ASIAN INFRASTRUCTURE INVESTMENT BANK

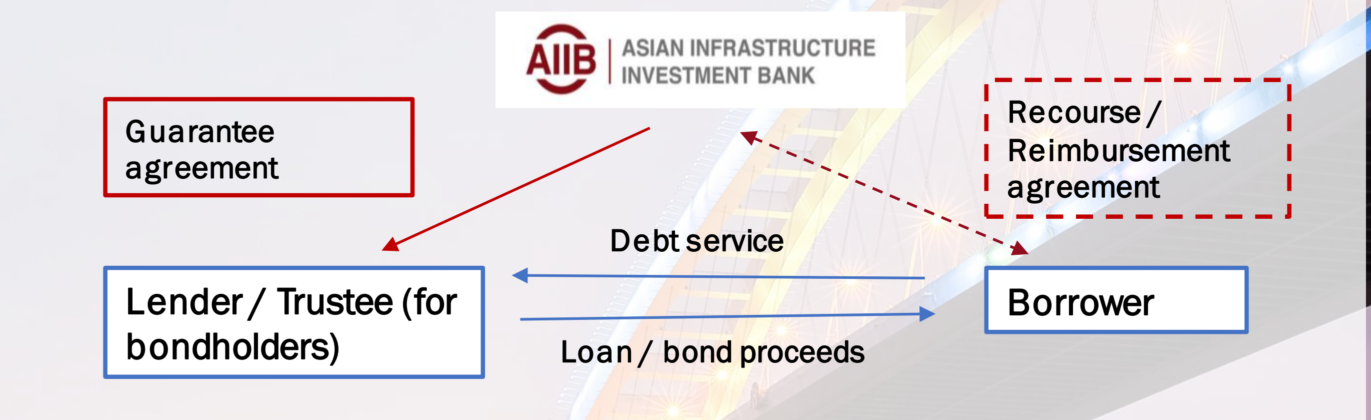
Partial Debt Guarantee

Overview and Key Features

Overview

- **The Partial Debt Guarantee (PDG)** will provide payment security to lenders, irrespective of the cause of payment defaults, up to the percentage of the guarantee coverage
- This product is currently introduced for **non-sovereign operations.** It incorporates partial debt (covering bonds and loans) guarantees and also **unfunded risk participations (URPs)**
- By **using AIIB's triple-A rating**, borrowers can get better access to the loan or bond market (e.g., by extending maturity of its debt or lowering interest/coupon rate)
- Denomination will be in **USD, other hard and local currencies** where the bank is operationally ready

Guarantee Scheme



Conditions

- Market base pricing structure similar to loans (subject to acceptable risk-adjusted return on capital)
- On AIIB's own account (i.e., before further risk transfer), loan/bond credit coverage has to be partial with a varied degree of coverage for each transaction
- Limits apply only to the guarantee coverage; in addition AIIB's policy limits apply (such as 35% limit of the long-term capital of the borrower)
- Final maturity of up to 18 years
- USD-denominated, other hard and local currencies where the bank has reached readiness

Benefits to Clients

- Enhance the credit quality of the borrower
- Reduce the cost of financing for the borrower
- Support the long-term financial stability of the borrower
- Reduce probability of default and/or losses in case of default for lender
- Broaden investor base (for bonds)

Benefits to AIIB

- Opportunity to support long-term infrastructure projects
- Stronger credit for loan book
- Flexibility to offer client's currency of choice
- Access to loan markets that operate in LCY only
- Private capital mobilization

ASIAN INFRASTRUCTURE INVESTMENT BANK

CONTACT
AIIB Treasury, B-9 Financial Street, Xicheng District, Beijing 100033, P.R. China.
Email: treasury.solutions@aiib.org | **www.aiib.org/treasury** | **Twitter:** @AIIB_Official

*OFFICIAL USE ONLY

ASIAN INFRASTRUCTURE INVESTMENT BANK

Partial Debt Guarantee

Framework

Eligibility

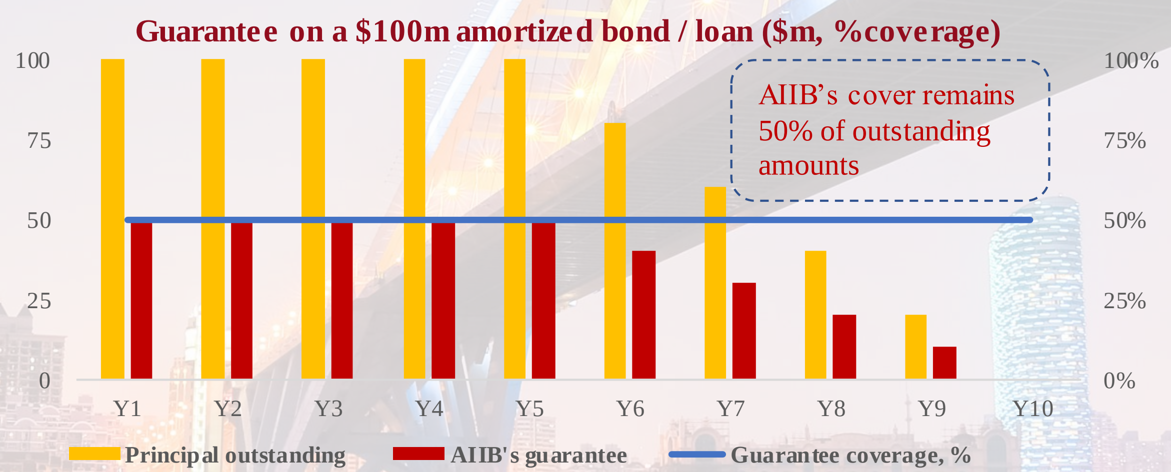
Beneficiaries of AIIB's guarantees will include lending financial institutions and bond trustees acting on behalf of bond investors (specific to bond guarantees)

Coverage

The guarantee coverage is normally expressed as a **percentage of principal** (and in certain cases interest):
Guarantees can be either (depending on the specific profile of a transaction):
(i) paid upon an event of default in whole amount covered , or
(ii) paid according to the original schedule, (subject to maximum cumulative coverage cap)

Guarantee fees

- Guarantee fees will be market-based and will reflect the risk of the underlying project / borrower
- The AIIB will charge front-end fees on each completed transaction and periodic guarantee fees for the duration of the guarantee term
- Guarantee fees would usually be charged and collected in advance of each interest payment period under the guaranteed debt structure, based on a percentage of the outstanding debt
- In some cases, AIIB may require that the full guarantee fee be paid up-front (this is the case mostly for ECA-backed projects)
- AIIB may also charge a standby fee on committed but undisbursed exposure, which would be payable in arrears



Who we are

The Asian Infrastructure Investment Bank (AIIB) is a multilateral development bank with a mission **to improve social and economic outcomes** in Asia. Headquartered in Beijing, we began operations in January 2016 and have now grown to 102 approved members worldwide. By investing in **sustainable infrastructure** and other productive sectors in Asia and beyond, we will better connect people, services and markets that over time will impact the lives of billions and build a better future.

ASIAN INFRASTRUCTURE INVESTMENT BANK

CONTACT
AIIB Treasury, B-9 Financial Street, Xicheng District, Beijing 100033, P.R. China.
Email: treasury.solutions@aiib.org | **www.aiib.org/treasury** | **Twitter:** @AIIB_Official