

# ASIAN INFRASTRUCTURE INVESTMENT BANK

**Business Opportunities Seminar  
Energy, ICT & Other Productive Industries  
Istanbul – March 29, 2019**



# DISCLAIMER

This presentation has been prepared by the Asian Infrastructure Investment Bank (the “Bank” or “AIIB”) for information purposes only and may not be reproduced or redistributed. Certain sections of this presentation may contain forward-looking statements that are based on expectations, estimates, projections and assumptions. These statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Therefore, actual future results and trends may differ materially from what is forecast in such forward-looking statements. The information contained in this presentation is subject to changes, modifications, additions, clarifications and/or substitutions. The Bank does not undertake any obligation to update or publicly release any revisions to this presentation to reflect events, circumstances or changes in expectations after the date of this presentation. AIIB does not make any representation, warranty or assurance of any kind, expressed or implied, nor does it assume any liability regarding the accuracy, completeness, timeliness or continued availability of any of the information contained in this presentation. This presentation is provided to you on the understanding that (i) you have sufficient knowledge and experience to understand the contents thereof; and (ii) you are not relying on the Bank for advice or recommendations of any kind (including without limitation advice relating to economic, legal, tax, regulatory and/or accounting risks and consequences). The Bank accepts no responsibility for any consequences of the use of the information provided herein. Accordingly, the use of this presentation and its contents is the exclusive responsibility of the user at its own risk. Potential users should conduct their own appropriate investigations and consult their legal, accounting and tax advisors in order to make an independent determination of the suitability and consequences of any use of the information provided herein. Nothing in this presentation shall constitute nor shall be construed as a waiver of the immunities, privileges and exemptions granted to AIIB by its Articles of Agreement, by the agreements into which AIIB has entered or may enter with its shareholder members, by the legislation of those members or by any other applicable law or international convention. This presentation constitutes neither an offer to sell nor solicitation of an offer to buy any securities of AIIB, nor is it intended to serve as a basis for any kind of obligation, contractual or otherwise.

The maps used in this presentation are for reference only. The boundaries, colors, denominations and any other information shown on these maps do not imply, on the part of the AIIB, any judgment on the legal status of any territory, or any endorsement or acceptance of such boundaries.

As at March 10, 2019 unless otherwise stated.

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 16, 2016 and have now grown to 93 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.



#### **MEMBERS**

70 Members, 23 Prospective



#### **PROJECTS APPROVED**

Guided by AIIB thematic priorities

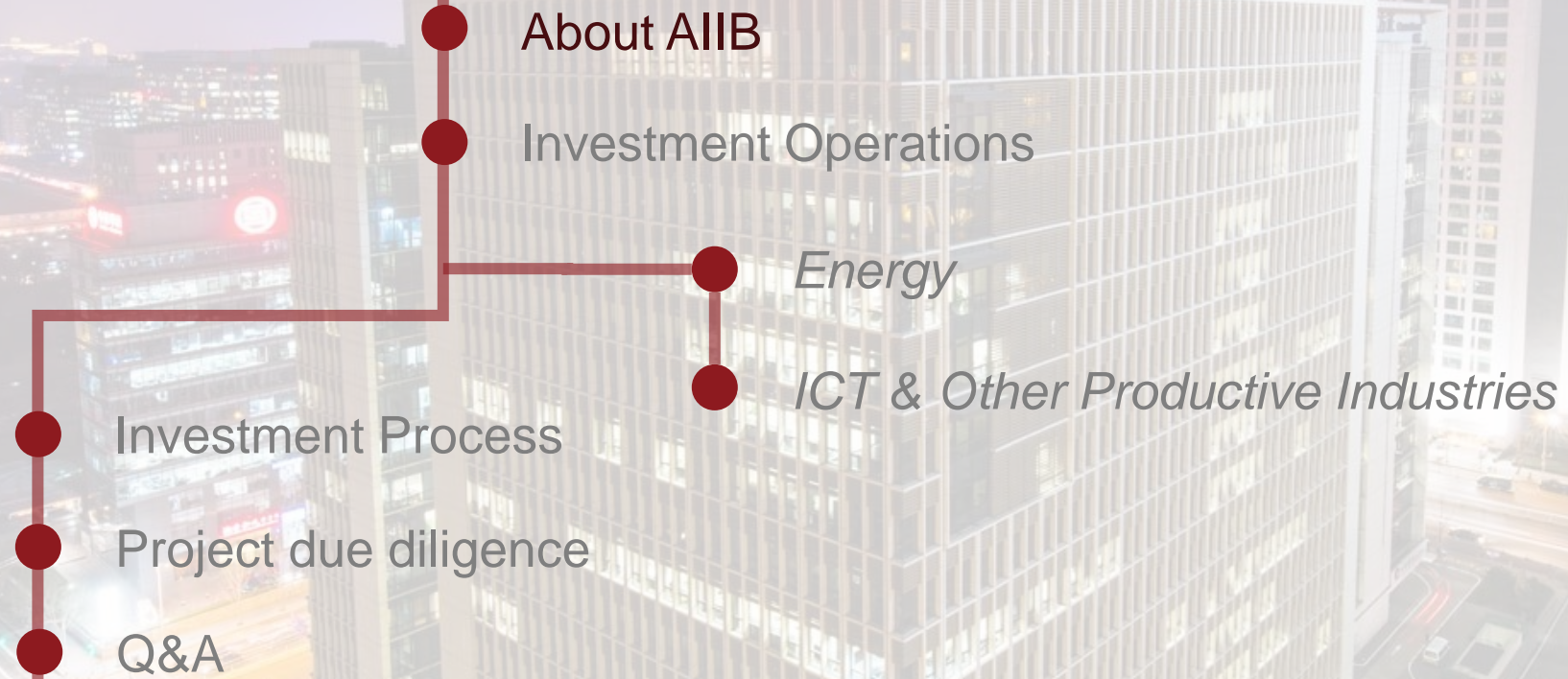


#### **TOTAL INVESTMENTS AND LOANS**

Projects funded will better connect people, services and markets to promote sustainable development and prosperity



# PROGRAM



# ABOUT AIIB

## Asian Infrastructure Investment Bank

### Who we are

Multilateral Development Bank (MDB) founded to bring countries together to address Asia's daunting **infrastructure funding gap estimated at USD 26 trillion through 2030.**<sup>1</sup>

### Our mission

To improve economic and social development in Asia and beyond through a focus on **sustainable infrastructure**, cross-border connectivity and private capital mobilization.

### Credit strength

Strong support from diversified global shareholder base. **USD100 billion capital stock** with 20% assigned to paid-in capital. Prudent risk management and financial policies. AAA/Aaa/AAA rating with stable outlook.

### Our 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.



<sup>1</sup>Source: ADB. 2017. Meeting Asia's Infrastructure Needs.

