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As at April 3, 2020 unless otherwise stated.
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.
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 2030.1 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 weighting from the BIS 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.

1 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.

OVERVIEW OF SHAREHOLDING STRUCTURE
102 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

* 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.

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

Members Nonregional
Algeria
Australia
Austria
Belarus
Belgium
Canada
Côte d’Ivoire
Denmark
Egypt
Ecuador
France
Germany
Ghana
Greece
Guinea
Hungary
Iceland
Ireland
Italy
Luxembourg
Madagascar
Malta
Netherlands
Norway
Poland
Portugal
Romania
Serbia
Spain
Sudan
Sweden
Switzerland
United Kingdom

Prospective Regional
Armenia
Cook Islands
Kuwait*
Lebanon
Papua New Guinea
Tonga

Prospective Nonregional
Argentina
Benin
Bolivia
Brazil*
Chile
Croatia
Djibouti
Kenya
Libya
Morocco
Peru
Rwanda
Senegal
South Africa*
Togo
Tunisia
Uruguay
Venezuela
STRONG SHAREHOLDER SUPPORT

Diversified international shareholder base and excellent capital standing

• AIIB’s subscribed 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.

• USD18.8bn received as at April 3, 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.

Ratings Status of AIIB Shareholders

<table>
<thead>
<tr>
<th>AAA:</th>
<th>13%</th>
</tr>
</thead>
<tbody>
<tr>
<td>AA- or better:</td>
<td>28%</td>
</tr>
<tr>
<td>A- or better:</td>
<td>65%</td>
</tr>
<tr>
<td>BBB- or better:</td>
<td>90%</td>
</tr>
</tbody>
</table>

Regional vs Non-Regional Shareholding Split

<table>
<thead>
<tr>
<th>Regional Members</th>
<th>Current Shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>30.8%</td>
</tr>
<tr>
<td>India</td>
<td>8.7%</td>
</tr>
<tr>
<td>Russia</td>
<td>6.8%</td>
</tr>
<tr>
<td>Korea</td>
<td>3.9%</td>
</tr>
<tr>
<td>Australia</td>
<td>3.8%</td>
</tr>
<tr>
<td>Other 39 Members</td>
<td>22.4%</td>
</tr>
<tr>
<td>Total: 44 Members</td>
<td>76.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-Regional Members</th>
<th>Current Shareholding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>4.6%</td>
</tr>
<tr>
<td>France</td>
<td>3.5%</td>
</tr>
<tr>
<td>UK</td>
<td>3.2%</td>
</tr>
<tr>
<td>Italy</td>
<td>2.7%</td>
</tr>
<tr>
<td>Spain</td>
<td>1.8%</td>
</tr>
<tr>
<td>Other 29 Members</td>
<td>7.8%</td>
</tr>
<tr>
<td>Total: 34 Members</td>
<td>23.6%</td>
</tr>
</tbody>
</table>

Notes: 1. Unless amended by the Board of Governors;
2. 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 Dec 31, 2019)

**Assets**
- Loans\(^1\) USD2.273 billion
- Investments\(^2\) USD19.555 billion
- Other\(^3\) USD0.804 billion

**Liabilities and Equity**
- Equity\(^4\) USD19.986 billion
- Borrowings USD 2.557 billion
- Other Liabilities USD0.089 billion

TOTAL = USD22.632 billion

Notes:
1. Loan disbursements, at amortized cost; total amount of approved financings is USD 13.45 billion (excluding B loans) as at April 3, 2020.
2. Cash and cash equivalents, term deposits and certificates of deposit, investments at fair value through profit or loss, and bond investments at amortized cost.
3. Paid-in capital receivables, funds deposited for cofinancing arrangements, derivative, intangible, and other assets.
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 establish the Bank’s name in the market and to create a transparent pricing reference curve.
• Majority of paid-in capital fully received¹.
• 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.

Note: 1. Eight members will pay their paid-in capital amount over 10 annual installments.
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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—USD13.45 billion
PROJECT BREAKDOWN

Projects Approved—USD13.45 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. Based on the latest pipeline, AIIB expects investments in the Energy and Transport sectors to represent between 60 and 70% of its total new exposure over the same time period. While currently active in 21 members, by 2020 AIIB expects to have active projects in 24 members.

• The loan book and equity investments expected to reach USD32.7 billion and USD1.8 billion by 2027 respectively.

