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As at November 14, 2019 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. KEY FINANCIAL POLICIES
III. INVESTMENT OPERATIONS
IV. ENVIRONMENTAL, SOCIAL & GOVERNANCE
V. AIIB IN THE CAPITAL MARKETS

APPENDICES & 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 non-sovereign loans, equity participations and guarantees.

Credit strength

Strong support from diversified global shareholder base. USD100 billion capital stock with 20% 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 modus operandi is to be:

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.

¹Source: “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.
AIIB’s subscribed capital stock is **USD100 billion**, with USD20 billion as paid-in capital made in five annual installments\(^1\). The absolute amount of paid-in capital ranks among the highest of MDBs. Currently 98% of AIIB’s allocated capital has been subscribed.

In view of its regional focus, AIIB’s regional members will hold the majority of capital stock—a minimum 75%.\(^2\)

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**Conservative Capital Structure**

- **EBRD (AAA)**: 20.9% (Callable: 20.9%, Paid-in: 0%)
- **AIIB (AAA)**: 20.0% (Callable: 20.0%, Paid-in: 0%)
- **AfDB (AAA)**: 7.2% (Callable: 7.2%, Paid-in: 0%)
- **IBRD (AAA)**: 6.0% (Callable: 6.0%, Paid-in: 0%)
- **ADB (AAA)**: 5.0% (Callable: 5.0%, Paid-in: 0%)

**Notes:**
1. Eight members will pay their paid-in capital amount over 10 annual installments;
2. Unless amended by the Board of Governors;
HIGH-QUALITY SHAREHOLDER BACKING

Diversified International Shareholder Base

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>Indonesia</td>
<td>3.5%</td>
</tr>
<tr>
<td>Turkey</td>
<td>2.7%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>2.6%</td>
</tr>
<tr>
<td>Iran</td>
<td>1.6%</td>
</tr>
<tr>
<td>Thailand</td>
<td>1.5%</td>
</tr>
<tr>
<td><strong>Other 34 Members</strong></td>
<td><strong>10.5%</strong></td>
</tr>
<tr>
<td><strong>Total: 44 Members</strong></td>
<td><strong>76.4%</strong></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>Netherlands</td>
<td>1.1%</td>
</tr>
<tr>
<td>Canada</td>
<td>1.0%</td>
</tr>
<tr>
<td>Poland</td>
<td>0.9%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>0.7%</td>
</tr>
<tr>
<td>Egypt</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>Other 18 Members</strong></td>
<td><strong>3.4%</strong></td>
</tr>
<tr>
<td><strong>Total: 28 Members</strong></td>
<td><strong>23.6%</strong></td>
</tr>
</tbody>
</table>

Ratings Status of AIIB Shareholders\(^1\)

<table>
<thead>
<tr>
<th>Rating</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>13%</td>
</tr>
<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>

Preferred Creditor Treatment – 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.

Note: 1. 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 September 30, 2019)

### Assets

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>USD1.904 billion</td>
</tr>
<tr>
<td>Investments</td>
<td>USD17.702 billion</td>
</tr>
<tr>
<td>Other</td>
<td>USD3.018 billion</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>USD22.624 billion</strong></td>
</tr>
</tbody>
</table>

### Liabilities & Equity

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>USD19.901 billion</td>
</tr>
<tr>
<td>Borrowings</td>
<td>USD2.585 billion</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>USD0.138 billion</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>USD22.624 billion</strong></td>
</tr>
</tbody>
</table>

Notes:
1. Loan investments, at amortized cost; total amount of approved financings is USD10.02 billion (excluding B loans) as at November 14, 2019.
2. Cash and cash equivalents, term deposits and certificates of deposit, investments at fair value, 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 will rise rapidly.
• Primarily sovereign lending.
• Borrowing mainly to establish the bank’s name in the market and create a transparent pricing reference curve.
• Majority of paid-in capital will be fully realized\(^1\).
• 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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OVERVIEW OF CAPITAL & RISK MANAGEMENT

Economic Capital is the fundamental measure of risk appetite

Financial and Risk Management Policy
Risk Appetite Statement and Risk Appetite Framework Directive
Capital Adequacy and Stress Testing Policy
Credit Risk Rules
Counterparty Credit Risk Directive
Operational Risk Directive

Stress testing of the Ecap Model for extreme events, within 99.99% confidence intervals

AIIB’s Financial and Risk Management Policy states that AIIB risk appetite is set at no greater than the bank’s available capital (i.e., received paid-in capital and retained earnings).

