



Sovereign Backed Financing

Background

AIIB's mission is to **improve economic and social development** in Asia through a focus on sustainable infrastructure, cross-border connectivity and private capital mobilization.

Infrastructure projects have long tenor, high volume, unpredictable cashflows.

AIIB provides **financings** in the forms of **loans and guarantees to the sovereign-backed and sovereign-guaranteed** borrowers. The **loans** are provided in United States Dollars with the pricing based on six-month LIBOR plus fixed or variable Lending Spread, or in Euro with the pricing based on six-month Euribor plus variable Lending Spread; plus a front-end fee and a commitment fee. The Lending Spread depends on the average repayment profile of a loan. Other currencies may be offered if AIIB is able to hedge non-USD currency lending. For full description refer to **Operational Policy on Financing** and **General Conditions** for Sovereign-backed Loans on AIIB's website.

SOVEREIGN-BACKED LOANS

Common Terms	Description
Currency	United States Dollars or Euro. Other currencies may be offered if AIIB is able to fund itself efficiently in the market
Maturity	Final maturity limit is 35 years, average maturity limit is 20 years
Repayment Schedule	Linked to commitments or disbursements
Amortization Profile	Level, bullet, annuity or customized
Grace Period	A period from the Loan signing date to the first principal payment date wherein no principal repayment is made
Interest Payment Date	Every six months, the first and 15 th of the month
Front-End Fee	0.25%, a one-time front-end fee is charged on the committed Loan amount
Commitment Fee	0.25%, accrues from the date falling 60 days after the Loan signing date, charged on the undisbursed amount of the Loan, payable semi-annually
Cancellations	The Bank or the Recipient may cancel any amount of the unwithdrawn Loan balance
Prepayments	A Loan may be prepaid in full or in part with at least 45 days' notice. AIIB may charge a prepayment premium to cover the cost of redeploying prepaid funds
Lending Rate	six-month reference rate (for example, LIBOR or Euribor) plus Lending Spread
Lending Spread	The Borrower may choose Fixed Spread or Variable Spread for USD, or Variable Spread for other currencies, such as Euro, per Loan

FIXED SPREAD LOAN

In a Fixed Spread Loan (FSL), the Borrower is insulated from changes in AIIB's funding cost. Fixed Spread remains constant during the loan tenor. Fixed Spread consists of AIIB's cost of refinancing risk which is broken down into (1) projected funding spread and risk premium, depending on average Loan life; (2) contractual lending spread, which is the same for all loans and (3) maturity premium, which depends on average Loan life.

FSL Lending Rate (as of December 2019)

Average Maturity	Up to 8 years	Greater than 8 through 10 years	Greater than 10 through 12 years	Greater than 12 through 15 years	Greater than 15 through 18 years	Greater than 18 through 20 years
Reference Rate	6-Month LIBOR					
Projected Funding Spread	0.05%	0.15%	0.15%	0.20%	0.25%	0.25%
Risk Premium	0.10%	0.10%	0.10%	0.10%	0.15%	0.15%
Contractual Lending Spread	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Maturity Premium	0%	0.10%	0.20%	0.30%	0.40%	0.50%
Fixed Spread	0.65%	0.85%	0.95%	1.10%	1.30%	1.40%
FSL Lending Rate	6-Month LIBOR + 0.65%	6-Month LIBOR + 0.85%	6-Month LIBOR + 0.95%	6-Month LIBOR + 1.10%	6-Month LIBOR + 1.30%	6-Month LIBOR + 1.40%



CONTACT





Sovereign Backed Financing

VARIABLE SPREAD LOAN

The pricing principle of Variable spread Loan (VSL) is to pass changes in the Bank's funding cost to the Borrower wherein the benefits and risks of changes in the Bank's cost of borrowing are borne by the Borrower. The variable spread changes over the lifetime of the loan. AIIB's VSL lending rate is derived as the reference rate plus a variable spread prevailing on the interest rate reset date and applicable for the following interest period. The variable spread has three components: borrowing cost margin (including cross-currency basis swap adjustment, if the loan is in hard currency other than USD), contractual lending spread and maturity premium. AIIB publishes recalculated Borrowing Cost Margin applicable from every January 1 and July 1 for a period of six months.

VSL Lending Rate (as of January 1, 2020)

Average Maturity	Up to 8 years	Greater than 8 through 10 years	Greater than 10 through 12 years	Greater than 12 through 15 years	Greater than 15 through 18 years	Greater than 18 through 20 years
Reference Rate	6-Month Reference Rate (LIBOR or Euribor)					
Borrowing Cost Margin	0%	0%	0%	0%	0%	0%
Contractual Lending Spread	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Maturity Premium	0%	0.10%	0.20%	0.30%	0.40%	0.50%
Variable Spread	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%
VSL Lending Rate	6-Month Ref. Rate + 0.50%	6-Month Ref. Rate + 0.60%	6-Month Ref. Rate + 0.70%	6-Month Ref. Rate + 0.80%	6-Month Ref. Rate + 0.90%	6-Month Ref. Rate + 1.00%

Fixed-spread loan

Lending Spread Component	Behavior
Contractual Lending Spread	Fixed
Maturity Premium	Fixed
Market Risk Premium	Fixed
Projected Funding Spread to Libor	Fixed

Variable-spread loan

Lending Spread Component	Behavior
Contractual Lending Spread	Fixed
Maturity Premium	Fixed
Actual Funding Cost Margin	Variable

SOVEREIGN-BACKED GUARANTEES

Terms	Description
Currency	United States Dollars. Other currencies may be offered
Front-End Fee	0.25%, a one-time front-end fee is charged on the guarantee amount
Processing Charge	Up to 0.50%, a one-time front-end fee is charged on the guarantee amount
Standby Fee	0.25%, charged on the undisbursed amount of financing benefitting from the guarantee
Guarantee Fee	Charge on financial exposure under the guarantee (present value of the guaranteed payments at earliest call dates) includes maturity premium.

Guarantee fees and charges (as of December 2019)

Average Maturity	Up to 8 years	Greater than 8 through 10 years	Greater than 10 through 12 years	Greater than 12 through 15 years	Greater than 15 through 18 years	Greater than 18 through 20 years
Maturity Premium	0%	0.10%	0.20%	0.30%	0.40%	0.50%
Guarantee Fee (includes maturity premium)	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%

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.