COFINANCINGS BREAKDOWN

Cofinancing—key to AIIB’s initial momentum

Cofinancing has 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

<table>
<thead>
<tr>
<th>Sovereign loans</th>
<th>Nonsovereign-backed financing</th>
<th>Equity Investments</th>
<th>Guarantees</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sovereign-backed loans will have an average maturity of up to 20 years and a final maturity limit of up to 35 years.</td>
<td>• The bank is taking a progressive approach to building its book of nonsovereign-backed financing. This approach is based on sound banking practice.</td>
<td>• 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.</td>
<td>• Partial Debt Guarantee are available to clients. The product is currently introduced for nonsovereign operations and incorporates partial debt guarantees and unfunded risk participations.</td>
</tr>
<tr>
<td>• AIIB will continue to cofinance projects with other lenders in addition to expanding its standalone portfolio.</td>
<td>• Borrowers could range from subsovereign public entities to private enterprises.</td>
<td>• Limit on Equity investments up to 10 percent of available capital.</td>
<td>• Projects involving guarantees will be appraised, processed, and monitored the same way as loans.</td>
</tr>
<tr>
<td>• Appraisal of sovereign loans will take into account a full assessment of the project’s benefits, risks and borrower implementation capacity.</td>
<td>• The terms and conditions will be set on a commercial basis and reflect the expected risk to the bank and market conditions.</td>
<td>• The bank expects to play the role of a minority investor and shall not seek a controlling interest in the target entity or enterprise.</td>
<td>• 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).</td>
</tr>
<tr>
<td></td>
<td>• 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.</td>
<td></td>
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</tr>
</tbody>
</table>
### PROJECT APPROVAL PROCESS

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

<table>
<thead>
<tr>
<th>Strategic programming</th>
<th>Project due diligence</th>
<th>Approval</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects meeting the preliminary screening criteria will be discussed and approved by the Screening Committee.</td>
<td>Project due diligence to affirm project viability. Project Document is drawn up and reviewed by internal Investment Committee.</td>
<td>Projects are submitted to the Board of Directors for approval. <strong>Accountability Framework:</strong> From 2019 onwards, the Board of Directors has delegated certain investment approvals directly to the President.</td>
<td>Implementation is the responsibility of the client. AIIB takes steps to monitor compliance with policies, implementation of risk mitigation measures and achievement of project objectives.</td>
</tr>
</tbody>
</table>

- 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 AIIB’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 AIIB’s independent Complaints-resolution, Evaluation and Integrity Unit (ECIU).

On maturity of nonsovereign-backed financings or project completion of sovereign-backed financings, a Project Completion Report is required.
PROJECT EXAMPLES
Projects Approved–USD13.45 billion

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.
PROJECT EXAMPLES
Projects Approved–USD13.45 billion

**Sustainable Rural Sanitation Services Program, Egypt**—AIIB is investing USD300 million via a 34-year loan to improve sanitation services in the Dakahliya, 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.*
PROJECT EXAMPLES

Projects Approved—USD13.45 billion

Andhra Pradesh Rural Roads Project—AIIB is providing USD455 million through a 30-year loan to provide all-weather connectivity to previously unserved communities in all 13 districts of the state of Andhra Pradesh, India.

This project aims to construct new all-weather roads (including seven main bridges) and upgrade existing roads across the state where the majority of the population lives in rural regions. Rural connectivity and its consequent socio-economic development will be key to lifting people out of poverty.

Some 2 million people are expected to benefit from the project— in particular women and children— through access to healthcare, schools and public transportation.
Tuz Golu Gas Storage Expansion Project, Turkey—AIIB is investing USD600 million, to increase the reliability and security of gas supply by expanding underground natural gas storage capacity.

The 22.5-year loan will expand overall all-year underground gas storage capacity from 1.2 to 5.4 billion cubic meters to provide greater ability for BOTAS (Turkey’s largest natural gas import company) to absorb market fluctuations in demand and prices.

Amongst other benefits, this project will provide capacity to increase natural gas subscribers and therefore reduce the use of wide-spread coal burners across the country. This is a co-financing with the World Bank.
Distribution System Upgrade and Expansion Project, Bangladesh—AIIB is providing USD165 million in a 25-year loan.

The project has expanded electricity coverage by providing 2.5 million new service connections in rural areas, upgrade grid substations and convert overhead distribution lines into underground cables in North Dhaka.

It is estimated that 12.5 million rural people will directly benefit from the project with reliable access to electric power and in addition ease the delivery of and access to social benefits such as medical services and education.
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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

- 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).

