Local Currency Financing
Overview and Key Features

Overview
- **Infrastructure projects** – are long tenor, high volume, unpredictable cashflows
- Matching the currency denomination of assets to liabilities, AIIB’s clients can focus on projects’ implementation rather than be concerned about exchange rate movements
- AIIB targets to provide local currency financing that may reduce the risk of losses from such currency mismatches and, in turn, decrease the credit risks of projects.

Main Sources for Back-to-Back Local Currency Funding

Bonds
- Capital Market Investors
- AIB Issuance
- Local Currency Loans

Swaps
- USD pool
- AIIB
- Local Currency Loans

Pricing Components (Market based pricing)
- AIIB’s cost of local currency (if funding through bonds)
  1. Cost based on local market-based benchmark (government bond yield or a relevant reference rate)
  2. Issuance or execution costs (underwriting fees, execution costs)
  3. Recurring costs (listing, custody, payment fees)
- AIIB’s cost of local currency (if funding through swaps)
  1. Swap rate
  2. Client or project spread (negotiated separately for each loan)
  3. Front-end fee
  4. Commitment fee

✓ Borrowers may be allowed to prepay all or part of the disbursed and outstanding amount during the life of the loan, by notifying AIIB according to the relevant provisions in the loan documentation.
✓ Borrowers will be allowed to cancel all or part of the undisbursed balance. Prepayment or cancellation charges may apply in case AIIB incurs costs as a result of the loan prepayment or cancellation by a client.

Benefits to Clients
- Reduction in earnings’ volatility due to FX movements
- Decrease of debt burden in case of LCY depreciation
- Better credit rating of a borrower / project
- Reduced possibility of financial distress
- Possibility of borrowing LCY in longer tenor

Benefits to AIIB
- Flexibility to offer client’s currency of choice
- Stronger credit for loan book
- Lower possibility of defaults
- Access to loan markets that operate in LCY only
- Opportunity to direct LCY funds towards project finance and corporates
Local Currency Financing

Eligibility
Local Currency financing is available to private sector clients and certain public sector entities.

Available Currencies (as of September 2019)
Indian Rupee
Indonesian Rupiah
Thai Baht
Turkish Lira
Russian Ruble

Cashflows

Initial Cashflows

Ongoing Cashflows

AIIB will use the following approaches for its local currency funding:

(i) back-to-back funding through swaps to finance a specific project;
(ii) pool funding, where AIIB maintains a pool of liquidity through swaps and off-shore bonds in a certain local currency to finance various projects;
(iii) funding through on-shore bond issuance.

Available Currencies

AIIB will continue to add available currencies based on business needs.

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 100 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.