

# ASIAN INFRASTRUCTURE INVESTMENT BANK

**Business Opportunities Seminar  
Transport and Urban Infrastructure  
Istanbul – March 29, 2019**



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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

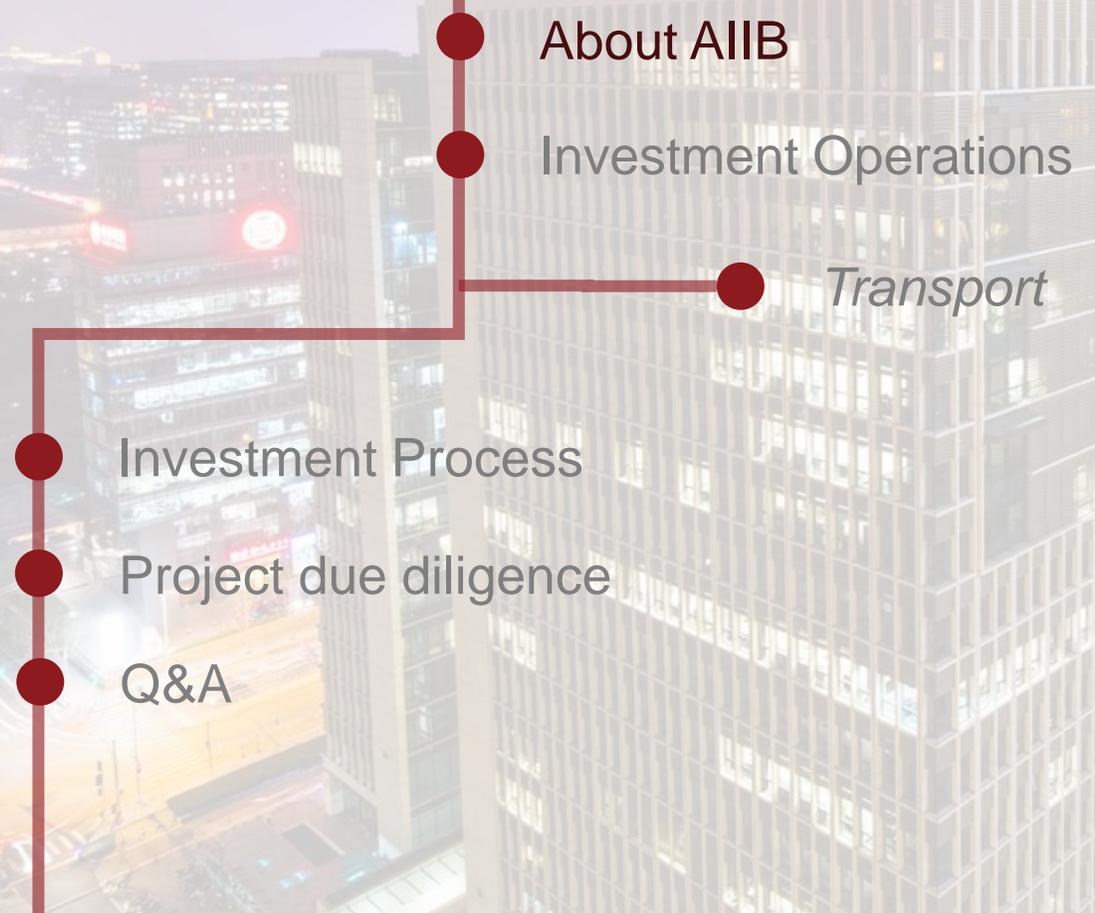


**PROJECTS APPROVED**  
Guided by AIIB thematic priorities



**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

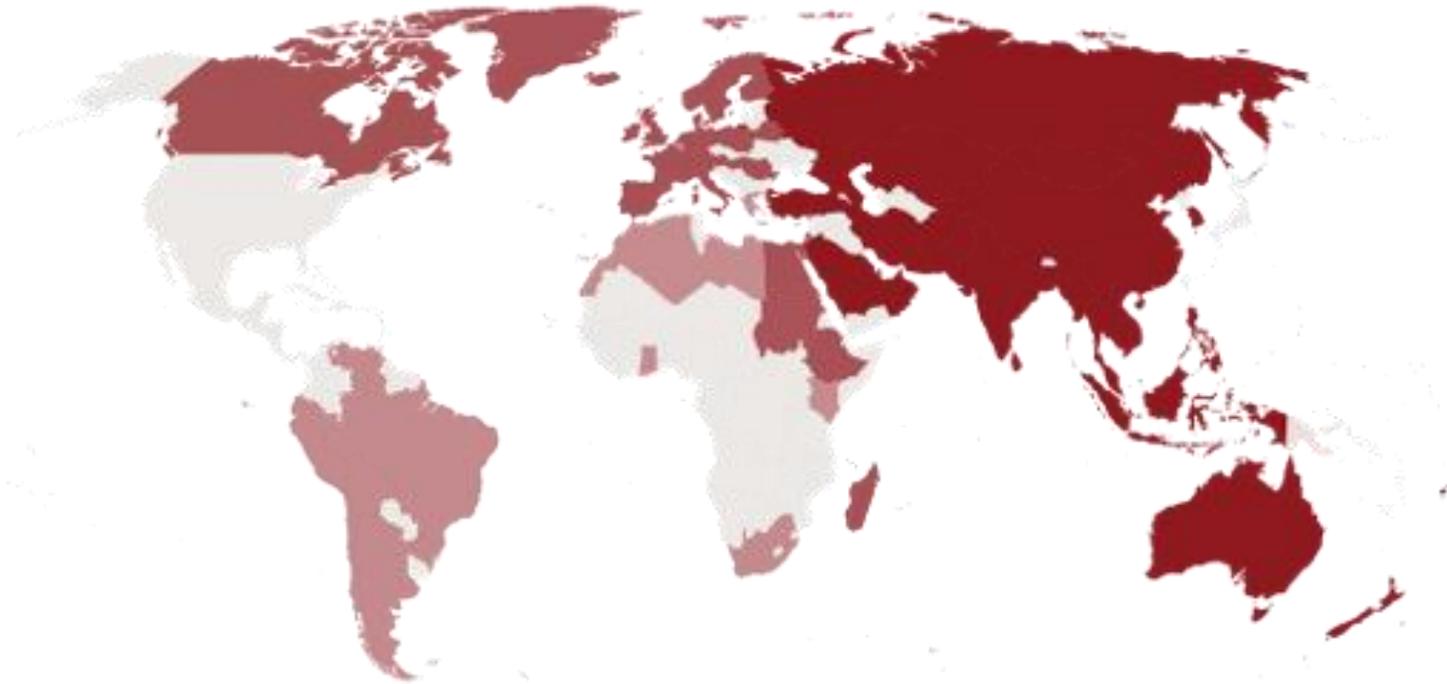
93 approved members

“

*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  
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

## Members Non-Regional

Qatar  
Russia  
Samoa  
Saudi Arabia  
Singapore  
Sri Lanka  
Tajikistan  
Thailand  
Timor-Leste  
Turkey  
UAE  
Uzbekistan  
Vanuatu  
Vietnam

Austria  
Belarus  
Canada  
Denmark  
Egypt  
Ethiopia  
Finland  
France  
Germany  
Hungary  
Iceland  
Ireland  
Italy  
Luxembourg

Madagascar  
Malta  
Netherlands  
Norway  