The Bank recognizes that environmental and social sustainability is a fundamental aspect of achieving outcomes consistent with its mandate.
SUSTAINABLE CAPITAL MARKETS INITIATIVE UNDER AIIB FINANCINGS

Applying the ESF to capital market projects for increased private capital mobilization and promotion of sustainable infrastructure as an asset class

**Four-Step ESG Integration Process**
for Investment Operations Portfolios

**Pre-investment**
*Step One: Exclusionary screening* consistent with the ESEL.
*Step Two: ESG assessment* based on ESG score* and controversies screening in line with the vision of the ESF.

**Post-investment**
*Step Three: Engagement with issuers* on ESG issues.
*Step Four: Monitoring, reporting and engagement* based on deteriorating ESG performance and/or involvement in activities specified in step 1 and 2.

*Based on ESG scores from reputable ESG data providers.

**ESG investing:** Establishing an ESG investing framework for other market participants in Asia.

**ESG research:** Gaining insights on ESG issues and trends that are relevant for credit analysis of infrastructure-related companies.

**ESG transparency and disclosure:** Working with asset managers and stakeholders to improve transparency and disclosure in the market.

**Market capacity building:** Improving the understanding of ESG through capacity building for market participants.
SUSTAINABLE CAPITAL MARKET PROJECT EXAMPLES

Catalyzing private capital and deepening ESG standards in emerging markets

**Asia ESG Enhanced Credit Managed Portfolio – USD 500 million**

- ESG Framework together with Aberdeen Standard Investments.
- Develop debt capital markets for infrastructure in Emerging Asia with a strong ESG rationale.
- Catalyze and mobilize investment from ESG-focused institutional investors.

**Asia Climate Bond Portfolio – USD 500 million**

- Climate Change Investment Framework with Amundi which will be used alongside AIIB’s ESG framework.
- Framework enables investment into “climate champions” by consideration of an issuer’s alignment to achieving the 3 objectives of the Paris Agreement: Alignment of green business activities, climate mitigation and resilience to climate change.
- Catalyze and mobilize investment from climate change focused institutional investors.
AIIB’S COMMITMENT TO SUSTAINABLE GROWTH

SDGs mapped on AIIB operations—Dec 31, 2018

Sample AIIB investments in four infrastructure-related SDGs

GOAL 6: Clean water and sanitation
- Indonesia: Dam Operational Improvement and Safety Phase II (2017).

GOAL 7: Affordable and clean energy
- Pakistan: Tarbela 5 Hydropower Extension (2016).
- Bangladesh: Natural Gas Infrastructure and Efficiency Improvement (2017).
- India: Andhra Pradesh 24/7 Power for All (2017).
- Turkey: TSEK Sustainable Energy and Infrastructure On-lending Facility (2019).

GOAL 9: Industry, innovation and infrastructure
- Georgia: Return Bypass Road (2017).
- Oman: Duqm Port Commercial Terminal and Operational Zone Development (2019).
- Tajikistan: Dushanbe-Uzbekistan Border Road Improvement (2016).
- Regional: AIIB Asia ESG Enhanced Credit Managed Portfolio (2018).

GOAL 11: Sustainable cities and communities
- Indonesia: Regional Infrastructure Development Fund (2017).
- Philippines: Metro Manila Road Management (2017).
AIIB’S COMMITMENT TO SUSTAINABLE GROWTH

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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OVERVIEW OF 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 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 c. USD1.835 million of economic capital, as at December 31, 2019.

<table>
<thead>
<tr>
<th>Economic Capital²</th>
<th>The overarching principal driving risk allocation³</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing Credit Risk</td>
<td></td>
</tr>
<tr>
<td>Equity Investment Risk</td>
<td></td>
</tr>
<tr>
<td>Market Risk including Asset &amp; Liability Risk</td>
<td></td>
</tr>
<tr>
<td>Counterparty Credit Risk</td>
<td></td>
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<tr>
<td>Operational Risk</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Total Capital Utilization⁴</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available Capital</td>
</tr>
<tr>
<td>Total Current Capital Usage</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Notes:</th>
</tr>
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<tbody>
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</tr>
</tbody>
</table>
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- 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 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.

Note: 1. As of December 31, 2019. Data includes cash in external managers’ portfolios.
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
### Ratings

<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>Standard &amp; Poor’s</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” Dec. 16, 2019</td>
</tr>
<tr>
<td>Moody’s</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 &quot;aa1&quot; 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 &quot;aa2&quot; 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. &quot;Very High&quot; 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.” Jan. 25, 2020</td>
</tr>
<tr>
<td>Fitch Ratings</td>
<td>AAA</td>
<td>F1+</td>
<td>Stable</td>
<td>“Asian Infrastructure Investment Bank’s (AIIB) rating reflects its intrinsic credit strength. The bank’s ‘excellent’ capitalisation and ‘low’ risk profile translate into a ‘aa+’ assessment of solvency, based on Fitch Ratings’ 10-year projection. 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.” Dec. 20, 2019</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.
- 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.
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.
- 2020 borrowing authority of USD 6bn. This is expected to rise gradually to reach circa USD10 billion per annum by the mid 2020s.
- AIIB was recently added to the EU Capital Requirements Regulation (CRR) Article, paragraph 2 list of MDBs, which shall be assigned 0% risk weight.