Note 1: Economic Capital is defined as the capital the bank should hold to protect its net asset value falling below zero after a worst-case fair value loss over one year.
Note 2: The following financial risks are managed outside the economic capital model: Liquidity risk and Model Risk.
Note 3: Based on current usage of c. USD1,775 million of capital.
Note 4: As at September 30, 2019.
OVERVIEW OF KEY FINANCIAL POLICIES

Conservative and sound ALM, Market Risk and Credit Risk policies

The AIIB has put in place strong policies on governance, finance, procurement as well as environmental and social frameworks.

Asset Liability Management

- Swap counterparts must be institutions rated A or better.
- Credit exposure is mitigated via 2-way CSA agreements.
- Debt funding is swapped into a USD liability. The majority is expected to be held on a floating rate basis.
- Conservatively managed 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 under extreme stress conditions.

Market Risk

- Currency risk: Currency risk matching for assets financed by debt. Unhedged currency exposure for equity funded and local currency assets can be permitted.
- Interest rate risk: Managed within internally set Value-at-Risk (VaR) and duration limits.

Financing Credit Risk

- Country exposure limit of 50% of total exposures.
- Gearing ratio limit set at 1:1.
- Third party sourced and calibrated credit scoring tools for Project risk ratings.
- Nonsovereign financing terms in line with market practices.

AIIB’s risk management framework is made up of policies, directives and administrative guidances to assess, measure, monitor and report on a range of risks. Exposures to quantifiable risks are managed both at the transaction level and via portfolio risk limits.

All risks are managed to defend, preserve and protect AIIB’s triple-A ratings.
Prudent liquidity risk management

**Liquidity Portfolio**

- Managed to ensure liquidity available via conservative and stress-tested models.
- Liquidity assets shall be well diversified within asset classes, sectors, ratings and currencies.
- Eligible securities issued by sovereigns, government agencies and supranational institutions must hold a minimum AA rating.
- Investments in money market or mutual funds are only permissible when rated AAA.
- Deposits with banks must be with institutions holding a minimum A rating.

**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.
- Conservatively managed investment portfolio.
- Liquidity expected to be well in excess of policy requirements for first five years of operations.

Any change to the Financial and Risk Management Policy, the Capital Adequacy and Stress Testing Policy and ALM Policy requires an affirmative vote by 75% of voting power by the Board of Directors
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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 – USD10.02 billion
AIIB’s **Sustainable Energy for Asia Strategy** sets out a clear framework for investing in energy projects that will increase access to clean, safe and reliable electricity for millions of people in Asia. To implement the strategy, the bank will support its members to do their part as expressed in the Paris Agreement to “hold the increase in the global average temperature to well below 2 degrees Celsius above pre industrial levels and pursue efforts to limit the temperature increase to 1.5 degrees Celsius.”
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 IBRD.*
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; & strengthening the sector institutions and policies.

In total 178,000 households (892,000 people) in 133 villages will receive upgraded sanitation services. This is a cofinancing with IBRD.
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 USD 600 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 thus providing 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 IBRD.*
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.
COFINANCINGS BREAKDOWN
Cofinancings - key to AIIB’s Initial Momentum

Cofinancing 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 any member, as long as there are ultimate benefits to Asia’s social and economic development.

Note: 1. Cofinancing partners currently include ADB, AfDB, EIB, EBRD, IsDB 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>• The bank aims to offer guarantees.</td>
</tr>
<tr>
<td>• Cofinanced sovereign lending will be encouraged.</td>
<td>• Borrowers could range from subsovereign public entities to private enterprises.</td>
<td>• Limit on Equity investments up to 10% 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>• Loan amounts can be up to 35% project.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
PROJECT APPROVAL PROCESS

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

Strategic programming
Projects meeting the preliminary screening criteria (including ESP considerations) will be discussed and approved by the Executive Committee.

Concept preparation
Project due diligence to affirm project viability. Draft agreement 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. AIIB takes steps to ensure compliance with policies, implementation of risk mitigation measures and achievement of project objectives.

• For sovereign-backed financing, 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 assessments are carried out to ensure that all projects comply with the bank’s ESP policy.

On maturity of all loans, a Project Completion Report is required, evaluating the project, its financing and performance impact compared to initial objectives. The conclusions are fed back into the project analysis and review process, to continuously improve the bank’s decision-making framework. This ensures rigorous accountability for implementation and ultimate success.
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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
- Environmental and Social Exclusion List

Objectives of the ESF

- Provide a robust structure for managing operational and reputational risks of the bank and its shareholders in relation to Projects’ 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 Policy (ESP) 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. The bank:

• Screens and categorizes each proposed project based on its potential environmental and social risks and impacts.
• Requires environmental and social assessments.
• Identifies actions to avoid, minimize, mitigate and/or offset impacts.
• Includes provisions for disclosure of information and public consultation.