Poland  
Portugal  
Romania  
Spain  
Sudan  
Sweden  
Switzerland  
United Kingdom

## Prospective Regional

Armenia  
Cook Islands  
Kuwait\*  
Lebanon  
Papua New Guinea  
Tonga

## Prospective Non-Regional

Algeria  
Argentina  
Belgium  
Bolivia  
Brazil\*  
Chile  
Ecuador  
Ghana  
Greece  
Kenya

Libya  
Morocco  
Peru  
Serbia  
South Africa\*  
Togo  
Venezuela

# 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

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



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.

# PROGRAM

- About AIIB
- Investment Operations
  - *Transport*
- Investment Process
- Project due diligence
- Q&A



# 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.*

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## Public sector/sovereign-backed financing

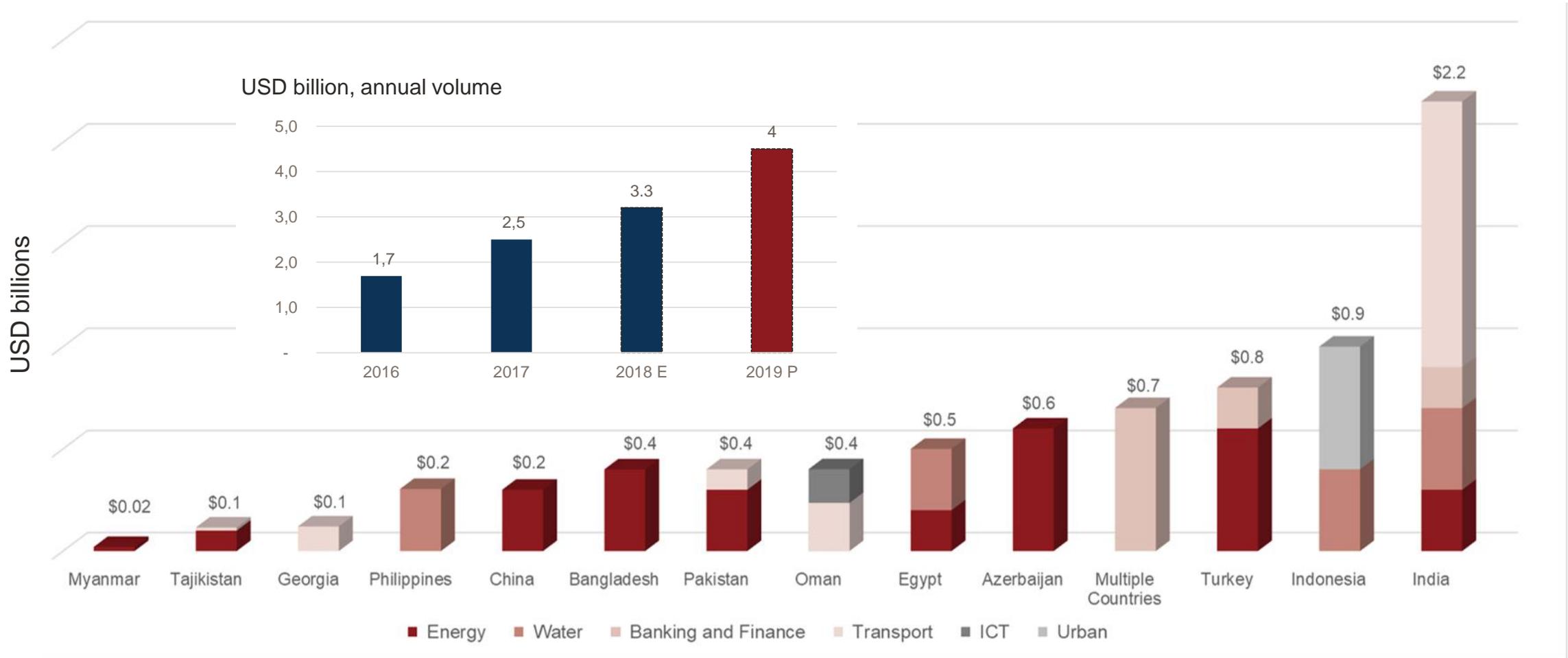
To sovereign borrower or requires sovereign guarantee:

- Loan.
- Guarantee.



