOTAL = USD27.094 billion**

Notes:
1. Loan investments at amortized cost, bond investments at amortized cost, investment in associate, investments in Trust, and LP Funds and others.
2. Total amount of approved financings is USD19.80 billion as at August 20, 2020.
3. Cash and cash equivalents, term deposits and certificates of deposit, and investments at fair value through profit or loss.
4. Paid-in capital receivables, funds deposited for cofinancing arrangements, derivative assets, intangible assets, property, plant, equipment, and other assets.
5. Paid-in capital plus retained earnings minus reserve for accretion of paid-in capital receivables plus reserve for unrealized gain on fair-valued borrowings arising from changes in own credit risk.
6. Derivative liabilities, prepaid paid-in capital, and other liabilities.
AIIB PHASES OF DEVELOPMENT
Development trajectory through to 2027

Start-Up Phase, 2016–2020
• Hiring expeditiously and building institutional capacity.
• Loan commitments rise rapidly.
• Borrowing to cover disbursements, to establish the Bank’s name in the market and to create a transparent pricing reference curve.
• Majority of paid-in capital fully received.
• 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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APPENDICES AND USEFUL LINKS
AIIB’S THEMATIC PRIORITIES

We approach lending, developing our business lines and selecting our projects based on three thematic priorities

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

Cross-border Connectivity
Prioritizing cross-border infrastructure, ranging from roads and rail to ports, airports, energy pipelines and telecoms.

Private Capital Mobilization
Devising innovative solutions that mobilize private capital, in partnership with other MDBs, governments, private financiers and other partners. AIIB’s presence on cofinancings helps spread risk across the MDB and private sector communities and can help to crowd in private sector capital.
INVESTMENT OPERATIONS

Investment Operations approved—USD19.80 billion
PROJECT BREAKDOWN

Projects Approved–USD19.80 billion

- AIIB’s conservative investment approval process, which requires that all projects are financially viable and incorporate AIIB’s commitment to sound environmental and social risk management, are key considerations for project approval.

- AIIB maintains an investment pipeline of projects that are under preparation and may be considered for financing over the coming two years. While currently active in 26 members, we intend for this to increase through time.

- The loan book and equity investments expected to reach USD36.2 billion and USD1.8 billion by 2027 respectively.

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.
Cofinancing—key to AIIB’s initial momentum

Cofinancings have a range of benefits:

- Ability for MDB community to take on larger infrastructure projects.
- Enables AIIB to share project risk with other MDBs.
- Cofinancings help reduce pressure on AIIB individual country exposure limits.
- Collaboration benefits entire MDB community with cross-fertilization of project management experience.
- AIIB is authorized to invest in approved members, as long as there are ultimate benefits to Asia’s social and economic development.

Note: 1. Cofinancing partners currently include ADB, EIB, EBRD, and the World Bank Group.
# AREAS OF OPERATIONS

## Range of instruments offered

**Sovereign loans**
- Sovereign-backed loans will have an average maturity of up to 20 years and a final maturity limit of up to 35 years.
- AIIB will continue to cofinance projects with other lenders in addition to expanding its standalone portfolio.
- Appraisal of sovereign loans will take into account a full assessment of the project’s benefits, risks and borrower implementation capacity.

**Nonsovereign-backed financing**
- The Bank is taking a progressive approach to building its book of nonsovereign-backed financing. This approach is based on sound banking practice.
- Borrowers could range from sub sovereign public entities to private enterprises.
- The terms and conditions will be set on a commercial basis and reflect the expected risk to the Bank and market conditions.
- AIIB’s exposure can be up to 35 percent of the long-term capital of the obligor, or for a new project, up to 35 percent of the project’s value.

**Equity Investments**
- 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.
- Limit on Equity investments up to 10 percent of available capital.
- 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**
- Partial Debt Guarantee are available to clients. The product is currently introduced for non-sovereign operations and incorporates partial debt guarantees and unfunded risk participations.
- 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

AlIB follows a clear and well-defined approval process to ensure sustainable, high quality projects

Strategic programming
Projects meeting the preliminary screening criteria will be discussed and approved by the Screening Committee.

Project due diligence
Project due diligence to affirm project viability. Project Document is drawn up and reviewed by internal Investment Committee.

Approval
Projects are submitted to the Board of Directors for approval.

Accountability Framework:
From 2019 onwards, the Board of Directors has delegated certain investment approvals directly to the President.