# ABOUT AIIB—MEMBERSHIP

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

## Members Non-Regional

Austria	Madagascar
Belarus	Malta
Canada	Netherlands
Denmark	Norway
Egypt	Poland
Ethiopia	Portugal
Finland	Romania
France	Spain
Germany	Sudan
Hungary	Sweden
Iceland	Switzerland
Ireland	United Kingdom
Italy	
Luxembourg	

## Prospective Regional

Armenia  
Cook Islands  
Kuwait\*  
Lebanon  
Papua New Guinea  
Tonga

## Prospective Non-Regional

Algeria	Libya
Argentina	Morocco
Belgium	Peru
Bolivia	Serbia
Brazil*	South Africa*
Chile	Togo
Ecuador	Venezuela
Ghana	
Greece	
Kenya	









# AIIB's PROFILE—SHAREHOLDING STRUCTURE

## A strong voice for regional members

**USD100 billion** authorized capital: 20% paid-in shares; 80% callable shares

According to our Articles of Agreement, regional members must hold 75% of the total subscribed capital stock of the Bank.

		Capital contributions (% of Bank total)	Share of votes held (% of total)
	China	30.89%	26.52%
	India	8.67%	7.61%
	Russia	6.78%	5.99%
	Germany	4.65%	4.18%
	S. Korea	3.87%	3.52%
<hr/>			
	Turkey	2.70%	2.55%

Regional Members	Shareholding
China	30.89%
India	8.67%
Russia	6.78%
Korea	3.87%
Australia	3.82%
Indonesia	3.48%
Turkey	2.70%
Saudi Arabia	2.63%
Iran	1.63%
Thailand	1.48%

Nonregional Members	Shareholding
Germany	4.65%
France	3.50%
UK	3.16%
Italy	2.66%
Spain	1.82%
Netherlands	1.06%
Canada	1.03%
Poland	0.86%
Switzerland	0.73%
Egypt	0.67%

# AIIB's PROFILE—STRONG CREDIT FUNDAMENTALS

AIIB assigned highest rating by three agencies

Ratings	Long Term	Short Term	Outlook
S&P Global Ratings	AAA	A-1+	Stable
Moody's Investor Service	Aaa	Prime-1	Stable
Fitch Ratings	AAA	F1+	Stable



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.



# INVESTMENT OPERATIONS—OVERVIEW

## AIIB supports nonsovereign and private sector projects

### Funding scope

- Open to financing subnational entities, SOEs, private sector companies, PPPs or hybrid structures. Funding can be senior debt/mezzanine/equity products.
- Currency and rate swaps available depending on the situation.
- Financing in other currencies is expected to be available in 2019.

### Criteria and Boundaries

- Both project and corporate financings containing infrastructure or productive sector characteristics. Project-focused financing.
- Based on the ability of a project or a company to generate cash flow and value addition.
- Attention to lower income countries but not restricted to those.
- No concessional finance; financing done on commercial terms.
- AIIB performs investment banking-style Due Diligence.

## AIIB engages in sovereign projects

### Funding scope

- Mainly sovereign projects, also open to financing sub-national entities, SOEs, private sector, hybrid structures with sovereign guarantees.
- Based on project's inherent benefits.
- Attention to lower income countries but not restricted to only those.

### Criteria and Boundaries

- No budgetary, program or reform lending.
- Projects must have infrastructure or productive assets. Project-focused financing.
- No concessional finance; financing done on commercial terms.
- Special Fund (with China/South Korea/UK contributions) available for project preparation support in low income countries.
- AIIB assesses Integrity, Technical, Economic, Legal, Cost/Benefit and Procurement aspects as well as Financial, E&S risks.

# INVESTMENT OPERATIONS—PRODUCTS AND TYPES OF FINANCING

## Private sector/Nonsovereign-backed financing

To provincial and municipal governments; state-owned enterprise; private sector firms.

- Project finance loans, mezzanine debt and equity, corporate loans and equity; platform debt and equity.
- Other catalytic investment for funds, bonds, guarantee, etc.

“

*The Articles of Agreement permit the Bank to provide financing in a variety of ways, **including, inter alia, making loans, investing in the equity capital of an enterprise, and guaranteeing**, whether as primary or secondary obligor, **in whole or in part**, loans for economic development. In addition, the Bank may **underwrite, or participate in the underwriting of, securities** issued by any entity or enterprise for purposes consistent with its purpose.*

”

## Public sector/sovereign-backed financing

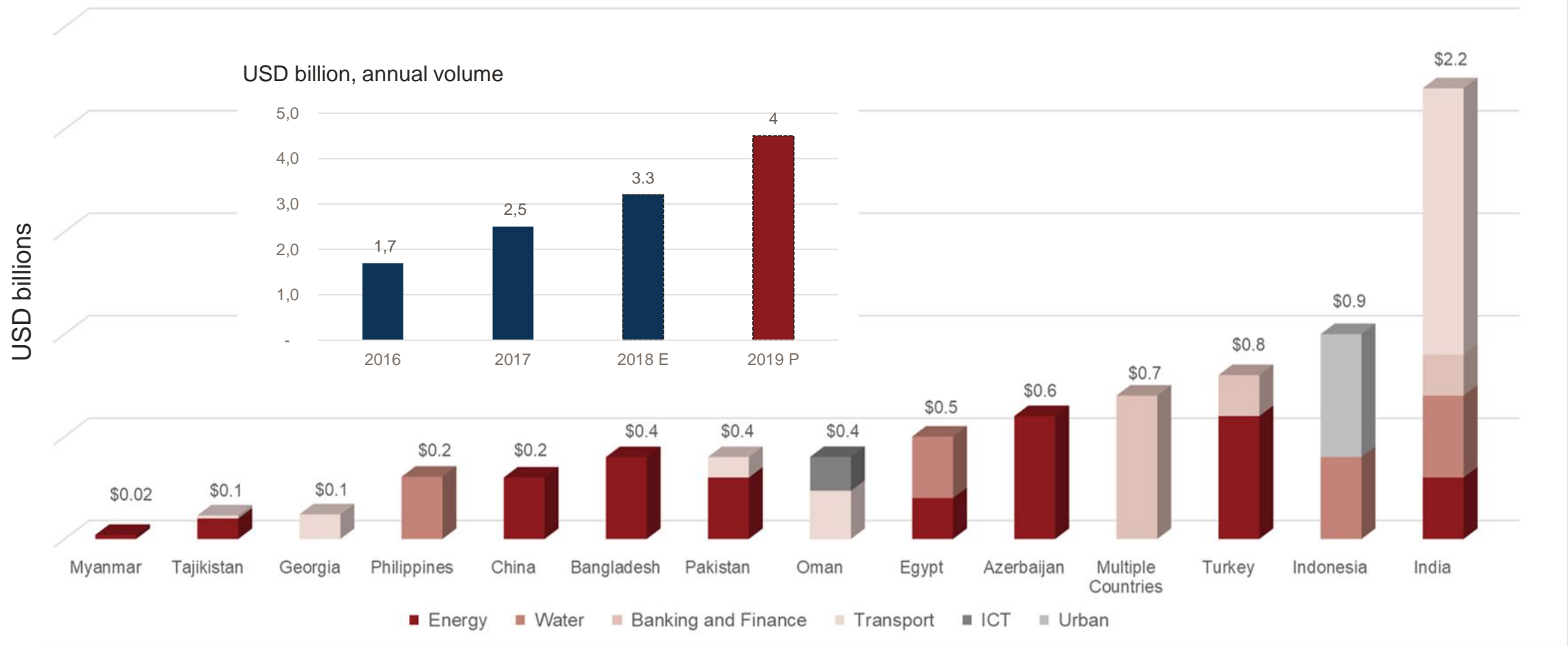
To sovereign borrower or requires sovereign guarantee:

- Loan.
- Guarantee.



