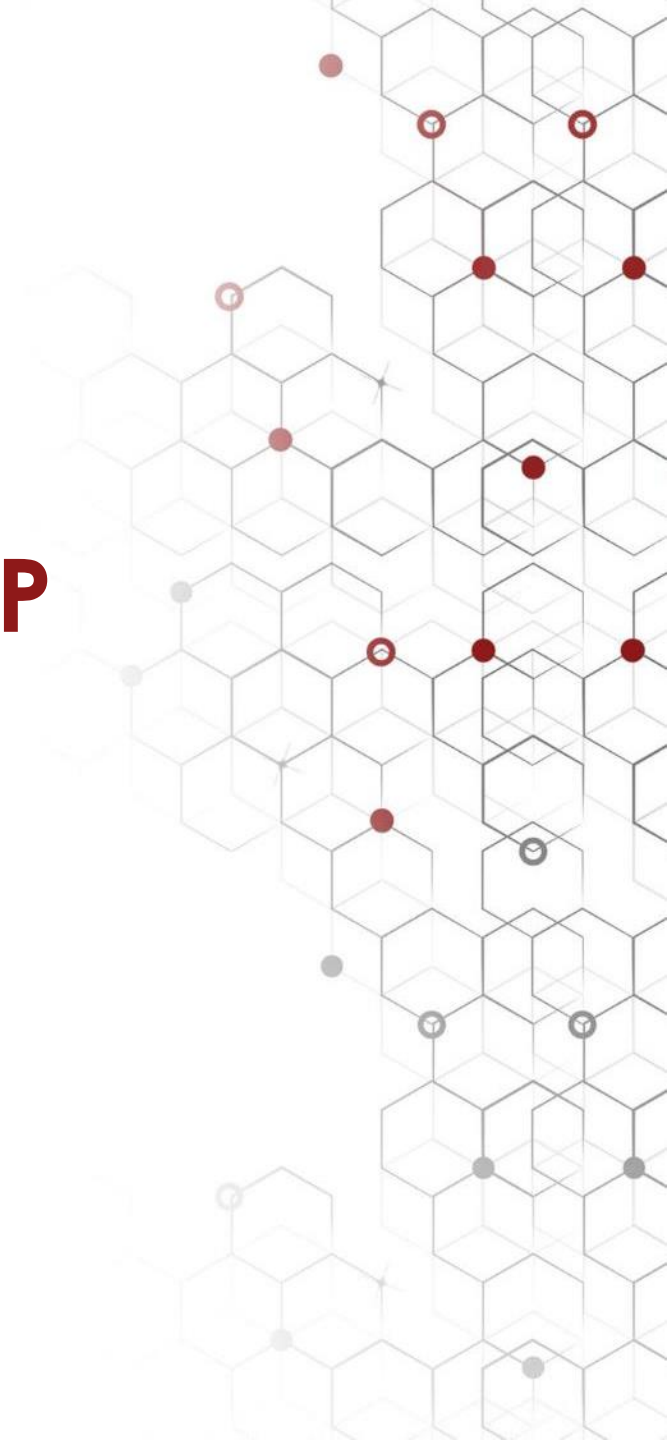


ASIAN INFRASTRUCTURE INVESTMENT BANK

INVESTMENT TARGET COUNTRIES & PPP PROJECT POLICY

Seoul, December 1, 2017



AGENDA

- What is this “21st century” multi-lateral development bank all about ?
- Target countries for AIIB’s Investment Program.
- AIIB’s approach to PPP projects.