# INVESTMENT OPERATIONS—APPROVED VOLUMES

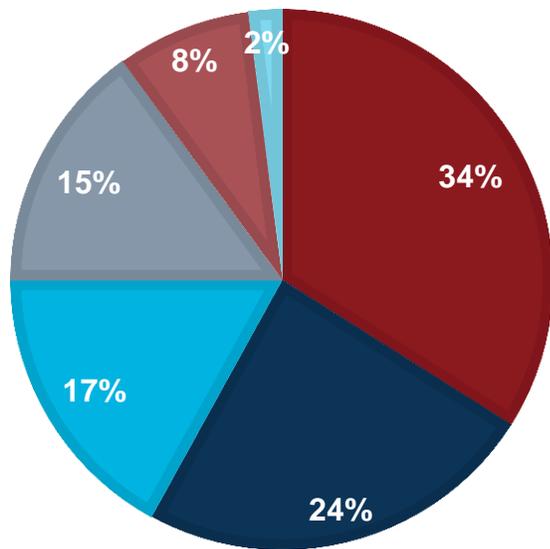
Loans approved since inception: USD7.62 billion



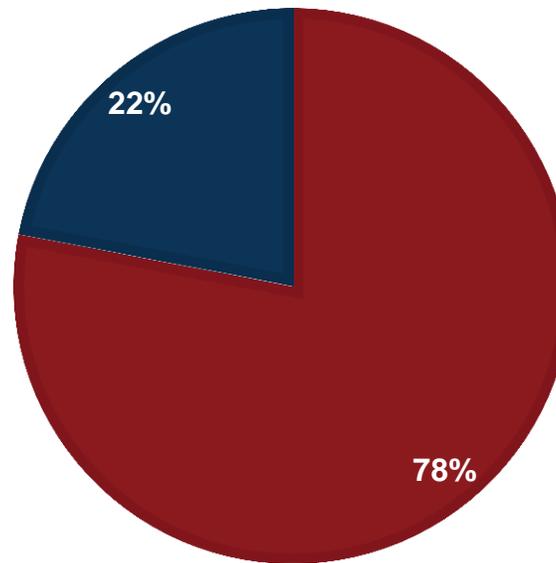
# INVESTMENT OPERATIONS—PORTFOLIO DISTRIBUTION

Loans approved since inception: USD7.62 billion

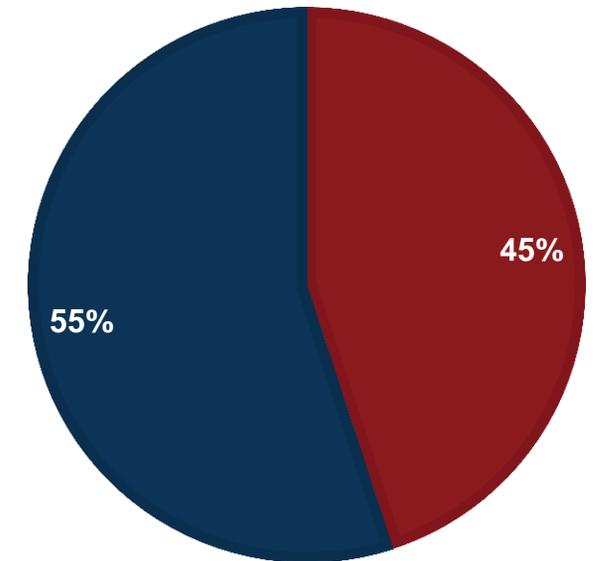
SECTORAL DISTRIBUTION  
AMOUNT OF COMMITMENTS  
(PERCENTAGE)



SOVEREIGN VS. NONSOVEREIGN  
AMOUNT OF COMMITMENTS  
(PERCENTAGE)



COFINANCING VS. STANDALONE  
AMOUNT OF COMMITMENTS  
(PERCENTAGE)



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

- Sovereign
- Nonsovereign

- Standalone
- Cofinancing

# INVESTMENT OPERATIONS—ORGANIZATIONAL STRUCTURE



# PROGRAM

- About AIIB
- Investment Operations
- *Transport*

- Investment Process
- Project due diligence
- Q&A

“

AIIB's objective in the transport sector is to finance the development of sustainable and integrated transport systems that promote trade and economic growth.....

AIIB Transport Sector Strategy

”

# CONNECTIVITY: THE ROLE OF AIIB

## **Regional Transport Connectivity**

- Enhance the connectivity of intercity or intercountry transport modes (ports, railways, airports, etc.).
- Ensure multimodal connectivity to mid destinations, such as cities, warehouses, dry ports, etc.
- Initiate dialogue between relevant stakeholders including governments, customs, regulators, etc.
- Enhance integration of long-distance transport modes and urban transport modes.

## **Urban Transport Connectivity**

- Promote preparation of comprehensive transport or traffic studies and transport master planning in developing countries.
- Enhance sustainable modes of transport through ensuring last mile connectivity and the integration of different transport modes including non-motorized modes.
- Initiate dialogues between relevant stakeholders and service providers.
- Enhance the end users' satisfaction and the safety of female passengers.
- Promote public benefit driven and integrated ticketing system.