# INVESTMENT OPERATIONS—APPROVED VOLUMES

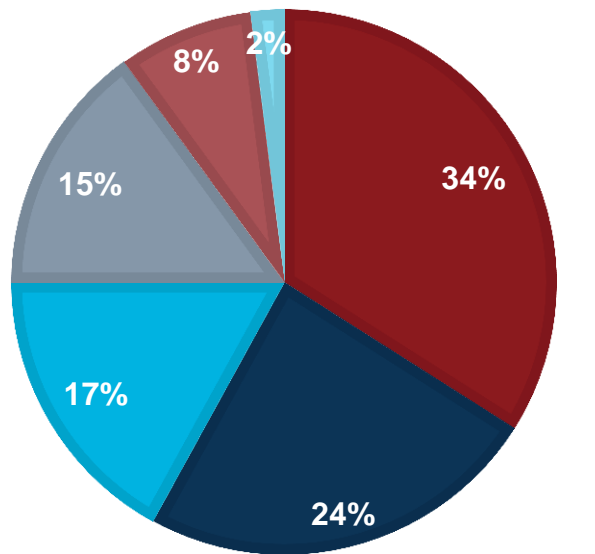
Loans approved since inception: USD7.62 billion



# INVESTMENT OPERATIONS—PORTFOLIO DISTRIBUTION

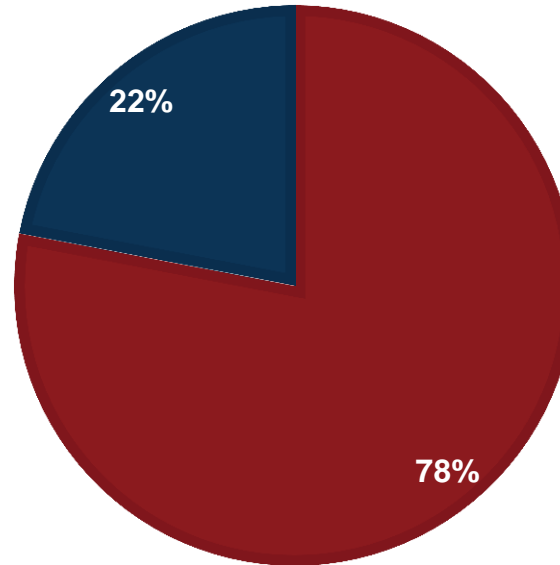
Loans approved since inception: USD7.62 billion

SECTORAL DISTRIBUTION  
AMOUNT OF COMMITMENTS  
(PERCENTAGE)



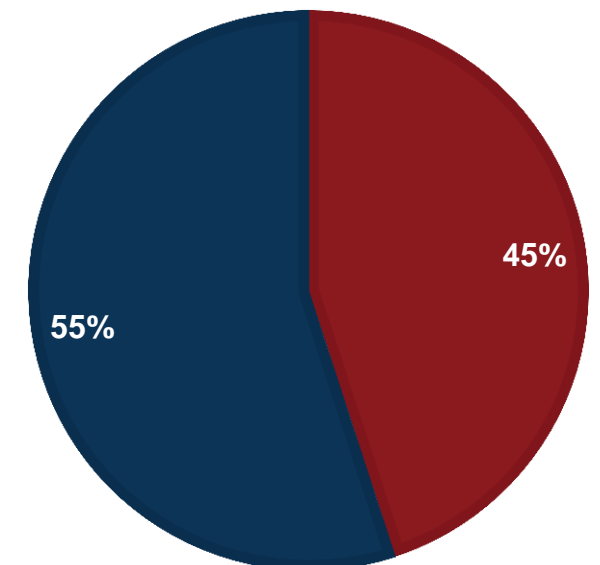
■ Energy  
■ Water  
■ Urban  
■ Transport  
■ Banking & Finance  
■ ICT

SOVEREIGN VS. NONSOVEREIGN  
AMOUNT OF COMMITMENTS  
(PERCENTAGE)



■ Sovereign ■ Nonsovereign

COFINANCING VS. STANDALONE  
AMOUNT OF COMMITMENTS  
(PERCENTAGE)



■ Standalone ■ Cofinancing

# INVESTMENT OPERATIONS—ORGANIZATIONAL STRUCTURE





# PROGRAM



# ASIA—KEY ENERGY CHALLENGES

## Present

**~84%** of primary energy demand derives from fossil fuels.

**~350 million** people live without access to electricity.

**~1.7 billion** people without access to clean cooking facilities.

**~48%** of global energy-related emissions originate in Asia.

## Future (2030-2040)

**2/3** of global energy growth will be contributed by developing countries in Asia by 2040.

**99%** electrification rate is expected by 2030 in developing Asia; rural areas remain a challenge.

**50%** of world population (4.6 billion people) will live in the region by 2040.

**USD41 trillion** energy investment needs are estimated until 2040.

**Double** electricity demand by 2040 (17.8PWh).

# AIIB ENERGY STRATEGY

The framework, principles, and operational modalities to guide AIIB's energy sector engagement.

Support countries to develop and improve their energy infrastructure, increase energy access, transition to low carbon energy mix and help meet their international commitments.

Recognizes the energy challenges of the region and builds on the principles of the:

- Sustainable Energy for All.
- 2030 Agenda for Sustainable Development.
- Paris Agreement.

Consistent with AIIB's "***Lean, Clean and Green***" Core Values and thematic priorities.