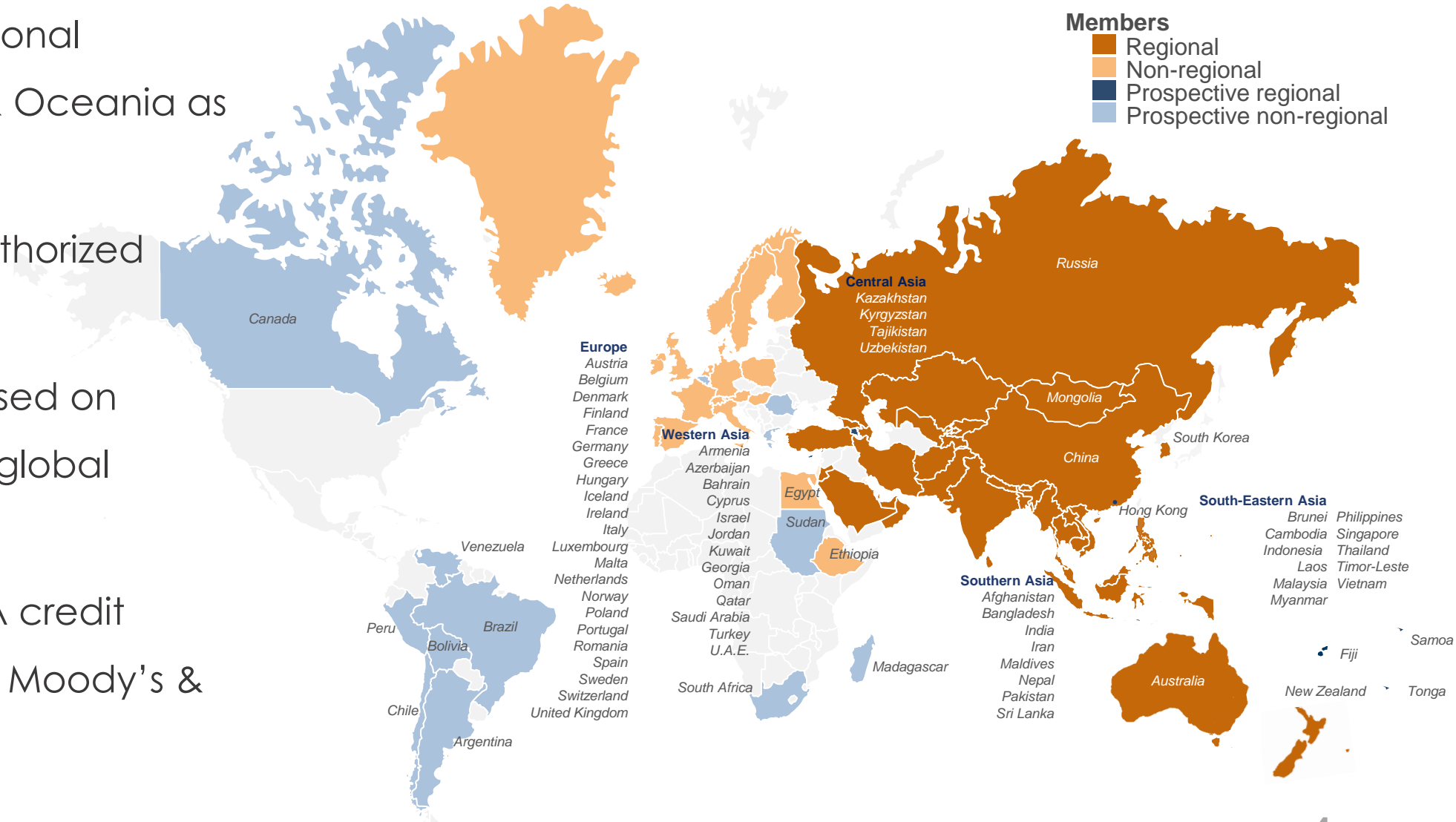
WHO WE ARE...

We are the Asian Infrastructure Investment Bank (AIIB), a multilateral development bank with a mission to improve social and economic outcomes in Asia and beyond. Headquartered in Beijing, we commenced operations in January 2016 and have now grown to 80 approved members from around the world. By investing in sustainable infrastructure and other productive sectors today, we will better connect people, services and markets that over time will impact the lives of billions and build a better future.