Implementation
Implementation is the responsibility of the client. AlIB takes steps to monitor compliance with policies, implementation of risk mitigation measures and achievement of project objectives.

- 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. Before approval, the team conducts detailed due diligence, and prepares documentation.
- Environmental and social impact assessments, or related types of studies, are carried out to ensure compliance with AlIB’s Environmental and Social Policy.

All projects are subject to an accountability mechanism where the general public is able to report suspected fraud/corruption directly to AlIB’s independent Complaints-resolution, Evaluation and Integrity Unit (CEIU).

On maturity of nonsovereign-backed financings or project completion of sovereign-backed financings, a Project Completion Report is required.
PROJECT EXAMPLES
Projects Approved—USD19.80 billion

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.
Sustainable Rural Sanitation Services Program, Egypt – AIIB is investing USD300 million via a 34-year loan to improve sanitation services in the Dakahlia, Sharkiya, Damietta, Menoufya and Gharbiya governates in Egypt.

The program will include construction of new or expansion/rehabilitation of existing wastewater treatment plants; construction or upgrading of pumping stations; and construction of integrated sewerage networks consisting of collectors and pumping mains; and strengthening the sector institutions and relevant policies.

In total 178,000 households (892,000 people) in 133 villages will receive upgraded sanitation services. This is a cofinancing with the World Bank.
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.
Strategic Irrigation Modernization and Urgent Rehabilitation Project, Indonesia – AIIB is investing USD250 million via a 16-year loan to improve the irrigation sector in rural Indonesia.

This project’s objective is to provide sustainable irrigation services through the rehabilitation, revitalization and modernization of water resources and irrigation systems. Poverty is a rural phenomenon in Indonesia where the main source of employment for the labor force is agriculture. Improving irrigation will directly contribute to inclusive and sustainable socio-economic growth and will benefit some 900,000 farmer households. This is a cofinancing with the World Bank.
Oman Broadband Infrastructure, Oman–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.
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APPENDICES AND USEFUL LINKS
AIIB’S COMMITMENT TO SUSTAINABLE GROWTH

Elements and Objectives of the Environmental and Social Framework (ESF)

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

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

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

- Each proposed investment project is screened based on its potential Environmental and Social (ES) risks and impacts.
- Each proposed investment project requires an ES Impact Assessment, or related type of study, which identifies actions to avoid, minimize, mitigate and/or offset ES impacts.
- Mandatory requirements apply to investment projects as set out in the Environmental and Social Standards (ESS).
- AIIB supports Clients in the development of an Environmental and Social Management Plan (ESMP) or similar document for effective implementation of management and monitoring measures under investment projects.
- As part of project preparation and implementation, provisions are included for disclosure of information and consultation on ES aspects.
- Every investment project is required to have a Grievance Redress Mechanism accessible to project affected people and workers.
- Regular monitoring and reporting is required of the Client on implementation of ES measures agreed with the Bank under the investment project.
- AIIB conducts comprehensive field-based reviews of investment projects to monitor compliance with the provisions of the ESMP and Environmental and Social Exclusion List (ESEL).
**AIIB’S COMMITMENT TO SUSTAINABLE GROWTH**

**2019 AIIB Investments Mapped Across the SDGs**

AIIB approved 28 projects in 2019. These projects continued to show strong alignment with the Sustainable Development Goals (SDGs). The SDGs are inherently interlinked and a project may contribute to many SDGs. We used the same approach as our 2018 mapping activity to show alignment mainly with four infrastructure-related SDGs (6, 7, 9, and 11).

![AIIB Investments Diagram](image-url)

Each project is mapped to one infrastructure-related SDG with which the project has the strongest alignment. Five are cross-sectoral projects that contribute to all four SDGs.

**Clean water and sanitation**
- **Bangladesh**: Bangladesh Municipal Water Supply and Sanitation Project.
- **India**: West Bengal Major Irrigation and Flood Management.
- **Pakistan**: Karachi Water and Sewerage Services Improvement (AFM).

**Affordable and clean energy**
- **Bangladesh**: Power System Upgrade and Expansion.
- **India**: L&T Sustainable Infrastructure On-lending Facility (MF).
- **India**: Rajasthan 250 MW Solar Project - Hero Future Energies (MF).
- **India**: Tata CleanTech Sustainable Infrastructure On-Lending Facility (MF).
- **Kazakhstan**: Zhainalies 100 MW Wind Power Plant (MF).
- **Malaysia**: SUEZ Asia Energy Transition Fund (MF).
- **Nepal**: Distribution System Upgrade and Expansion (AF).
- **Nepal**: Upper Trishuli-1 Hydropower Project (MF).
- **Turkey**: El Eden 97 MW Geothermal Power Plant Expansion Project.