## AIIB's Guiding Principles

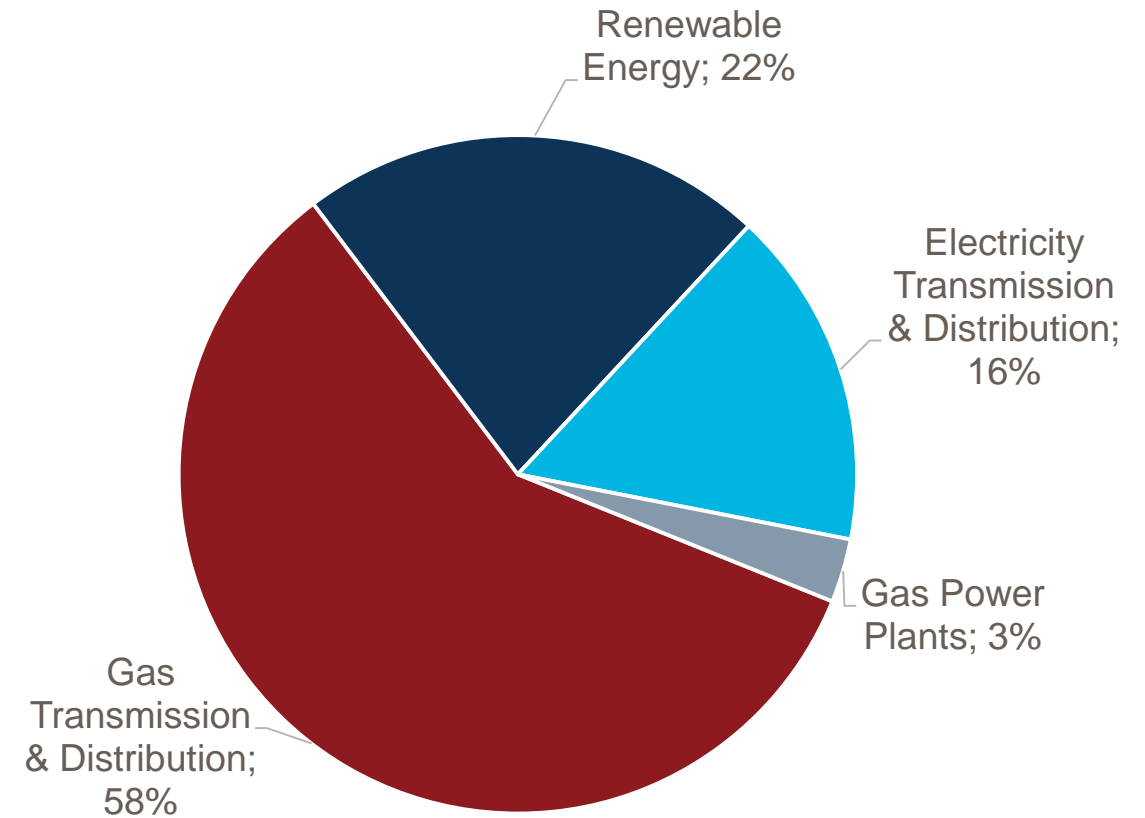
1. Promote Energy Access and Security.
2. Realize Energy Efficiency Potential.
3. Reduce the Carbon Intensity of Energy Supply.
4. Manage Local and Regional Pollution.
5. Catalyze Private Capital.
6. Promote Regional Cooperation and Connectivity.

# AIIB ENERGY SECTORAL APPROACH

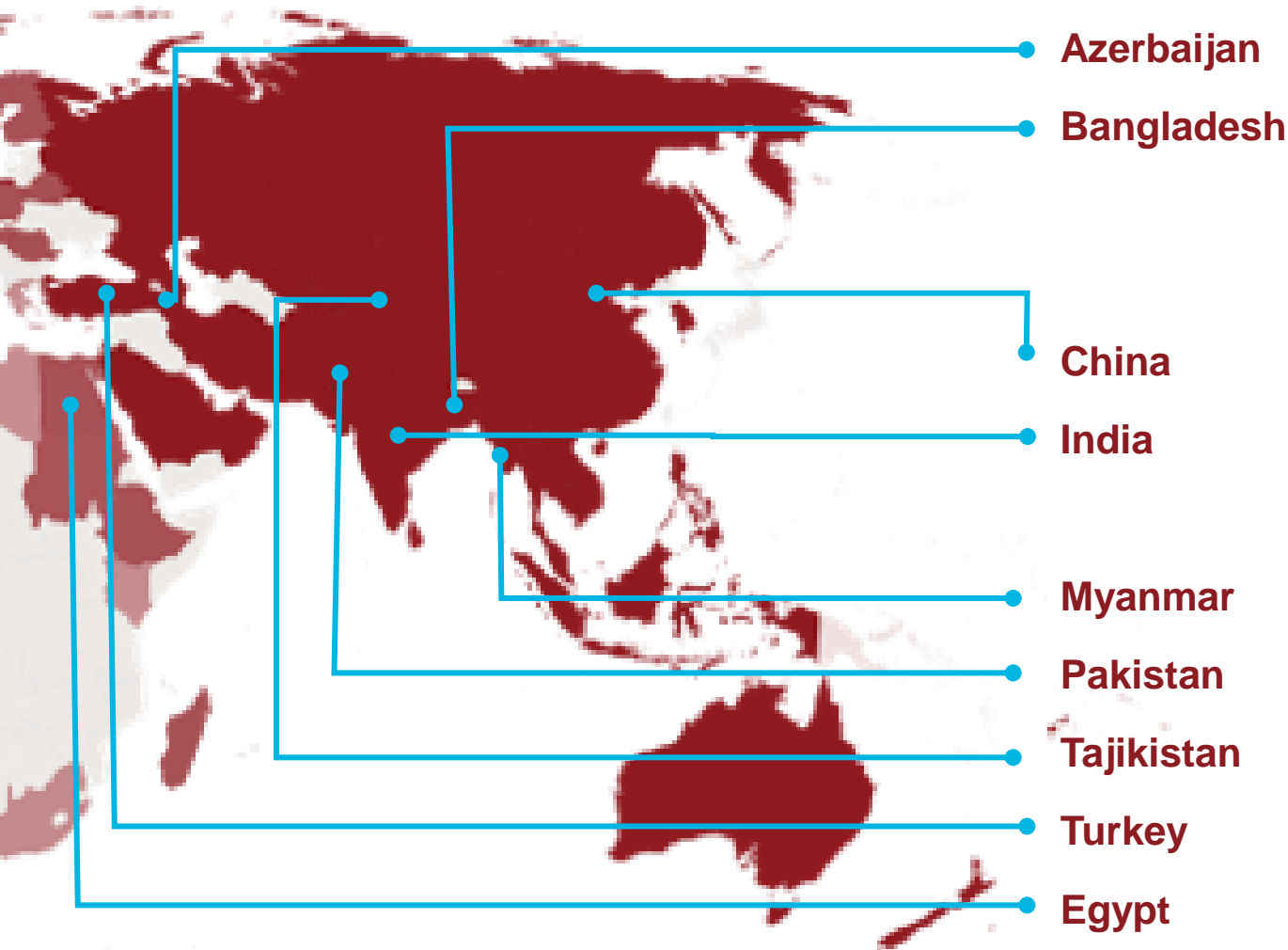


- Power Transmission and Distribution.
- Energy Efficiency Investments.
- Renewable Energy Investments (hydro, solar, wind, biomass, geothermal).
- Local and Regional Pollution Management.
- Fossil Fuel Power Generation Investments.
- Oil and Natural Gas Processing, Transportation and Distribution.

Approved Portfolio (committed amounts), Dec. 2018



# AIIB APPROVED ENERGY PORTFOLIO



**Total: USD2.58 billion**

Trans Anatolian Natural Gas Pipeline	USD 600m
Bhola IPP	USD 60m
Distribution System Upgrade	USD 165m
Natural Gas Infrastructure & Efficiency	USD 60m
Beijing Air Quality Improvement	USD 250m
Andhra Pradesh 24x7 – Power For All	USD 160m
Transmission System Strengthening	USD 100m
Myingyan 220MW CCGT Power Plant	USD 20m
Tarbela 5 Hydropower Extension	USD 300m
Nurek Hydropower Rehabilitation, Ph. I	USD 60m
Tuz Golu Gas Storage Expansion	USD 600m
Round II Solar PV FiT Program	USD 210m





# TURKEY—RISKS AND OPORTUNITIES

## Challenges & Risks

- ST gas shortages: lack of **gas storage**, generation growth.
- ST **over-capacity**: the 2018 crisis has slowed down electricity demand. Glut in nuclear, coal and renewables.
- **Permitting** and **grid** constraints.
- Challenging investment environment.
- Power sector's **leverage**: USD51bn of private loans in FX.
- **Nationally Determined Contribution**, to be ratified.
- **FX** remains unfavorable, limiting investment, worsening the debt burden (e.g. T&D companies) and increasing tariffs.
- Non-cost reflective wholesale power prices.
- **Tight margins**, high competition, limited bankability.
- Policy uncertainty: expiry of **YEKDEM** by EOY 2020.
- **Slow T&D expansion** – curtailment risk for renewables.