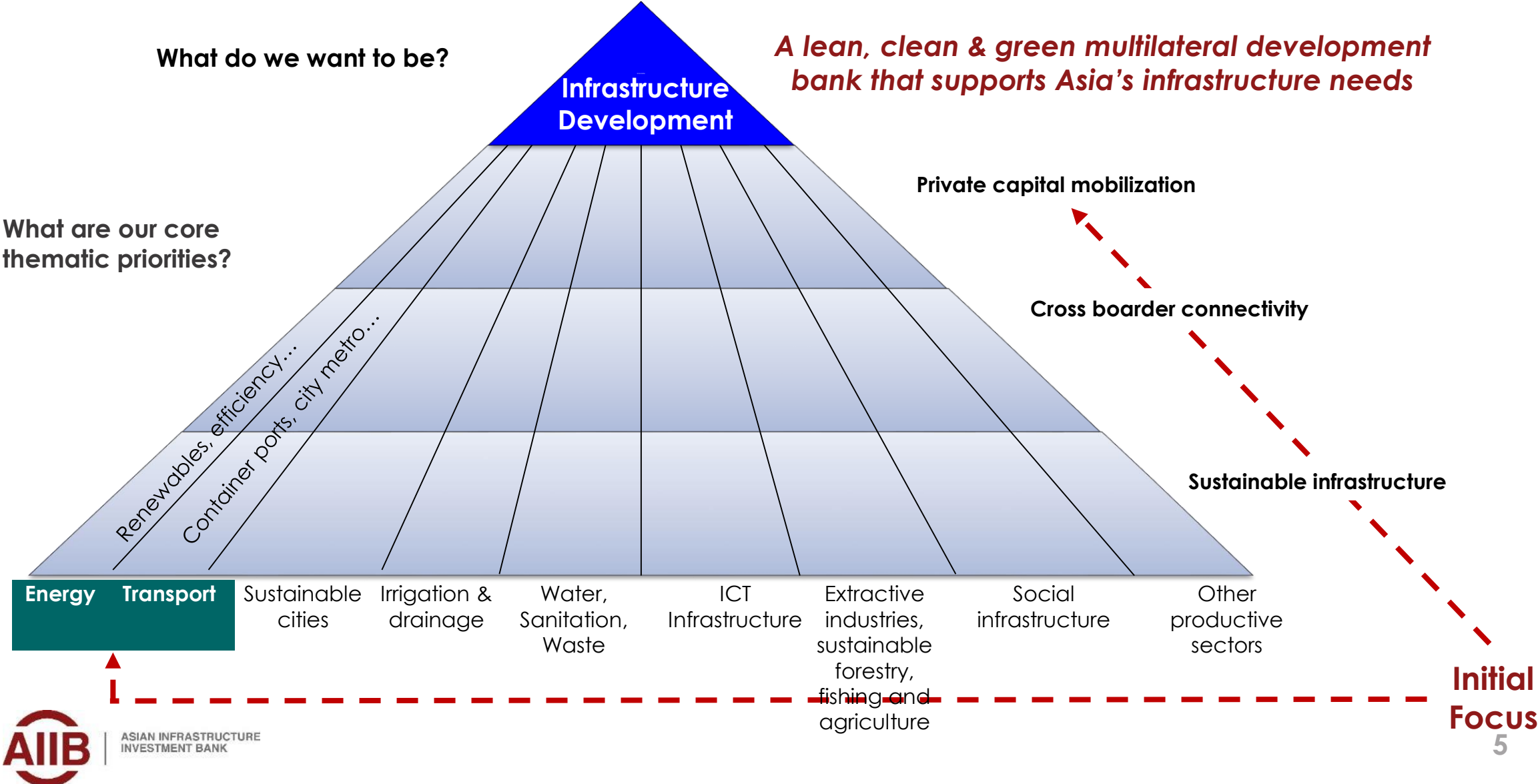
Let's Create Tomorrow

OUR REACH...

- Majority are Regional members (Asia & Oceania as classified by UN)
- USD100 billion authorized capital
- Shareholding based on relative share of global economy
- Received Triple A credit ratings from S&P, Moody's & Fitch



BANK'S STRATEGY AND THEMATIC PRIORITIES



TO DATE...

- approved USD3.49 billion in financing, 21 infrastructure projects, 13 countries
- 16 projects co-financed, 5 standalone projects prepared by AIIB
- Bank contributed to financing of over USD18.5 billion of infrastructure investments
- Till now, mostly sovereign lending; however, non-sovereign investment program building bankable pipeline for the next 2-3 years

INFRASTRUCTURE NEEDS & INVESTMENTS REQUIREMENT (2016-2030)

Table 1: Estimated Infrastructure Investment Needs by Region, 45 DMCs, 2016–2030
(\$ billion in 2015 prices)

Region/Subregion	Projected Annual GDP Growth	2030 UN Population Projection (billion)	2030 Projected GDP Per Capita (2015 \$)	Baseline Estimates			Climate-adjusted Estimates**		
				Investment Needs	Annual Average	Investment Needs as % of GDP	Investment Needs	Annual Average	Investment Needs as % of GDP
Central Asia	3.1	0.096	6,202	492	33	6.8	565	38	7.8
East Asia	5.1	1.503	18,602	13,781	919	4.5	16,062	1,071	5.2
South Asia*	6.5	2.059	3,446	5,477	365	7.6	6,347	423	8.8
Southeast Asia	5.1	0.723	7,040	2,759	184	5.0	3,147	210	5.7
The Pacific	3.1	0.014	2,889	42	2.8	8.2	46	3.1	9.1
Asia and the Pacific	5.3	4.396	9,277	22,551	1,503	5.1	26,166	1,744	5.9