<table>
<thead>
<tr>
<th>Programs in place</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>Eurobonds and private placements</td>
<td>GMTN</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Programs in progress</th>
<th>Type</th>
<th>Format</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital markets</td>
<td>Panda bond program</td>
<td>Panda</td>
</tr>
<tr>
<td></td>
<td>Standalone Kangaroo bond program</td>
<td>Kangaroo</td>
</tr>
</tbody>
</table>
AIIB INAUGURAL USD BENCHMARK ISSUE – 2.25% May 2024

Highlights

- Priced USD2.5 billion with a spread of m/s+6bp equivalent to UST+9.65bp.
- Very high-quality book requiring deal upsize to accommodate investor orders. Over 4.4 billion orders from over 90 investors across the globe representing 27 countries.
- Priced in line with the secondary levels of its peers, including IBRD, ADB and EIB.
- Priced with the tightest spread vs. USTs of all 5-year USD benchmarks from SSA issuers at that point in 2019.
- Well diversified book in line with peer statistics.
- Largest share of central bank/official institutions in an allocated book in 3 years.
- Prior to issuance, AIIB met with investors who made up 77% of the allocated book in USD terms.

Distribution By Region

- Americas 16%
- Asia 49%
- EMEA 35%

Distribution By Investor Type

- Fund Manager 5%
- Bank 25%
- Insurance/Pension 2%
- CB/IO 67%
- Other 1%

Issuer

- Format: Global (SEC-registered)
- Amount: USD2.5 billion
- Maturity date: May 16, 2024
- Coupon: 2.25%
- Reoffer Yield: 2.310% (S/A)
- Re-offer price: 99.718%
- Re-offer spread vs. m/s: m/s+6bp
- Re-offer spread vs. Bmk: 9.65bp v T 2 ¼ 04/30/24

Source: Barclays Bank Plc
I. OVERVIEW OF AIIB
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APPENDICES AND USEFUL LINKS
## GLOBAL BEST PRACTICE IN MDB GOVERNANCE

### Transparency, independence, and accountability

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

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

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

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

### Major decisions require a Super Majority\(^1\) 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.

Substantial voting power held by members who are unlikely to borrow. Material decisions require consent from at least 75% of total voting shares, and as such key decisions will require the support of nonborrowers.

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 Framework

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 Dec 31, 2019

<table>
<thead>
<tr>
<th>Balance Sheet</th>
<th>In thousands of US Dollars</th>
<th>Dec 31, 2019 (audited)</th>
<th>Dec 31, 2018 (audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>3,113,763</td>
<td>2,252,741</td>
<td></td>
</tr>
<tr>
<td>Term deposits and certificates of deposit</td>
<td>11,864,578</td>
<td>8,223,299</td>
<td></td>
</tr>
<tr>
<td>Investment at fair value through profit or loss</td>
<td>4,096,263</td>
<td>3,325,484</td>
<td></td>
</tr>
<tr>
<td>Funds deposited for cofinancing arrangements</td>
<td>787</td>
<td>5,992</td>
<td></td>
</tr>
<tr>
<td>Loan investments, at amortized cost</td>
<td>2,272,950</td>
<td>1,365,187</td>
<td></td>
</tr>
<tr>
<td>Bond investments, at amortized cost</td>
<td>479,767</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Paid-in capital receivables</td>
<td>748,267</td>
<td>4,386,984</td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>1,934</td>
<td>906</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>3,348</td>
<td>1,676</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>22,631,644</td>
<td>19,562,269</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>In thousands of US Dollars</th>
<th>Dec 31, 2019 (audited)</th>
<th>Dec 31, 2018 (audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>2,557,324</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Prepaid paid-in capital</td>
<td>600</td>
<td>2,560</td>
<td></td>
</tr>
<tr>
<td>Other liabilities</td>
<td>87,549</td>
<td>47,291</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>2,645,473</td>
<td>49,851</td>
<td></td>
</tr>
<tr>
<td><strong>Total Members’ Equity</strong></td>
<td>19,986,171</td>
<td>19,512,418</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities &amp; Members’ Equity</strong></td>
<td>22,631,644</td>
<td>19,562,269</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income Statement</th>
<th>In thousands of US Dollars</th>
<th>For the year ended Dec 31, 2019 (audited)</th>
<th>For the year ended Dec 31, 2018 (audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest income</strong></td>
<td>435,550</td>
<td>250,761</td>
<td></td>
</tr>
<tr>
<td><strong>Interest expense</strong></td>
<td>(35,156)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Net Interest Income</strong></td>
<td>400,394</td>
<td>250,761</td>
<td></td>
</tr>
<tr>
<td><strong>Net fee and commission income</strong></td>
<td>11,911</td>
<td>12,654</td>
<td></td>
</tr>
<tr>
<td><strong>Net gain on financial instruments measured at fair value through profit or loss</strong></td>
<td>78,642</td>
<td>56,622</td>
<td></td>
</tr>
<tr>
<td><strong>Impairment provision</strong></td>
<td>(21,677)</td>
<td>(39,608)</td>
<td></td>
</tr>
<tr>
<td><strong>General and administrative expenses</strong></td>
<td>(125,695)</td>
<td>(84,737)</td>
<td></td>
</tr>
<tr>
<td><strong>Net foreign exchange (loss)/gain</strong></td>
<td>(315)</td>
<td>44</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Profit for the Year</strong></td>
<td>343,260</td>
<td>195,736</td>
<td></td>
</tr>
<tr>
<td><strong>Accretion of paid-in capital receivables</strong></td>
<td>57,617</td>
<td>103,780</td>
<td></td>
</tr>
<tr>
<td><strong>Net Profit for the Year</strong></td>
<td>400,877</td>
<td>299,516</td>
<td></td>
</tr>
<tr>
<td><strong>Total Comprehensive Income</strong></td>
<td>400,877</td>
<td>299,516</td>
<td></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 and NDB.