## Mumbai Urban Transport Project 3

### **Mumbai's Transport Challenge**

- Lack of connectivity between cities and districts in Mumbai Metropolitan Region(MMR) with 22 million population.
- Each transport mode in MMR not integrated properly.
- Mumbai suburban railway system is the backbone of public transportation system in MMR, consisting of 376 route-km and 119 stations and carrying about eight million passengers per day.
- Mumbai suburban railway supply has not kept pace with travel demand and the region's growth.
- Mumbai suburban railway suffers from severe overcrowding. More than 3,000 fatalities per year (8.2 fatalities per day) due to overcrowding and trespassing.

### **Project Objective**

- Enhance the network capacity, service quality and safety of Mumbai's suburban railway.

AIIB financing: sovereign backed loan of USD500 million (total cost of the project close to USD997 million), or 50.2% of the project.



# Mumbai Urban Transport Project 3

Ridership estimates based on evolution of all existing as well as proposed transport links (up to 2031) including:

- Private vehicles: cars, three wheelers.
- Non-motorized transport: walking, cycling.
- Public transport: bus, metro, (sub-) urban rail.

Urban rail considered as an integral part of the overall system, complementing other mode choices across the MMR.

Studies for station design and integrated ticketing included in technical assistance component to promote seamless integration of sub-urban rail with other transport modes.



## Bangalore Metro – Line R6

### Bangalore's Transport Challenge

- 47.2% population growth between 2001 – 2011.
- No mass transport system except for public buses with poor connectivity.
- Supply of public transport has not kept pace with the rapidly growing population and travel demand.
- High dependency on and growth of personal transport.
- Heavy traffic jams and severe air pollution and noise.

### Project Objective

- Provide efficient and high-capacity north-south connectivity through the center of Bangalore by expanding the city's metro system.

AIIB financing: sovereign loan co-financed with European Investment Bank of USD335 million (total cost of the project close to USD1.78 billion) or 18.8% of the project.



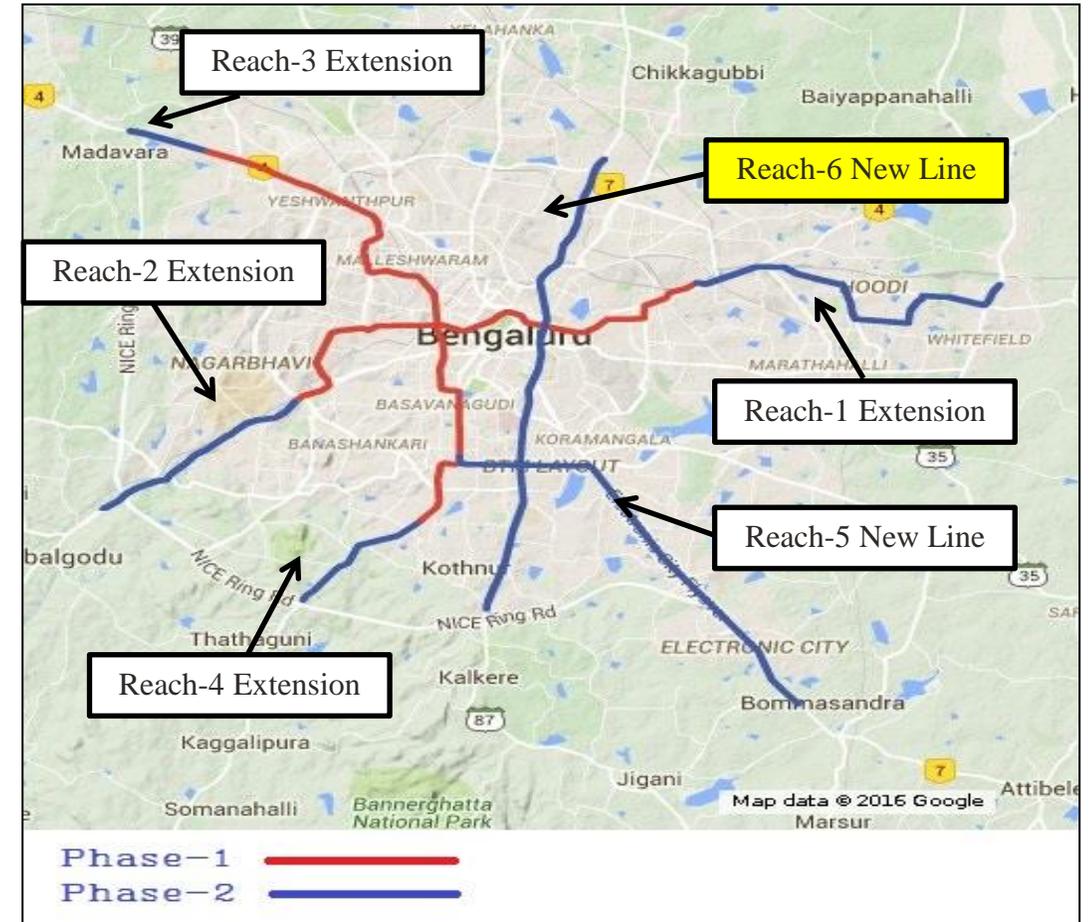
## Bangalore Metro – Line R6

**Alignment based on Comprehensive Traffic Study in association with the Comprehensive Development Plan.**

**Integrated with other metro lines and other transport modes to provide last mile connectivity, including:**

- Feeder bus route services.
- Bike hiring system.
- App-based cab (taxi) aggregators/service providers within the metro stations.

**Planning integrated ticketing system.**



# Karachi Bus Rapid Transit Project

## Karachi's Transport Challenge

- Consistently ranked one of the least livable cities in the world.
- Rise in use of private transport modes, and decline in public transport which is provided by 4,000 poorly maintained, weakly regulated, privately-owned buses without consideration of connectivity.
- Heavy congestion leading to long commuter trip times and extreme air pollution.
- Safety hazards for passengers and pedestrians, limited mobility for women and girls.
- 40% of all trips are estimated to still be non-motorized, i.e. made on foot or bicycles.