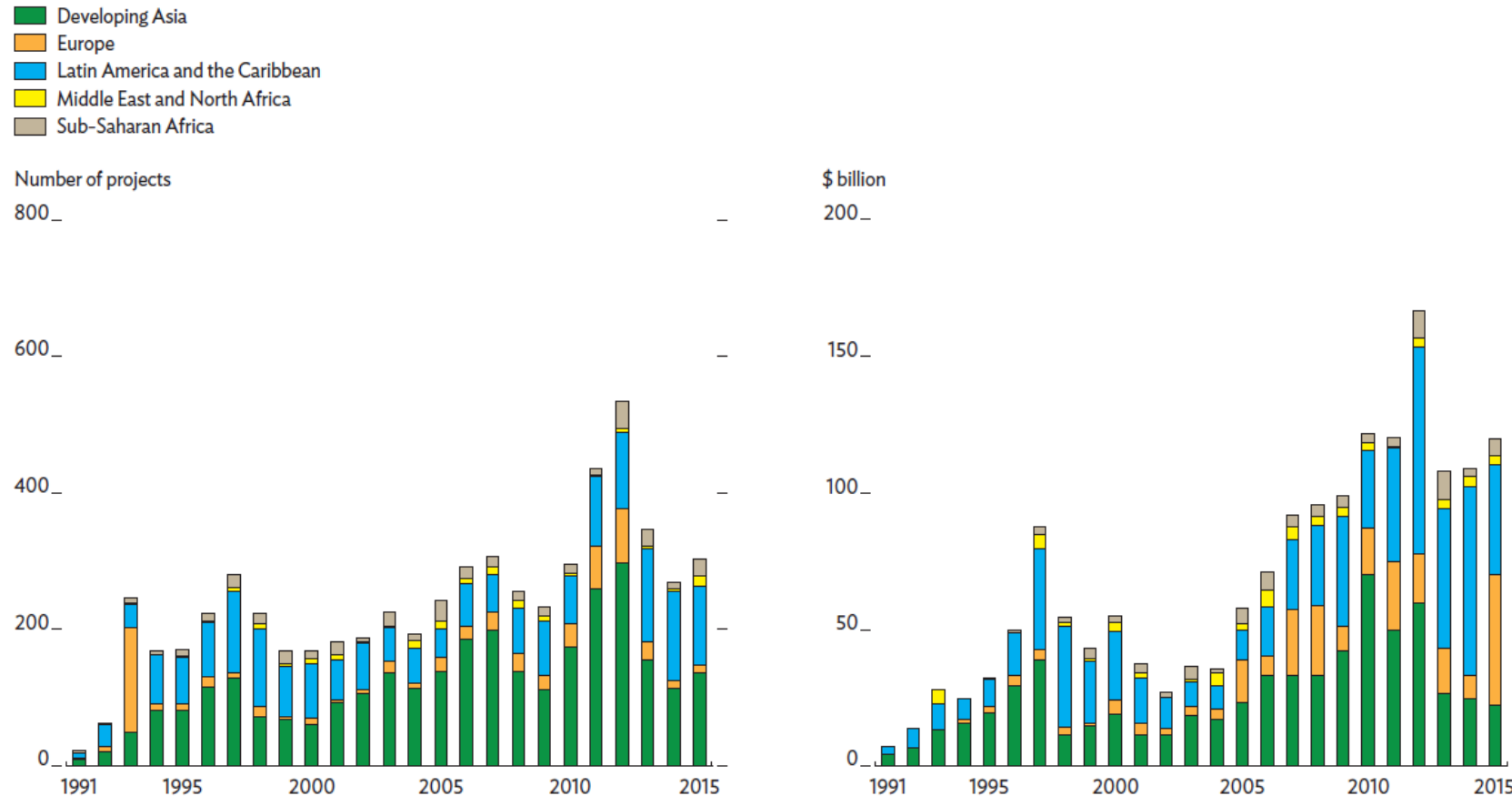
- Developing Asia needs USD26 trillion (2016-2030); USD1.7 trillion per year in infrastructure investments#
- Power (USD14.7 trillion, 56.3%), & transport (USD8.4 trillion, 31.9%)
- East Asia accounts for 61% of investment requirement
- Private sector to contribute ~50% of investment needs

Bank is “well poised” to address the huge need

“...geography, physical infrastructure, private sector...”