## Opportunities for AIIB support

- Improve the efficiency of **existing gas plants** with EUAS.
- Invest in **geothermal** for power and direct heat use.
- Developing **credit lines** with local commercial banks for **small scale solar** projects and **energy efficiency**.
- Improving efficiency of existing **large hydropower**.
- Developing large scale **floating solar** projects in HPP.
- Investing in **wind** power and utility scale **solar** projects.
- Enhance **T&D capacity** in selected regions and modernize the transmission grid to cope with fast growing intermittent renewable energy generation.
- **Reduce distribution losses** and support upgrade and expansion in selected regions with electricity companies.
- Invest in **energy efficiency** projects in major cities through MoEU and electricity distribution companies.

# PROGRAM

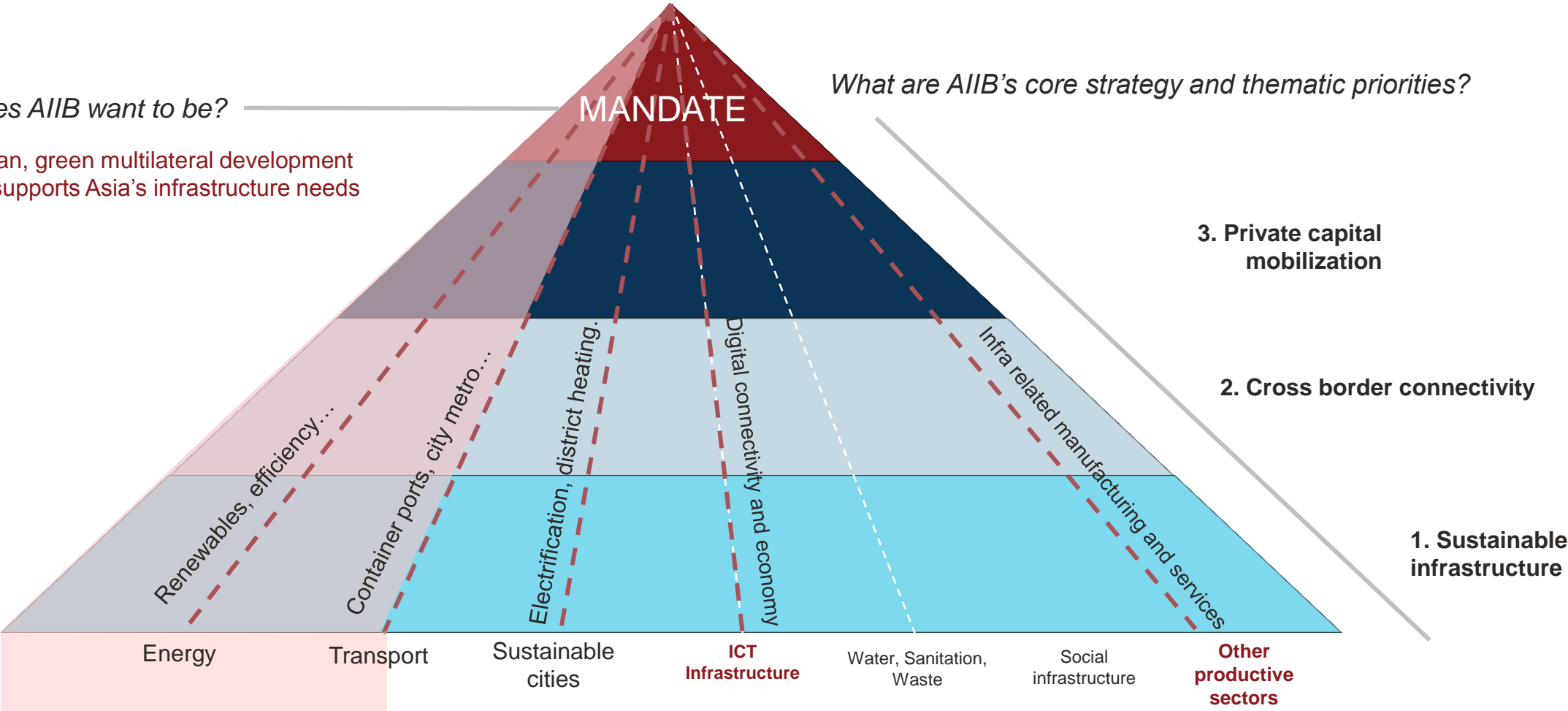


# AIIB—EXPANDING STRATEGIC SCOPE

*What does AIIB want to be?*

A lean, clean, green multilateral development bank that supports Asia's infrastructure needs

*What are AIIB's core strategy and thematic priorities?*



# OTHER PRODUCTIVE SECTORS & DIGITAL INFRASTRUCTURE

## Other Productive Sector

- **Critical inputs to infrastructure development, management, and operation.** Examples include better construction materials, manufacturing of energy and transport equipment, key components of renewable energy, appliances for energy efficiency or smart transport systems, process solutions such as enhanced engineering, procurement and construction system or fintech, logistical and other infra-linked services or networks for cross-border connectivity.
- **Associated with and complementary to infrastructure investments.** These investments are expected to be inherently intertwined with infrastructure investment, such as being part of an integrated development plan. Examples include logistics, tourism, agribusiness or investment in industrial parks.

## Digital Infrastructure

- **Digital infrastructure is an enabler of clean growth.** It has already become an essential infrastructure sector alongside Transport, Energy, and Urban (Smart Cities) and helps increase their efficiency gains. It supports a new digital economy that is an essential engine of global growth.
- **The preliminary investment focus will be on digital transport (fiber, satellite, towers), storage (data centers), and services (telecom operators, e-economy).** Meanwhile, AIIB will also explore opportunities to unleash the potential benefits of technologies and digital solutions to improve cost-effectiveness, operational efficiencies, relevance and longevity of other infrastructure assets. In doing so, AIIB expects to partner up with the private sector, other MDBs and governments going through the digital revolution.