Every project has a Grievance Redress Mechanism accessible to the general public.

• Mandatory requirements that apply to Clients and Operations are set out in 3 Environmental and Social Standards:
  i. Environmental and Social Assessment and Management.
  ii. Involuntary Resettlement.
  iii. Indigenous Peoples.

• Every project is subject to AIIB’s Environmental and Social Policy, Environmental and Social Standards, and Environmental and Social Exclusion List

• Ensure the environmental and social soundness and sustainability of each project.
• Support integration of environmental and social aspects of projects into the decision-making process by all parties.
• Provides for public consultation and disclosure.
• Projects have Environment and Social Management Plans to support effective implementation of management and monitoring measures.
• Regular monitoring and reporting required by the Client on implementation of the environmental and social measures agreed with the bank.
• The bank also conducts periodic site visits and comprehensive field-based reviews to ensure compliance with the ESP and applicable ESSs.
AIIB’S COMMITMENT TO SUSTAINABLE GROWTH

SDGs mapped across AIIB operations

Interpretation of the SDGs in relation to AIIB’s activities

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).

GOAL 8: Industry, innovation and infrastructure
- Georgia: Batumi Bypass Road (2017).
- India: Mehdiy Rural Road Connectivity (2019).
- Oman: Duqm Port Commercial Terminal and Operational Zone Development (2016).
- 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 Flood Management (2017).
AIIB’S COMMITMENT TO SUSTAINABLE GROWTH

Use of Proceeds

- AIIB’s Environmental and Social Framework (ESF) is the cornerstone of its commitment to supporting environmentally and socially sustainable infrastructure projects for both sovereign and non-sovereign 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 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.

- AIIB has chosen to reflect its sustainable nature by adopting Use of Proceeds language for all borrowings referencing its mandate and adherence throughout to its Environmental and Social Policy (ESP).

- 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’S ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RATINGS

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)  
  November 2018

- 66/100 (Average Performer)  
  November 2018

- 51/100 (Robust)  
  November 2019
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## 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. The stand-alone credit profile for AIIB is ‘aaa’, reflecting our assessment of its &quot;very strong&quot; enterprise risk profile and &quot;extremely strong&quot; financial risk profile. 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>February 15, 2019</em></td>
</tr>
<tr>
<td>Moody’s</td>
<td>Aaa</td>
<td>P-1</td>
<td>Stable</td>
<td>“Moody’s continues to expect AIIB to maintain strong capitalization despite near-term challenges to the credit quality of some of its current investments. At the same time, shareholder support will remain steadfast as its membership and, consequently, its capital base expands beyond the levels at its founding in 2015. Overall, the rating incorporates the rating agency’s assessment of AIIB’s current and future creditworthiness as it continues to ramp up its operations over the next 5-10 years.” <em>March 28, 2019</em></td>
</tr>
<tr>
<td>Fitch Ratings</td>
<td>AAA</td>
<td>F1+</td>
<td>Stable</td>
<td>“AIIB's 'AAA' IDR reflects its intrinsic credit strength. Based on Fitch’s 10-year projections, 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.” <em>July 11, 2019</em></td>
</tr>
</tbody>
</table>

### Summary Rating Rationale

- **Strong capital commitment from diversified sovereign shareholder base**
- **Set to have a significant impact on Asia’s large infrastructure needs**
- **Strong governance and risk management framework**
- **Strong financial profile with very high projected liquidity position**
- **Very high strength of member support**
- **Preferred creditor status**
- **BIS 0% RW / HQLA level 1 status**
FUNDING STRATEGY

AIIB as a prime, frequent USD 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.
- AIIB’s annual funding program is expected to be several billion US Dollars for its first few years of activity and then will 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>Current 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>✓ Eurobonds and Private placements</td>
<td>GMTN</td>
</tr>
</tbody>
</table>
I. OVERVIEW OF AIIB
II. KEY FINANCIAL POLICIES
III. INVESTMENT OPERATIONS
IV. ENVIRONMENTAL, SOCIAL & GOVERNANCE
V. AIIB IN THE CAPITAL MARKETS

APPENDICES & USEFUL LINKS
Policies approved and investment operations of USD10.02 billion

**2014**
- **October**
  - 22 Asian countries sign a Memorandum of Understanding (MOU) to establish the AIIB.

**2015**
- **August**
  - Jin Liqun selected as President-designate of the AIIB.
- **December**
  - Articles of Agreement enter into force on December 25, 2015. Initial capital subscriptions total 50.1% of the shares allocated.