**Projects that support across all four infrastructure SDGs (6, 7, 9, 11):**
- **Egypt**: National Bank of Egypt Sustainable Infrastructure On-Lending Facility.
- **Malaysia**: SUEZ Asia Investment Fund.
- **Malaysia**: GTCC Capital Pan-European Growth Fund (MF).
- **Singapore**: Infrastructure Private Capital Mobilization Platform.

**Industry innovation and infrastructure**
- **Cambodia**: Fiber Optic Communication Network Project.
- **India**: Mumbai Urban Transport Project - Phase III (MUTP) (AFM).
- **Lao PDR**: National Road 10 Improvement and Maintenance Project (AF).

**Sustainable cities and communities**
- **China**: Beijing-Tianjin-Hebei Low Carbon Energy Transition and Air Quality Improvement Project.
- **Pakistan**: Karachi Blue Rapid Transit Red Line Project (AFM).
- **Sri Lanka**: Reclamation of Landslide Vulnerability by Mitigation Measures (PLVMM) Project (AF).
- **Sri Lanka**: Support to Colombo Urban Regeneration Project.
- **Turkey**: Istanbul Solaric Risk Mitigation and Emergency Preparedness Project.
- **Uzbekistan**: Prosperous Villages Project (AF).

**NOTE:** This year, we also highlighted AIIB’s climate finance that contributes to SDG 13, Climate Action, as indicated by the green rows. Climate finance amounted to USD1.7 billion or 39% of total financing approved in 2019, representing an increase from USD2.5 billion or 35% of total financing approved over the previous three years (2016-2018). A total of 16 out of 28 projects approved in 2019 had mitigation finance (MF) and/or adaptation finance (AF) components.
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
66/100 (Average Performer), Nov. 2018
51/100 (Robust), Nov. 2019
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ECONOMIC CAPITAL & 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 earnings1.
- 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 USD3,077 million of economic capital, as at June 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.

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APPENDICES AND USEFUL LINKS
## STRONG CREDIT FUNDAMENTALS

**AIIB assigned highest rating by three agencies**

<table>
<thead>
<tr>
<th>Ratings</th>
<th>Long Term</th>
<th>Short Term</th>
<th>Outlook</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Standard &amp; Poor’s</strong></td>
<td>AAA</td>
<td>A-1+</td>
<td>Stable</td>
<td>“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” <em>Dec. 16, 2019</em></td>
</tr>
<tr>
<td><strong>Moody’s</strong></td>
<td>Aaa</td>
<td>P-1</td>
<td>Stable</td>
<td>“The credit profile of the Asian Infrastructure Investment Bank (AIIB, issuer rating Aaa) is supported by its “aa1” Capital adequacy score, which incorporates a large capital base relative to the projected expansion in its development assets, as well as Moody’s expectation that the Bank will maintain low leverage, moderate development asset credit quality and robust asset performance over time. Liquidity and funding at “aa2” reflects Moody’s expectation that AIIB will adhere to its conservative liquidity policy and develop a strong funding franchise consistent with other more established, highly-rated MDBs. “Very High” Strength of member support is based on the relatively strong creditworthiness of its largest shareholders, as well as the formidable stock of callable capital representing members’ contractual obligations to provide support.” <em>Jan. 25, 2020</em></td>
</tr>
<tr>
<td><strong>Fitch Ratings</strong></td>
<td>AAA</td>
<td>F1+</td>
<td>Stable</td>
<td>“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’ capitalization 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.” <em>Jul. 2, 2020</em></td>
</tr>
</tbody>
</table>

**Summary Rating Rationale**

- **Strong capital commitment from diversified sovereign shareholder base.**
- **Set to have an important mandate of filling the infrastructure financing gap in Asia.**
- **Strong governance and risk management framework.**
- **Excellent capitalization with very high projected liquidity position.**
- **Very high strength of member support.**
- **Preferred creditor status.**
- **0% risk weight.**

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:
  1. Public transactions - global benchmark format as well as smaller public offerings, and
  2. Private placements and structured notes.
- Develop a broad range of unsecured funding instruments and sources of liquidity.
- Diversify into primary currencies at a later stage and selectively add additional currencies as necessary.
- Deliver comprehensive and continuous investor marketing.
- Utilize money market funding for bridge financing.
- Current 2020 borrowing authority is USD9 billion\(^1\). 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.