# OPS—INFRASTRUCTURE-RELATED MANUFACTURING & SERVICES

## Energy



Generation Equipment



Solar Power Equipment



Hydro Power Equipment

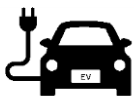


Transmission Equipment



Wind Power Equipment

## Transport



Electronic Vehicles



Rolling stock and rails



EV Batteries



Automobile

## Water



Water Treatment System



Water Supply Equipment

## Urban



Logistic Warehouse



Industrial Park



Smart Parking and Charging Station

## ICT



Telecom Equipment



Satellite



Network and Data Storage



Semi-conductor

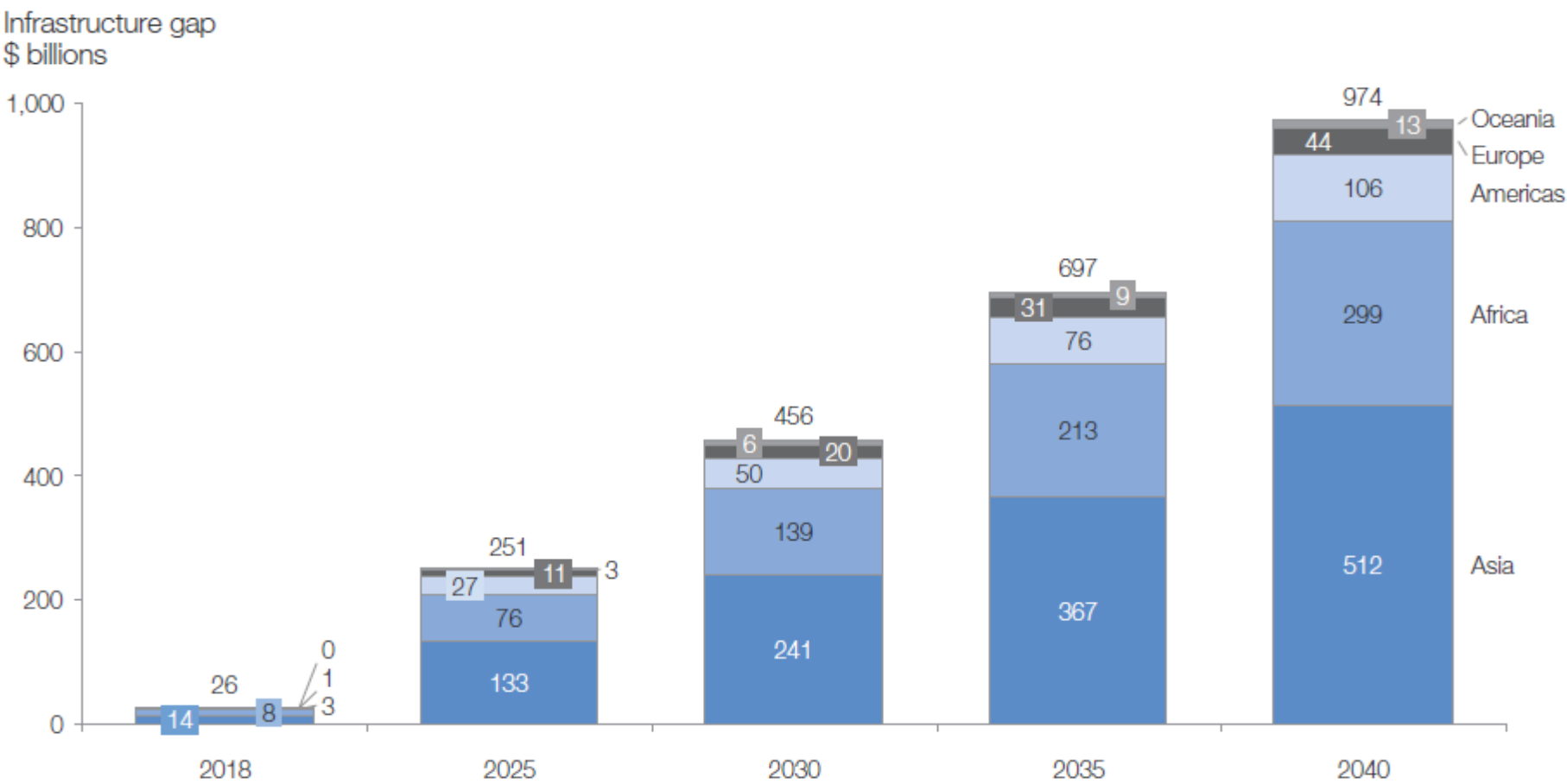


Fiber and Cable



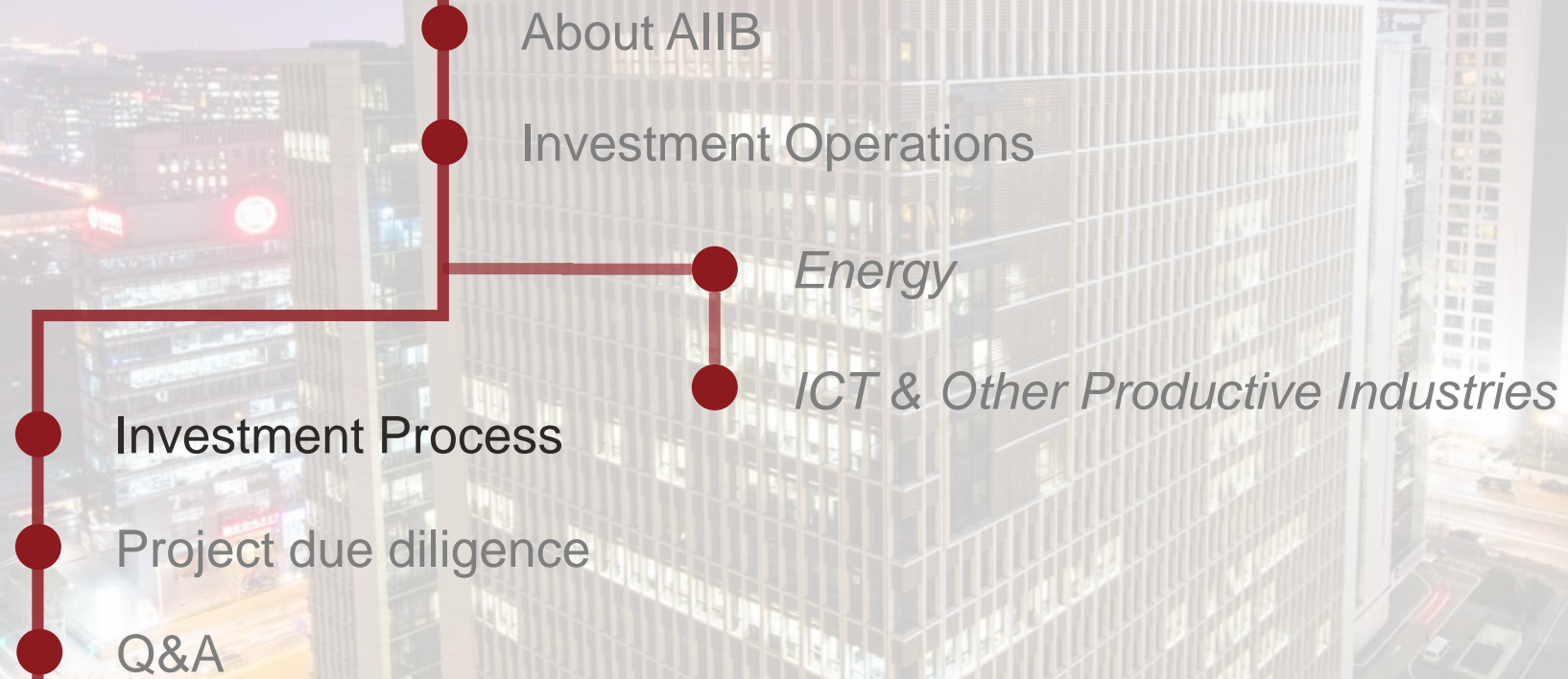
# DIGITAL INFRASTRUCTURE FINANCING GAP

ICT infrastructure gap to reach nearly USD1 trillion by 2040, with biggest divides in Africa and Asia