## Project Objective

- Provide an efficient and sustainable public transport system in Karachi by delivering the city's Red Line BRT corridor.

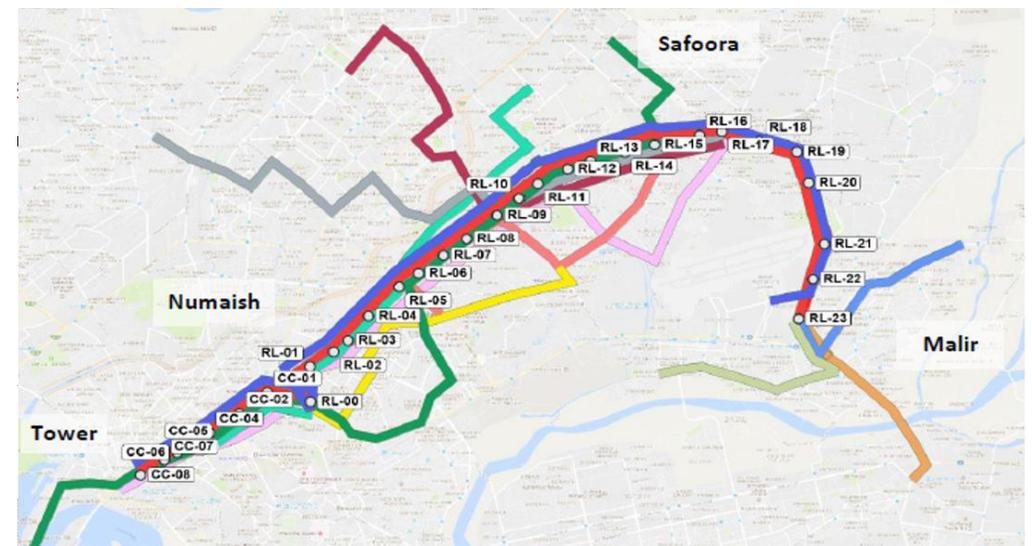
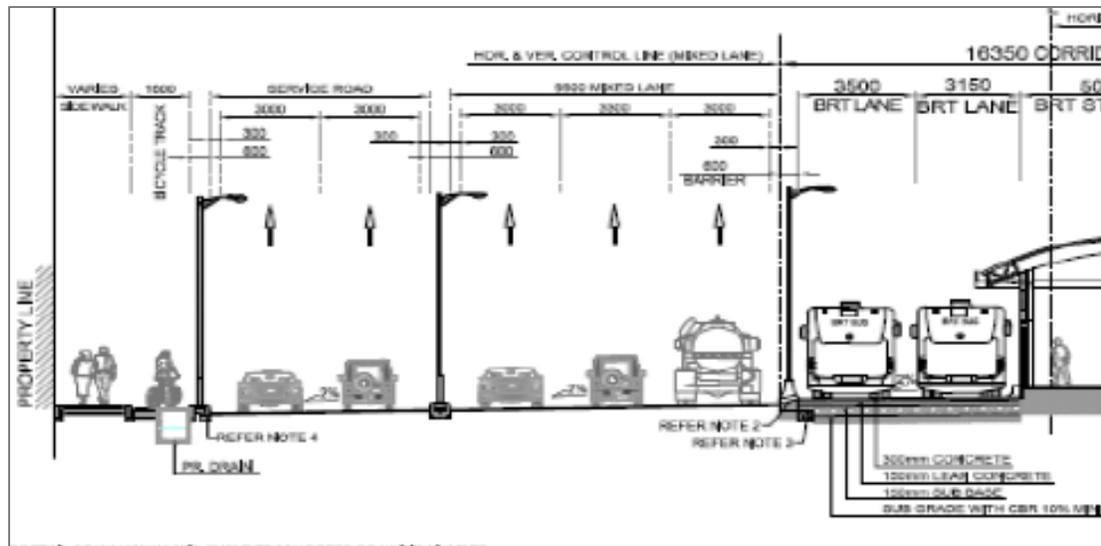


AIIB financing: sovereign loan co-financed with Asian Development Bank of USD100 million (total cost of the project close to USD582 million) or 17.2% of the project.

# Karachi Bus Rapid Transit Project

## Multi-modal integration of services

- Façade-to-façade improvement of existing ROW including non-motorized transport (parking, footpaths, cycle lanes), mixed traffic and dedicated bus lanes.
- “3rd Generation” BRT with three different services to provide better and last mile connectivity within the city.
- Integration with other BRT lines and future transport modes.



# Duqm Port Commercial Terminal and Operational Zone Development Project

## Duqm's Transport Challenge

- Commercial terminal quay wall built in 2011.
- No infrastructure or topside facilities or other improvements to commercial terminal area (i.e. security, administration, warehousing, open storage).
- Own cargo base of dry bulk industrials minerals (20 million tons pa), industrial imports and exports (2.3 million TEUs pa), and petrochemicals liquid bulk (23 million tons pa).
- Duqm Special Economic Zone (SEZAD) largest in the Middle East and North Africa Region (MENA).

## Project Objective

- Provide transport linkages for the Duqm SEZAD import and exports to be fully plugged into the Global Logistics Chain.

AIIB financing: sovereign backed loan of USD265 million (total cost of the project close to USD353 million), or 75% of the project.



