Our funding of sustainable infrastructure finance is demonstrated by our investment in projects related to mitigation of the impact of climate change, climate adaptation and other environmental objectives.
LENDING ACTIVITIES

- Investments are made via sovereign and nonsovereign loans, equity participations and guarantees.
- No country, sector or regional strategy favors one type of project or member/region over the other. Our conservative investment approval process helps to ensure that projects are financially viable and incorporate AIIB’s commitment to sound environmental and social business practices.
- Over the coming three years, AIIB investments in the energy and transport sectors may represent between 60 percent and 70 percent of its exposures.
- Co-financings, which currently are the majority of AIIB approvals, have been key to AIIB’s early momentum and demonstrate the value of collaboration across the MDB community.
- The loan book is forecast to reach USD32 billion by 2027.

AIIB IN THE CAPITAL MARKETS

AIIB’s goal is to optimize borrowing costs over the medium to long term, in line with its investor-driven funding strategy. Issuance will be via a combination of USD Global benchmark bonds, Eurobonds and private placements in various markets. AIIB’s funding program is expected to be several billion US Dollars per annum over the next several years of capital markets issuance. Funding needs are expected to rise gradually to reach circa USD10 billion per annum by the mid-2020s. Investor marketing initiatives are managed on an on-going basis. The Funding Team’s core objective is to be viewed as a flexible, transparent and responsive issuer, providing liquid public offerings and reverse-inquiry, tailor-made investment solutions.

AIIB BALANCE SHEET

(USD billions, as of September 30, 2019)

<table>
<thead>
<tr>
<th>Assets</th>
<th>Liabilities &amp; Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans1</td>
<td>1.904</td>
</tr>
<tr>
<td>Investments2</td>
<td>17.702</td>
</tr>
<tr>
<td>Other3</td>
<td>3.018</td>
</tr>
<tr>
<td>TOTAL</td>
<td>22.624</td>
</tr>
</tbody>
</table>

1. Loan investments, at amortized cost; total amount of approved financings is USD10.02 billion (excluding B loans) as of November 14, 2019.
2. Cash and cash equivalents, term deposits, investments at fair value, and bond investments at amortized cost.
3. Paid-in capital receivables, funds deposited for co-financing arrangements, derivative, intangible, and other assets.

PRUDENT RISK MANAGEMENT

AIIB’s risk management framework is made up of policies, directives and procedures to analyze, measure, monitor and report on a range of risks. Exposure to quantifiable risks is managed via several layers of risk limits. All risk is managed to defend, preserve and protect AIIB’s triple-A ratings.

Economic Capital (Ecap) is the core metric of risk appetite and management, ensuring sufficient capital is preserved. Capital adequacy is stress tested for extreme events, within a 99.99% confidence interval over a 10-day period.

Credit Risk is managed by sound credit assessment and loan monitoring. Treasury’s exposures are limited by minimum ratings thresholds for bank counterparties. 2-way CSAs will be used for risk mitigation.

Liquidity portfolio required to hold at least 40% of net cash requirements for the upcoming 36-months, and 100% of net cash needs for any upcoming 12-month period. Liquid asset and investment activity is conservatively monitored. Liquid assets must be held with counterparties rated at a minimum of single-A or better (<13 months A-1/P-1).

CONTACT

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November, 2019

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