<table>
<thead>
<tr>
<th>Programs</th>
<th>Type</th>
<th>Format</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money markets</td>
<td>✓ Commercial paper</td>
<td>ECP</td>
</tr>
<tr>
<td>Capital markets</td>
<td>✓ Global debt issuance program</td>
<td>SEC registered</td>
</tr>
<tr>
<td></td>
<td>✓ Medium Term Notes and private placements</td>
<td>GMTN</td>
</tr>
<tr>
<td></td>
<td>✓ Panda bond program</td>
<td>Panda</td>
</tr>
<tr>
<td></td>
<td>✓ Standalone Kangaroo / Kauri bond program</td>
<td>Kangaroo / Kauri (in progress)</td>
</tr>
</tbody>
</table>

AIIB COVID-19 Crisis Recovery Facility

Note: 1. AIIB Global Borrowing Authority 2020 (as amended and restated), September 10, 2020.
AIIB USD 3bn 5-year Global Sustainable Development Bond in the context of COVID-19

**Highlights**

- Priced USD3 billion with a spread of m/s+23bp equivalent to UST+26.1bp.
- Very high-quality book. Over 3.6 billion in orders from 70 investors across the globe representing 31 countries.
- Pricing cements AIIB’s positioning among its MDB peers.
- Well diversified book by investor type and geography.
- Very strong following from the Central Bank community.
- First outing using the Sustainable Development Bond labeling plus COVID-19 context.
- Prior to issuance, AIIB met with investors who made up 85% of the allocated book in USD terms.

**Distribution By Region**

- Americas: 19%
- EMEA: 32%
- Asia: 49%

**Distribution By Investor Type**

- CB/OI: 55%
- Bank: 35%
- Fund Manager: 7%
- Insurance/Pension: 2%
- Other: 1%

**Issuer**

- Format: Global (SEC-registered)
- Amount: USD3 billion
- Maturity date: May 28, 2025
- Coupon: 0.5%
- Reoffer Yield: 0.602% (S/A)
- Re-offer price: 99.498%
- Re-offer spread vs. m/s: m/s+23bp
- Re-offer spread vs. Bmk: 26.1bp v CT5
I. OVERVIEW OF AIIB
II. KEY FINANCIAL POLICIES
III. INVESTMENT OPERATIONS
IV. ENVIRONMENTAL, SOCIAL AND GOVERNANCE
V. AIIB IN THE CAPITAL MARKETS

APPENDICES AND USEFUL LINKS
# Global Best Practice in MDB Governance

## Transparency, independence, and accountability

<table>
<thead>
<tr>
<th>Board of Governors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Each AIIB member appoints a Governor.</td>
</tr>
<tr>
<td>All powers of the AIIB are vested in the Board of Governors.</td>
</tr>
<tr>
<td>Members’ voting power is the sum of basic votes, share votes and founding member votes.</td>
</tr>
<tr>
<td>Basic votes: Each member has the same number of basic votes calculated to sum to 12 percent of members’ total share votes.</td>
</tr>
<tr>
<td>Share votes: Each member has one vote for each share of capital stock held.</td>
</tr>
<tr>
<td>Founding member votes: 600 votes allocated to each founding member.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Composed of 12 Directors, 9 elected by regional members and 3 elected by nonregional members.</td>
</tr>
<tr>
<td>Supervise the management and the operation of the Bank.</td>
</tr>
<tr>
<td>Two-year terms and may be re-elected.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>President</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elected by the Board of Governors.</td>
</tr>
<tr>
<td>National of a regional member.</td>
</tr>
<tr>
<td>May serve up to two 5-year terms.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Vice Presidents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appointed by the Board of Directors upon the recommendation of the President.</td>
</tr>
</tbody>
</table>

### Major decisions require a Super Majority¹ 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.

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Note: ¹ A Super Majority vote of the Board of Governors shall require an affirmative vote of two-thirds of the total number of Governors, representing no less than three-fourths of the total voting power of the members.
GOVERNANCE FRAMEWORK

Accountability Framework¹

As a new institution, AIIB has the opportunity to develop for itself a modern governance framework, drawing on international best practice and learnings from other MDBs.