Present Day Duqm Port

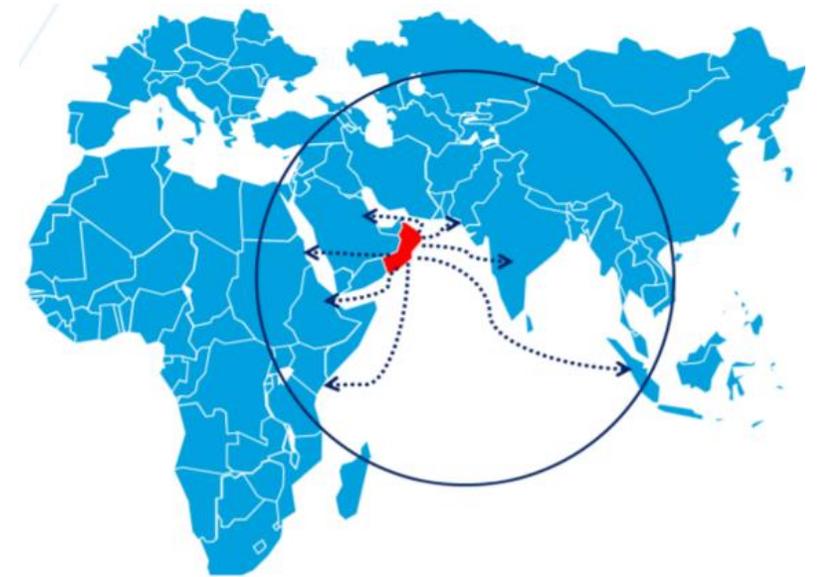
# Duqm Port Commercial Terminal and Operational Zone Development Project

## **Duqm's Strategic Location as a Trade Hub**

- More centrally located, at least two days closer than any other location inside the Strait of Hormuz.
- Located on major international shipping routes within two weeks of major ports.
- Direct trade routes to the growing Gulf Cooperation Council (GCC) market, India, Africa, and Asia.
- Abundant and competitive access to natural resources, energy, financing and labor.

## **Duqm and the Global Supply Chain**

- Accessible trade routes and fast transport times to the world's most attractive emerging markets.



# Duqm Port Commercial Terminal and Operational Zone Development Project

## **AIB Financing – Commercial Terminal and Operational Zone**

- USD265 million Sovereign Loan or 75% of total project costs.
- 25-year Term Loan.
- Five-year Grace Period.
- USD349.3 million Total project cost.

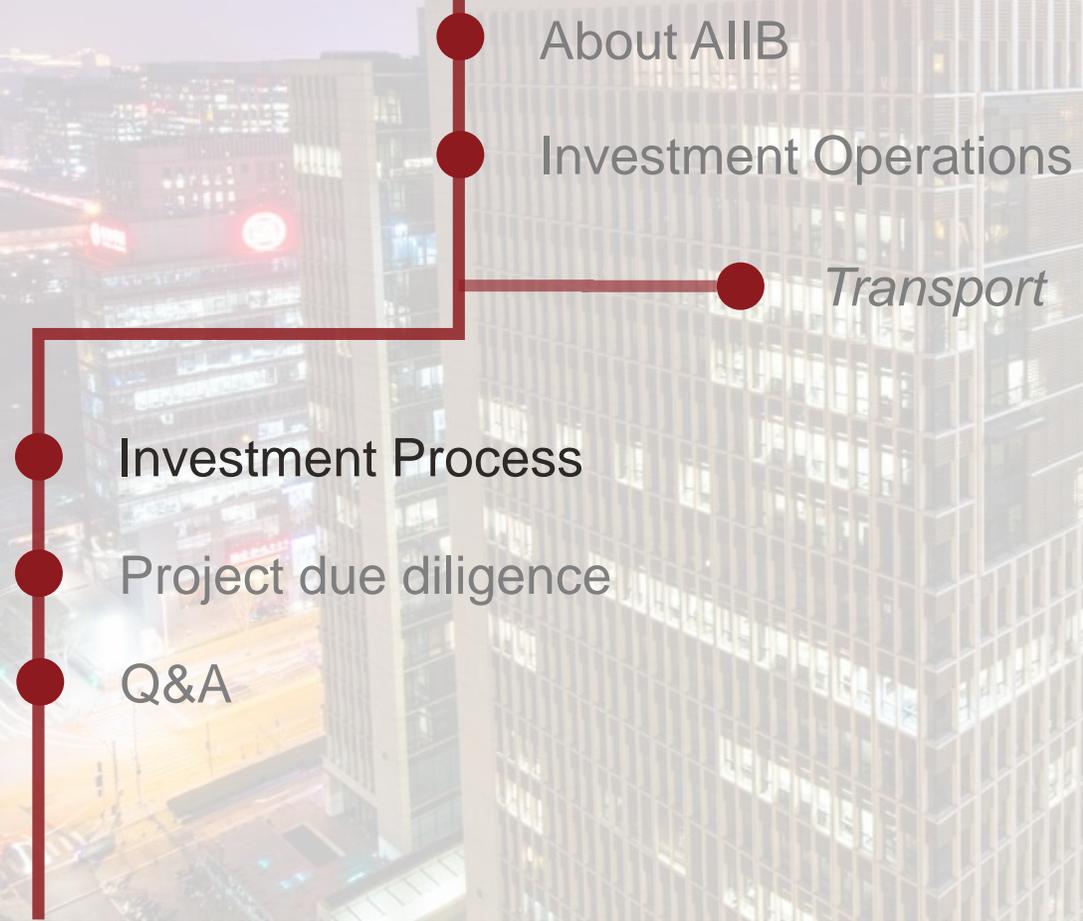
## **Duqm Port and Economic Value**

- Duqm Port a key lever for the Duqm SEZAD to support economic diversification and growth of Oman and transformation into regional hub for maritime transportation and logistics services.