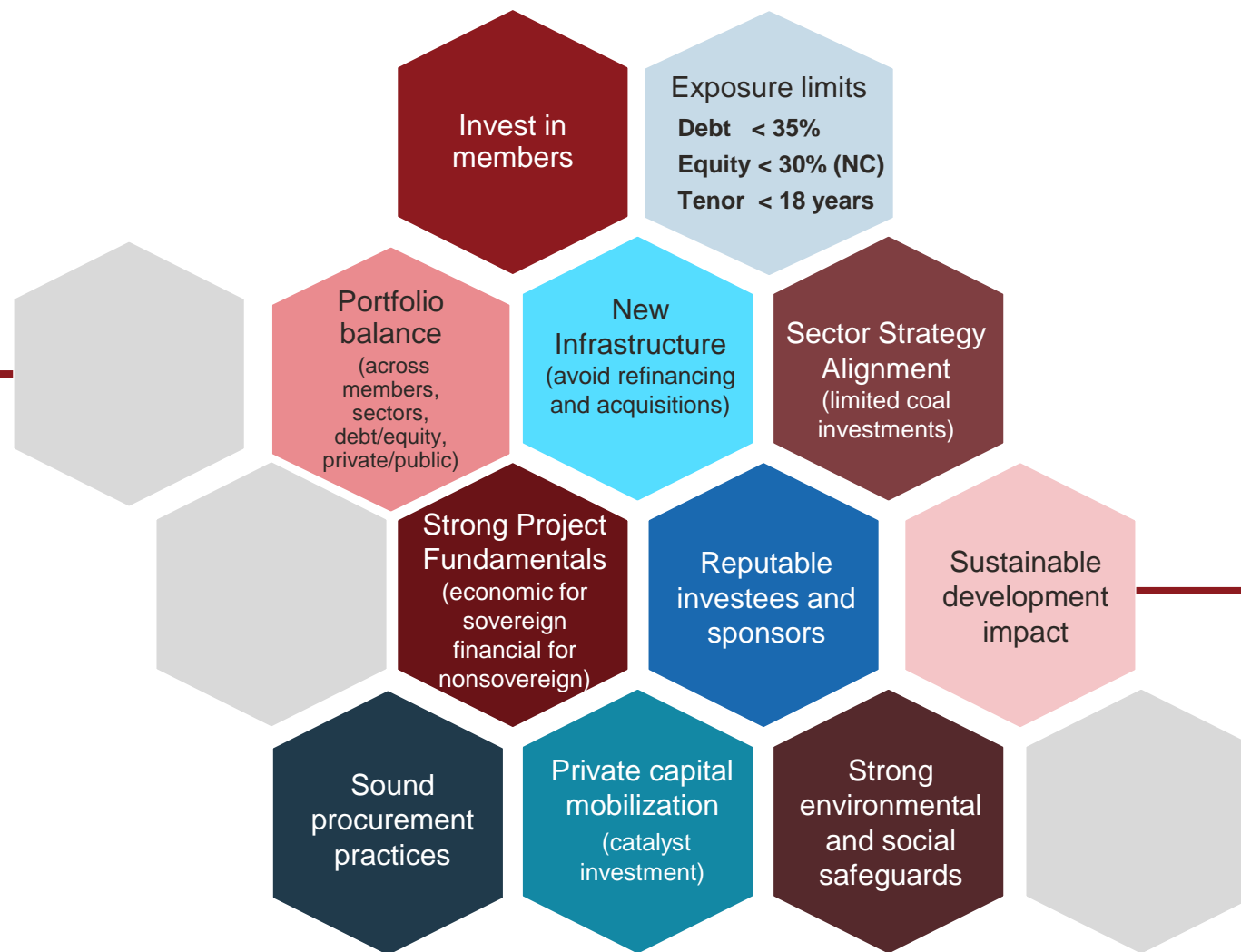


Sources: Global Infrastructure Outlook (G20 Initiative);  
Oxford Economics

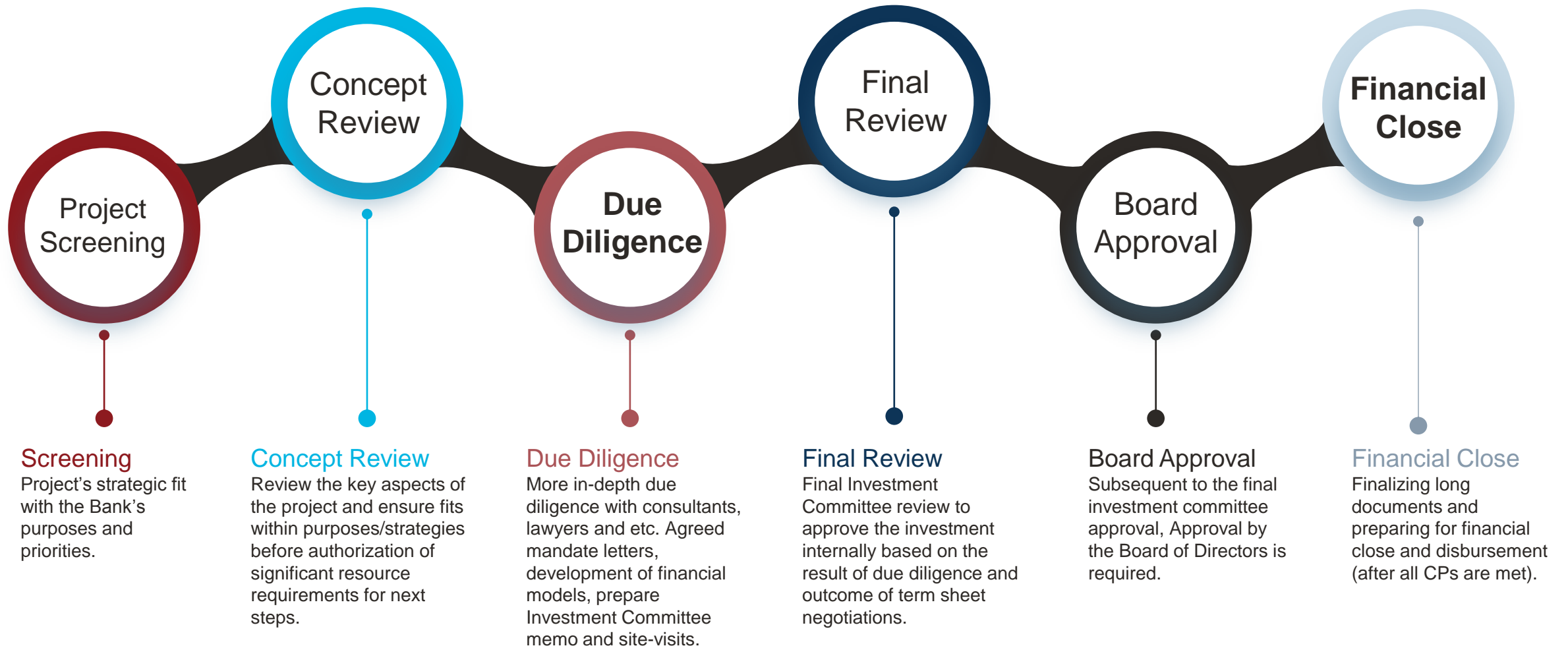
# PROGRAM



# INVESTMENT PROCESS—PROJECT SELECTION



# INVESTMENT OPERATIONS—INVESTMENT APPROVAL PROCESS





# DUE DILIGENCE—TECHNICAL, COMMERCIAL AND LEGAL ASPECTS

## Financial

- Analysis of audited sponsor and borrower IFRS financials for the last 3 financial years.
- Issuer long-term USD credit rating report, if available.
- Financial model prepared by client, in-house (modelling bank) or third party (advisor, modelling firm).