<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>President</th>
<th>Mr. Jin Liqun</th>
</tr>
</thead>
</table>
| **Prior roles** | • Chairman, China International Capital Corporation Limited (China’s first joint-venture investment bank)  
• Chairman of the Supervisory Board, China Investment Corporation (CIC)  
• Chairman of the International Forum of Sovereign Wealth Funds  
• Vice President, Asian Development Bank  
• Vice Minister, Ministry of Finance, China |

<table>
<thead>
<tr>
<th>Vice President and Corporate Secretary</th>
<th>Mr. Konstantin Limitovskiy</th>
<th>Mr. Andrew Cross</th>
</tr>
</thead>
</table>
| **Prior roles** | • Chief Secretary to HM Treasury  
• Led UK deficit reduction  
• Established the Green Investment Bank in the UK and developed the UK Guarantee Scheme for Infrastructure |

<table>
<thead>
<tr>
<th>Vice President, Investment Operations (Region 2)</th>
<th>Dr. D.J Pandian</th>
<th>Mr. Martin Kimmig</th>
</tr>
</thead>
</table>
| **Prior roles** | • Over 30 years with the Indian Administrative Services at state, national, and international levels  
• Established the Gujarat Energy Research and Management Institute |

<table>
<thead>
<tr>
<th>Vice President, Investment Operations (Region 1)</th>
<th>Dr. Joachim von Amsberg</th>
<th>Mr. Andrew Cross</th>
</tr>
</thead>
</table>
| **Prior roles** | • Vice President, Development Finance at the WB  
• Vice President for Operations Policy and Country Services, WB  
• Country Director for Indonesia and Philippines |

<table>
<thead>
<tr>
<th>Vice President - Policy and Strategy</th>
<th>Mr. Luky Eko Wuryanto</th>
<th>Mr. Gerard Sanders</th>
</tr>
</thead>
</table>
| **Prior roles** | • Deputy Coordinating Minister for Infrastructure, Indonesia  
• Senior positions in Indonesian government for over 20Y |

<table>
<thead>
<tr>
<th>Vice President and Chief Administration Officer</th>
<th>Mr. Gerard Sanders</th>
<th>Mr. Andrew Cross</th>
</tr>
</thead>
</table>
| **Prior roles** | • General Counsel of IFAD and Deputy General Counsel of EBRD  
• Qualified to practice law in New Zealand, State of Victoria, Australia, and England; Chartered Accountant (NZ) |

<table>
<thead>
<tr>
<th>General Counsel</th>
<th>Mr. Gerard Sanders</th>
<th>Mr. Andrew Cross</th>
</tr>
</thead>
</table>
| **Prior roles** | • Deputy CFO at AIIB  
• Deputy Treasurer at the International Finance Corporation (IFC), provided leadership and oversight for IFC treasury hub operations in London and Singapore |
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