Vision for the Duqm Port

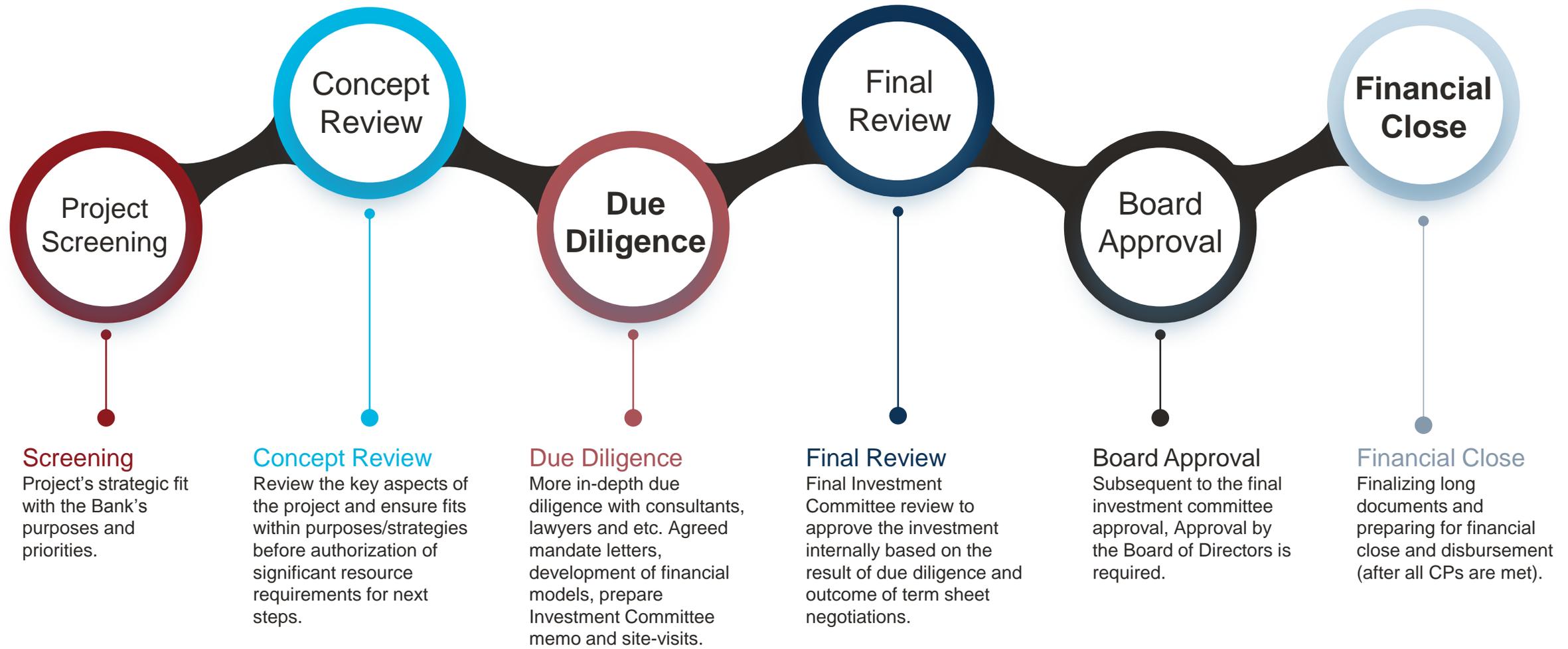
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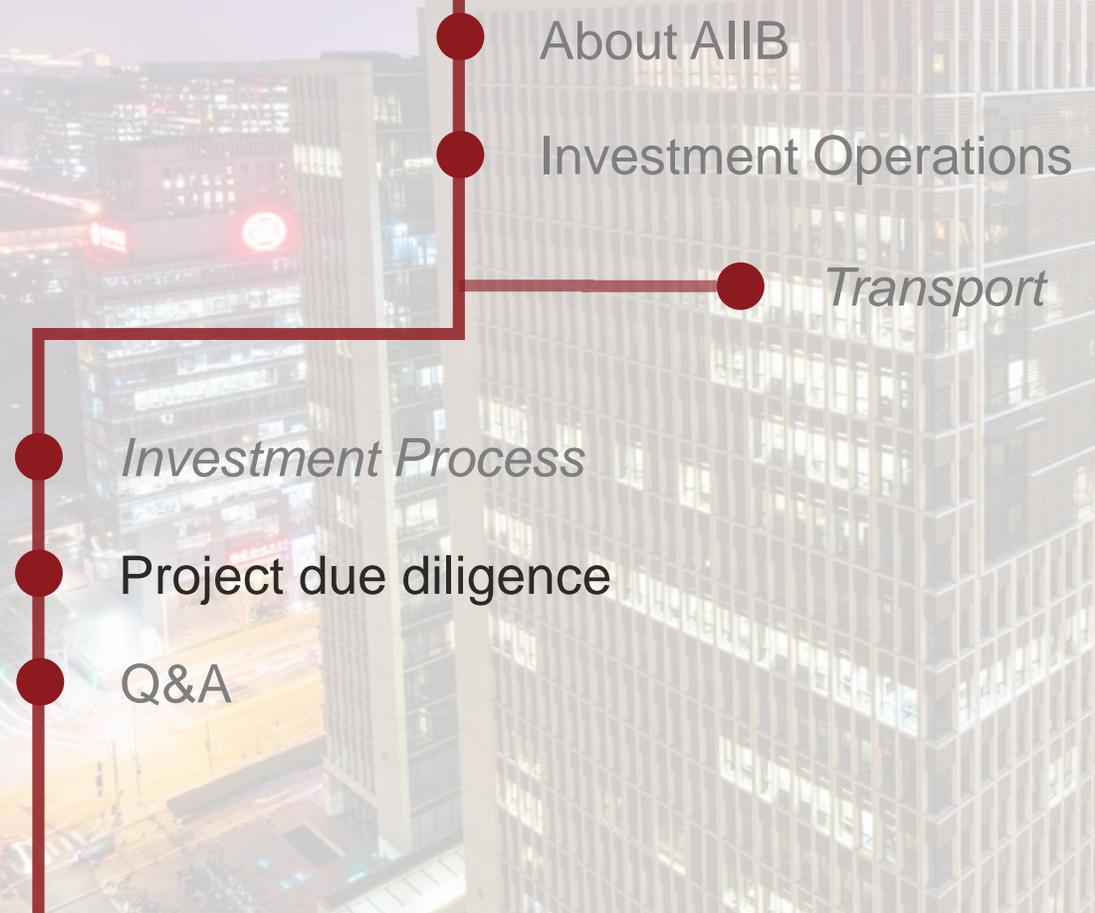
# INVESTMENT PROCESS—PROJECT SELECTION