The Accountability Framework will embed a culture of accountability and responsibility within the Bank, ensuring the right culture and systems are embedded as the Bank develops. This will:

- Strengthen the Board’s role in setting direction & strategy.
- Strengthen the Board's capacity to hold the President accountable for operation of the Bank.
- Delegate approval of certain operations to the President, improving efficiency without compromising standards, and with safeguards. Projects approved by the President must follow all the policies, strategies, and principles of the Bank, exactly as projects approved by the Board.

Example:
The Bangladesh Power System Upgrade and Expansion Project is the first project that was approved by the President in March 2019.

Note: 1. Approved in April 2018, the Accountability Framework has been operational since January 1, 2019.
# Financial Overview

## Key Financial Figures—As at June 30, 2020

### Balance Sheet

<table>
<thead>
<tr>
<th>In Thousands of US Dollars</th>
<th>June 30, 2020 (unaudited)</th>
<th>Dec. 31, 2019 (audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>3,850,654</td>
<td>3,113,763</td>
</tr>
<tr>
<td>Term deposits and certificates of deposit</td>
<td>14,251,711</td>
<td>11,864,578</td>
</tr>
<tr>
<td>Investments at fair value through profit or loss</td>
<td>4,310,934</td>
<td>4,096,263</td>
</tr>
<tr>
<td>Loan investments, at amortized cost</td>
<td>3,469,221</td>
<td>2,272,950</td>
</tr>
<tr>
<td>Bond investments, at amortized cost</td>
<td>471,612</td>
<td>479,767</td>
</tr>
<tr>
<td>Investment in associate</td>
<td>26,701</td>
<td>-</td>
</tr>
<tr>
<td>Paid-in capital receivables</td>
<td>484,703</td>
<td>748,267</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>192,596</td>
<td>49,987</td>
</tr>
<tr>
<td>Funds deposited for cofinancing arrangements</td>
<td>4,523</td>
<td>787</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>2,245</td>
<td>1,934</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>2,918</td>
<td>789</td>
</tr>
<tr>
<td>Other assets</td>
<td>26,642</td>
<td>2,559</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>27,094,460</td>
<td>22,631,644</td>
</tr>
</tbody>
</table>

| **Liabilities**            |                           |                        |
| Borrowings                | 6,640,572                 | 2,557,324              |
| Derivative liabilities    | 12,725                    | -                      |
| Prepaid paid-in capital   | 240                       | 600                    |
| Other liabilities         | 349,545                   | 87,549                 |
| **Total Liabilities**     | 7,003,082                 | 2,645,473              |
| **Total Members’ Equity** | 20,091,378                | 19,986,171             |
| **Total Liabilities & Members’ Equity** | 27,094,460          | 22,631,644             |

### Income Statement

<table>
<thead>
<tr>
<th>In Thousands of US Dollars</th>
<th>For the six months ended June 30, 2020 (unaudited)</th>
<th>For the six months ended June 30, 2019 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest income</strong></td>
<td>197,375</td>
<td>201,450</td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>-</td>
<td>-32,418</td>
</tr>
<tr>
<td><strong>Net Interest Income</strong></td>
<td>164,957</td>
<td>194,419</td>
</tr>
<tr>
<td><strong>Net fee and commission income</strong></td>
<td>5,549</td>
<td>5,559</td>
</tr>
<tr>
<td><strong>Net gain on financial instruments measured at fair value through profit or loss</strong></td>
<td>103,321</td>
<td>49,831</td>
</tr>
<tr>
<td><strong>Net loss on financial instruments measured at amortized cost</strong></td>
<td>-4,363</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net loss on investment in associate</strong></td>
<td>-299</td>
<td>-</td>
</tr>
<tr>
<td><strong>Impairment provision</strong></td>
<td>-105,823</td>
<td>-10,996</td>
</tr>
<tr>
<td><strong>General and administrative expenses</strong></td>
<td>-72,694</td>
<td>-56,617</td>
</tr>
<tr>
<td><strong>Net foreign exchange gain/(loss)</strong></td>
<td>65</td>
<td>-146</td>
</tr>
<tr>
<td><strong>Operating Profit for the period</strong></td>
<td>90,713</td>
<td>182,050</td>
</tr>
<tr>
<td><strong>Accretion of paid-in capital receivables</strong></td>
<td>4,235</td>
<td>37,084</td>
</tr>
<tr>
<td><strong>Net Profit for the period</strong></td>
<td>94,948</td>
<td>219,134</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td>5,225</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Comprehensive Income</strong></td>
<td>100,173</td>
<td>219,134</td>
</tr>
</tbody>
</table>
LEVERAGING THE EXPERIENCE OF EXISTING MDBs TO ENHANCE IMPACT

Partnerships with other MDBs

AIIB intends to benefit from the experience of other MDBs to enhance its operating efficiency, product offerings and to reduce costs. In addition to the MOU-supported cofinancing partnerships listed below, AIIB also has MOUs with the AfDB, IADB, IsDB, NDB, and EDB.