## Technical

- Feasibility/bankability study by reputable and experienced technical advisor.
- Key technical risks and their mitigants, project costs, sensitivities, completion parameters, etc.
- External lenders' technical advisor (LTA) for appraisal and monitoring stage, where appropriate.

## Market

- Commercial review of offtake and key supply contracts, market projections and trends.
- Assessment of market risks and their mitigants, key market sensitivities (price, quantities).
- External lenders' market advisor for appraisal and (potentially) monitoring stage, where appropriate.

## Legal and Insurance

- Legal documentation on the basis of lending standards (LMA) and specific AIIB policy clauses.
- Comprehensive legal due diligence (corporate standing, ownership, legal risks and mitigants, etc.).
- External lenders' legal advisor (local plus E&W law) and insurance advisor.



# DUE DILIGENCE—BEYOND COMMERCIAL FACTORS

Integrity	<ul style="list-style-type: none"><li>• AIIB will follow best practice on IDD.</li><li>• Know-Your-Customer procedure (KYC).</li><li>• Integrity check on major partners, suppliers and other stakeholders.</li></ul>
Environment and Social	<ul style="list-style-type: none"><li>• Projects comply with AIIB's E&amp;S Policy and framework.</li><li>• E&amp;S will be part of mainstream processing capacity and enshrined in operating procedures.</li><li>• AIIB E&amp;S Standards (see the box).</li></ul>
Procurement	<ul style="list-style-type: none"><li>• Ensure a sound selection of goods and services at <b>fair market prices</b> and that its capital investments are made in a <b>cost-effective manner</b>.</li><li>• Where a shareholder of the recipient or one of its affiliates, including parent companies and affiliates of such parent companies, is also a contractor or supplier to the project, the Bank satisfies itself that the costs are <b>in line with current market prices</b> and <b>the original cost estimates in the project report</b>, and that the <b>contract conditions are fair and reasonable</b>.</li><li>• <b>Public Private Partnerships</b> and <b>Concessions</b>: tendering procedures acceptable to the Bank in the selection of the concessionaire and of contracts procured by the concessionaire.</li></ul>

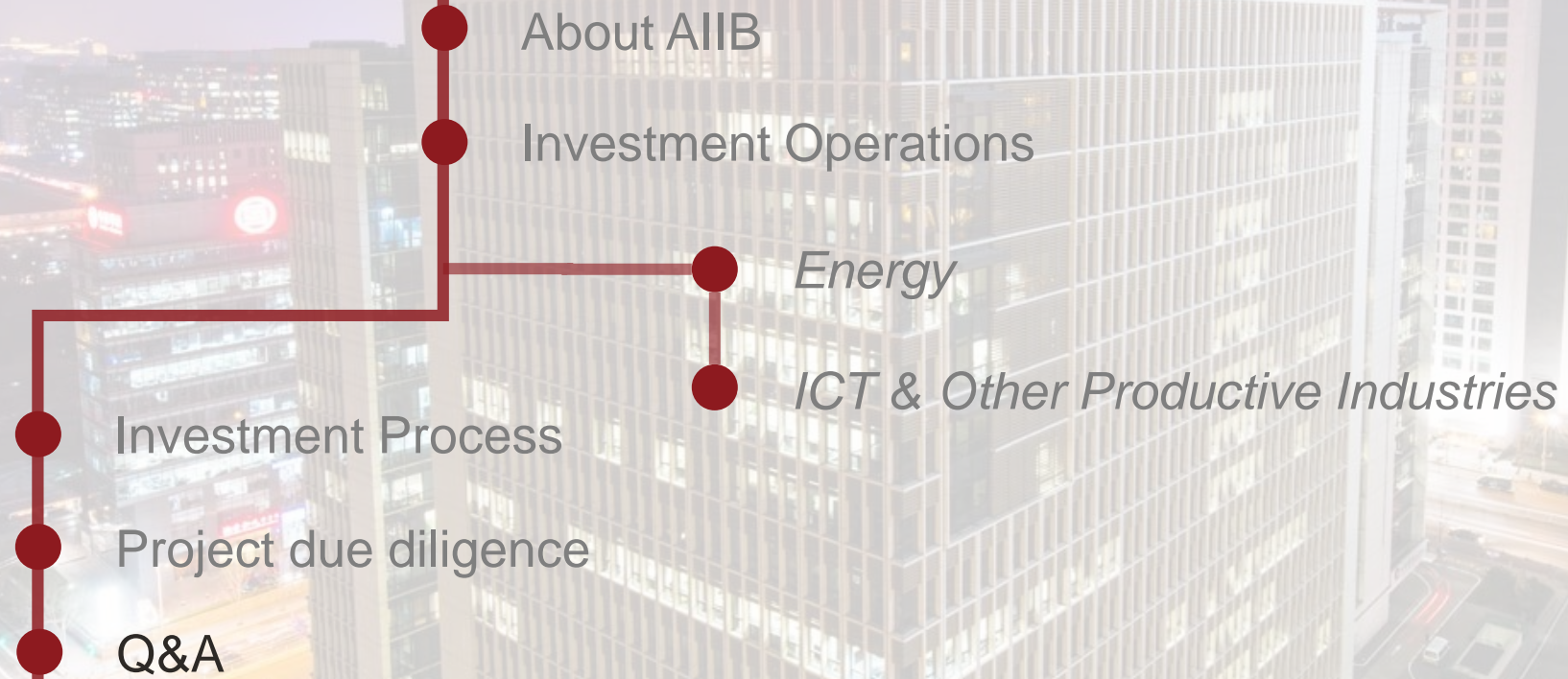
## **AIIB Standards:**

**Standard 1:** E&S Assessment and Management.

**Standard 2:** Involuntary Resettlement.

**Standard 3:** Indigenous Peoples.

# PROGRAM



## Contact

### **Supee Teravaninthorn**

Director General,  
Investment Operations I  
Transport & Water Infrastructure

Tel: +86 10 8358 0186

Email: [steravaninthorn@aiib.org](mailto:steravaninthorn@aiib.org)

### **Yee Ean Pang**

Director General,  
Investment Operations II  
Energy & Urban Infrastructure

Tel: +86 10 8358 0062

Email: [ypang@aiib.org](mailto:ypang@aiib.org)

### **Dong Ik Lee**

Director General,  
Investment Operations III  
FI, ICT & Other Productive Sectors

Tel: +86 10 8358 0125

Email: [dongik.lee@aiib.org](mailto:dongik.lee@aiib.org)

### **Asian Infrastructure Investment Bank (AIIB)**

B-9 Financial Street  
Xicheng District  
Beijing, China  
100033

+86 10 8358 0000

[information@aiib.org](mailto:information@aiib.org)

[aiib.org](http://aiib.org)