# INVESTMENT OPERATIONS—INVESTMENT APPROVAL PROCESS



# PROGRAM



# 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

- AIIB will follow best practice on IDD.
- Know-Your-Customer procedure (KYC).
- Integrity check on major partners, suppliers and other stakeholders.

## Environment and Social

- Projects comply with AIIB's E&S Policy and framework.
- E&S will be part of mainstream processing capacity and enshrined in operating procedures.
- AIIB E&S Standards (see the box).

### *AIIB Standards:*

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

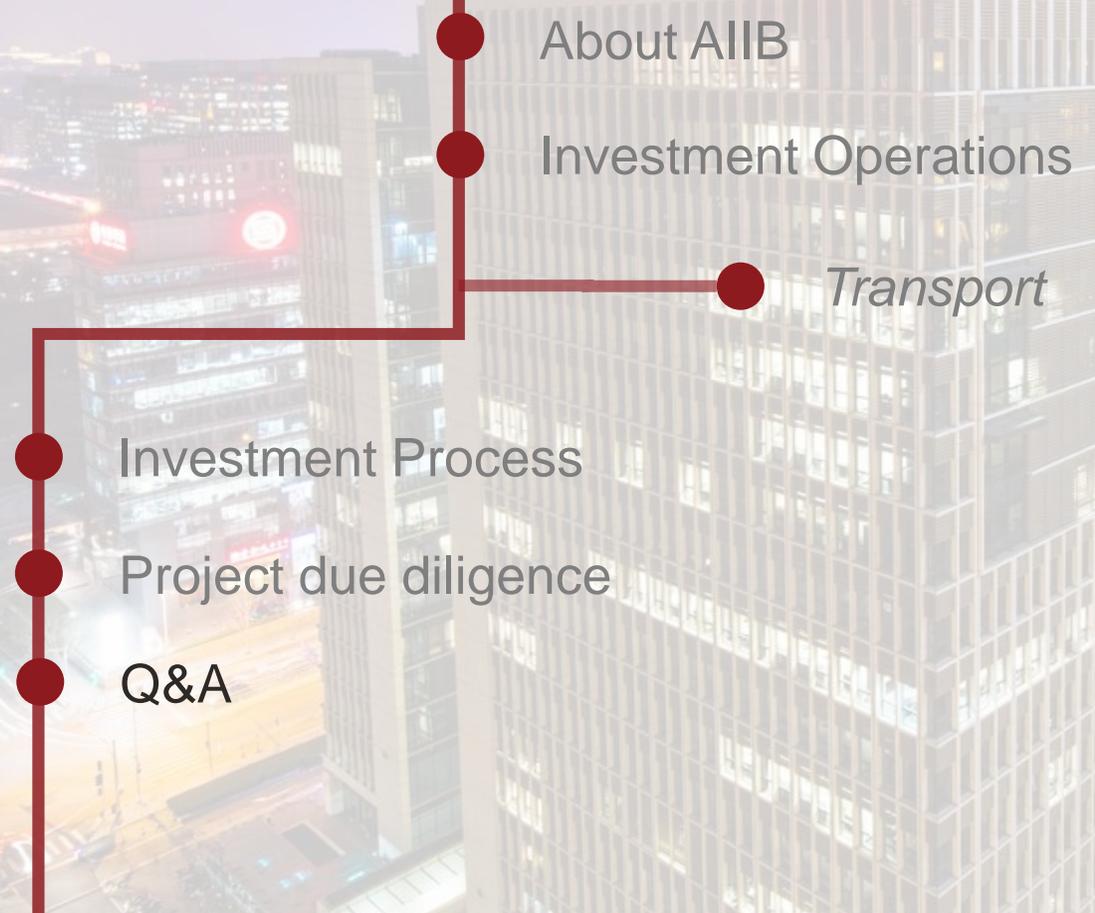
**Standard 2:** Involuntary Resettlement.

**Standard 3:** Indigenous Peoples.

## Procurement

- Ensure a sound selection of goods and services at **fair market prices** and that its capital investments are made in a **cost-effective manner**.
- 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 **in line with current market prices** and **the original cost estimates in the project report**, and that the **contract conditions are fair and reasonable**.
- **Public Private Partnerships** and **Concessions:** tendering procedures acceptable to the Bank in the selection of the concessionaire and of contracts procured by the concessionaire.

# PROGRAM



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