<table>
<thead>
<tr>
<th>Collaboration with the World Bank Group, ADB, EBRD and EIB</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MDBs</strong></td>
</tr>
<tr>
<td>THE WORLD BANK</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>ADB</td>
</tr>
<tr>
<td>European Bank</td>
</tr>
<tr>
<td>European Investment Bank</td>
</tr>
</tbody>
</table>
# SENIOR MANAGEMENT TEAM

Composition of management team reflects global nature of AIIB’s stakeholders

<table>
<thead>
<tr>
<th>Position</th>
<th>Name</th>
<th>Prior roles</th>
</tr>
</thead>
<tbody>
<tr>
<td>President</td>
<td>Mr. Jin Liqun</td>
<td>• Chairman, China International Capital Corporation Limited (China’s first joint-venture investment bank)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Chairman of the Supervisory Board, China Investment Corporation (CIC)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Chairman of the International Forum of Sovereign Wealth Funds</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Vice President, Asian Development Bank</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Vice Minister, Ministry of Finance, China</td>
</tr>
<tr>
<td>Vice President and Corporate</td>
<td>Sir Danny Alexander</td>
<td>• Chief Secretary to HM Treasury</td>
</tr>
<tr>
<td>Secretary</td>
<td></td>
<td>• Led UK deficit reduction</td>
</tr>
<tr>
<td></td>
<td>Mr. Konstantin Limitovskiy</td>
<td>• Established the Green Investment Bank in the UK and developed the UK Guarantee Scheme for Infrastructure</td>
</tr>
<tr>
<td>Vice President, Investment</td>
<td>Dr. D.J Pandian</td>
<td>• Over 30 years with the Indian Administrative Services at state, national, and international levels</td>
</tr>
<tr>
<td>Operations (Region 2)</td>
<td></td>
<td>• Established the Gujarat Energy Research and Management Institute</td>
</tr>
<tr>
<td>Vice President, Investment</td>
<td>Dr. Joachim von Amsberg</td>
<td>• Vice President, Development Finance at the WB</td>
</tr>
<tr>
<td>Operations (Region 1)</td>
<td></td>
<td>• Vice President for Operations Policy and Country Services, WB</td>
</tr>
<tr>
<td>Vice President - Policy and</td>
<td>Mr. Luky Eko Wuryanto</td>
<td>• Deputy Coordinating Minister for Infrastructure, Indonesia</td>
</tr>
<tr>
<td>Strategy</td>
<td></td>
<td>• Senior positions in Indonesian government for over 20Y</td>
</tr>
<tr>
<td>Vice President and Chief</td>
<td>Mr. Gerard Sanders</td>
<td>• General Counsel of IFAD and Deputy General Counsel of EBRD</td>
</tr>
<tr>
<td>Administration Officer</td>
<td></td>
<td>• Qualified to practice law in New Zealand, State of Victoria, Australia, and England; Chartered Accountant (NZ)</td>
</tr>
<tr>
<td>General Counsel</td>
<td></td>
<td>• Former MD of The Rock Creek Group, covering EM equities</td>
</tr>
<tr>
<td>Chief Risk Officer</td>
<td>Mr. Martin Kimmig</td>
<td>• 24-year career at the World Bank Group, in particular the IFC’s investment operations and risk management departments</td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>Mr. Andrew Cross</td>
<td>• Assistant CFO at AIIB</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Deputy Treasurer at the International Finance Corporation (IFC), provided leadership and oversight for IFC treasury hub operations in London and Singapore</td>
</tr>
</tbody>
</table>
USEFUL LINKS

• AIIB’s Articles of Agreement

• AIIB’s Environment and Social Framework

• AIIB’s Financial Reports

• AIIB’s Treasury and Investor Marketing materials
  https://www.aiib.org/treasury

• AIIB’s 2020 Annual Report