**2016**
- **January**
  - Inaugural meetings of the Board of Governors and Board of Directors.
  - Key policies including financial policies, 2016 Business Plan and Budget approved.
- **June**
  - Board of Directors approves the first batch of four projects, totaling USD509 million.
  - First Annual Meeting of the Board of Governors held.

**2017**
- **January**
  - AIIB announces strategic priorities for 2017.
  - Launches final round of consultation on draft energy strategy.
- **March**
  - Between March and June 2017 AIIB expands membership base to 80.
- **June**
  - Third Annual Meeting of the Board of Governors held in Mumbai. Total approved projects reach USD5.3 billion and members increase to 87.
  - AAA/Aaa/AAA ratings were assigned to AIIB.
- **October**
  - Assigned BIS 0% risk weighting and HQLA 1 treatment.

**2018**
- **April**
  - Approved investment operations reach USD4.4 billion.
- **June**
  - AIIB is added to the EU CRR Art. 117 list of MDB.
- **July**
  - Fourth Annual Meeting of the Board of Governors held in Luxembourg.
  - Approved members reach 100.
- **November**
  - Approved investment operations reach USD6.4 billion.

**2019**
- **October**
  - Approved members reach 93.
- **December**
  - Approved investment operations reach USD10.02 billion.
GLOBAL BEST PRACTICE IN MDB GOVERNANCE

Transparency, independence, and accountability

**Board of Governors**
- Each AIIB member appoints a Governor.
- All powers of the AIIB are vested in the Board of Governors.
- Members’ voting power is the sum of Basic Votes, Share Votes and Founding Member Votes.
- Basic Votes: Each member has the same number of basic votes calculated to sum to 12% of members’ total share votes.
- Share Votes: Each member has one vote for each share of capital stock held.
- Founding Member Votes: 600 votes allocated to each Founding Member.

**Board of Directors**
- Composed of 12 Directors, 9 elected by regional members and 3 elected by non-Regional members.
- Supervise the management and the operation of the bank.
- Two-year terms and may be re-elected.

**President**
- Elected by the Board of Governors.
- National of a regional member country.
- May serve up to two 5-year terms.

**Vice Presidents**
- Appointed by the Board of Directors upon the recommendation of the President.

**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.

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.

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 non-borrowers.
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 learns from other MDBs.

The Accountability Framework is to strengthen:

• The role of the Board of Directors in establishing the policies and strategies of the Bank;

• The role of the President in conducting the business of the Bank, including through the delegation of authority to approve projects to the President, with the exception of those categories of projects reserved for consideration by the Board of Directors;

• The role of the Board of Directors to hold the President accountable for the management of the Bank in line with the agreed policies and strategies.

• Clear information-sharing protocols determine the flow of project-related information between the Board of Directors and the Management of the Bank.

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 is operational since January 1, 2019, and will phase-in gradually.
## FINANCIAL OVERVIEW

### Key financial figures – as at September 30, 2019

#### Balance Sheet

<table>
<thead>
<tr>
<th>Assets</th>
<th>Sep 30, 2019 (unaudited)</th>
<th>Sep 30, 2018 (audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>2,931,438</td>
<td>2,252,741</td>
</tr>
<tr>
<td>Term deposits</td>
<td>12,497,600</td>
<td>8,223,299</td>
</tr>
<tr>
<td>Investment at fair value through profit or loss</td>
<td>2,103,240</td>
<td>3,325,484</td>
</tr>
<tr>
<td>Funds deposited for cofinancing arrangements</td>
<td>5,128</td>
<td>5,992</td>
</tr>
<tr>
<td>Loan investments, at amortized cost</td>
<td>1,903,620</td>
<td>1,365,187</td>
</tr>
<tr>
<td>Bond investments, at amortized cost</td>
<td>170,109</td>
<td>-</td>
</tr>
<tr>
<td>Paid-in capital receivables</td>
<td>2,924,691</td>
<td>4,386,984</td>
</tr>
<tr>
<td>Derivative assets</td>
<td>84,099</td>
<td>-</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>1,285</td>
<td>906</td>
</tr>
<tr>
<td>Other assets</td>
<td>2,611</td>
<td>1,676</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>22,623,821</strong></td>
<td><strong>19,562,269</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowings</td>
<td>2,585,456</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid paid-in capital</td>
<td>200</td>
<td>2,560</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>136,753</td>
<td>47,291</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>2,722,409</strong></td>
<td><strong>49,851</strong></td>
</tr>
<tr>
<td><strong>Total Members’ Equity</strong></td>
<td><strong>19,901,412</strong></td>
<td><strong>19,512,418</strong></td>
</tr>
<tr>
<td><strong>Total Liabilities &amp; Members’ Equity</strong></td>
<td><strong>22,623,821</strong></td>
<td><strong>19,562,269</strong></td>
</tr>
</tbody>
</table>

#### Income Statement

<table>
<thead>
<tr>
<th></th>
<th>For the six months ended Sep 30, 2019 (unaudited)</th>
<th>For the six months ended Sep 30, 2018 (unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>324,824</td>
<td>176,378</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(21,094)</td>
<td>-</td>
</tr>
<tr>
<td>Net Interest Income</td>
<td>303,730</td>
<td>176,378</td>
</tr>
<tr>
<td>Net fee and commission expense</td>
<td>9,087</td>
<td>(803)</td>
</tr>
<tr>
<td>Net gain on investment at fair value through profit or loss</td>
<td>63,950</td>
<td>35,822</td>
</tr>
<tr>
<td>Impairment provision</td>
<td>(17,184)</td>
<td>(51,487)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(89,102)</td>
<td>(40,387)</td>
</tr>
<tr>
<td>Net foreign exchange loss</td>
<td>(277)</td>
<td>13</td>
</tr>
<tr>
<td><strong>Operating Profit for the Period</strong></td>
<td><strong>270,204</strong></td>
<td><strong>99,536</strong></td>
</tr>
<tr>
<td>Accretion of paid-in capital receivables</td>
<td>47,881</td>
<td>82,733</td>
</tr>
<tr>
<td><strong>Net Profit for the Period</strong></td>
<td><strong>318,085</strong></td>
<td><strong>182,269</strong></td>
</tr>
<tr>
<td><strong>Total Comprehensive Income</strong></td>
<td><strong>318,085</strong></td>
<td><strong>182,269</strong></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 co-financing 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 for Reconstruction and Development</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

President

Mr. Jin Liqun

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

Senior Management

<table>
<thead>
<tr>
<th>Corporate Secretary</th>
<th>Chief Financial Officer</th>
<th>Chief Investment Officer</th>
<th>Policy &amp; Strategy</th>
<th>Chief Admin Officer</th>
<th>General Counsel</th>
<th>Chief Risk Officer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sir Danny Alexander</td>
<td>Mr. Thierry de Longuemar</td>
<td>Dr. D.J Pandian</td>
<td>Dr. Joachim von Amsberg</td>
<td>Dr. Lunky Eko Wuryanto</td>
<td>Mr. Gerard Sanders</td>
<td>Dr. Martin Kimmig</td>
</tr>
</tbody>
</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

Senior Staff

<table>
<thead>
<tr>
<th>Chief Officer</th>
<th>Complaints-resolution, Evaluation and Integrity Unit</th>
<th>Communications</th>
<th>Treasurer</th>
<th>Controller</th>
<th>Assistant CFO</th>
<th>Strategy, Policy &amp; Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Huan Chen</td>
<td>Mr. Hamid Sharif</td>
<td>Ms. Laurel Ostfield</td>
<td>Mr. Domenico Nardelli</td>
<td>Ms. Huilong Lee (Acting)</td>
<td>Mr. Andrew Cross</td>
<td>Ms. Quan Zheng</td>
</tr>
</tbody>
</table>

Input Operations I

Investment Operations II

Investment Operations III

Client Relations and Programming Office

Human Resources

Facilities & Administration Services

Ms. Supee Teravaninthorn

Mr. Yee Ean Pang

Mr. Dong Ik Lee

Mr. Konstantin Limitovskiy

Ms. Bee Choo Lim

Ms. Dan Yang

Prior roles
- Over 30 years with the Indian Administrative Services at state, national, and international levels
- Established the Gujarat Energy Research and Management Institute
- Prior roles
- Vice President, Finance, Administration and Risk Management at ADB
- Over 30 years experience in the multilateral and private sectors
- Vice President of Finance at AIIB
- Prior roles
- Over 30 years with the Indian Administrative Services at state, national, and international levels
- Established the Gujarat Energy Research and Management Institute
- Prior roles
- Vice President, Development Finance at the WB
- Vice President for Operations Policy and Country Services, WB
- Country Director for Indonesia and Philippines
- Prior roles
- Deputy Coordinating Minister for Infrastructure, Indonesia
- Senior positions in Indonesian government for over 20Y
- 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)
- Prior roles
- Former MD of The Rock Creek Group, covering EM equities
- 24-year career at the World Bank Group, in particular the IFC’s investment operations and risk management departments
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