PPP, A WAY TO FILL THE INFRASTRUCTURE GAP (1/3)

PPP by region (1991 – 2015)

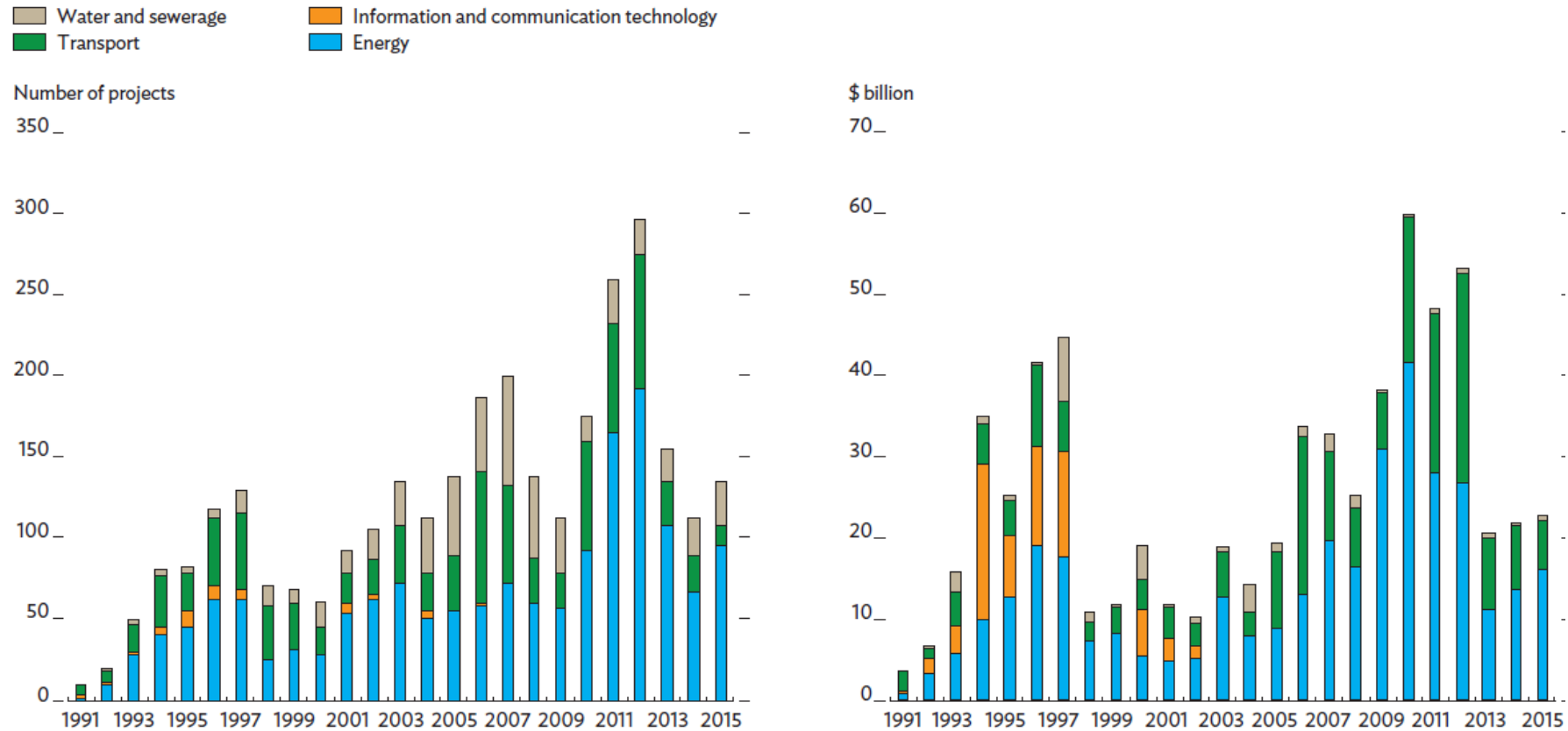


Source: ADB report-Sustaining development through public-private partnership; World Bank Private Participation in Infrastructure database (accessed 25 May 2017)

- Developing Asia accounts for half of PPP activities in 139 low-and middle-income economies worldwide, followed by Latin America and the Caribbean with almost a third
- Though, value of PPP investments is relatively high but has declined in recent years

PPP, A WAY TO FILL THE INFRASTRUCTURE GAP (2/3)

PPP in developing Asia by sector (1991 – 2015)

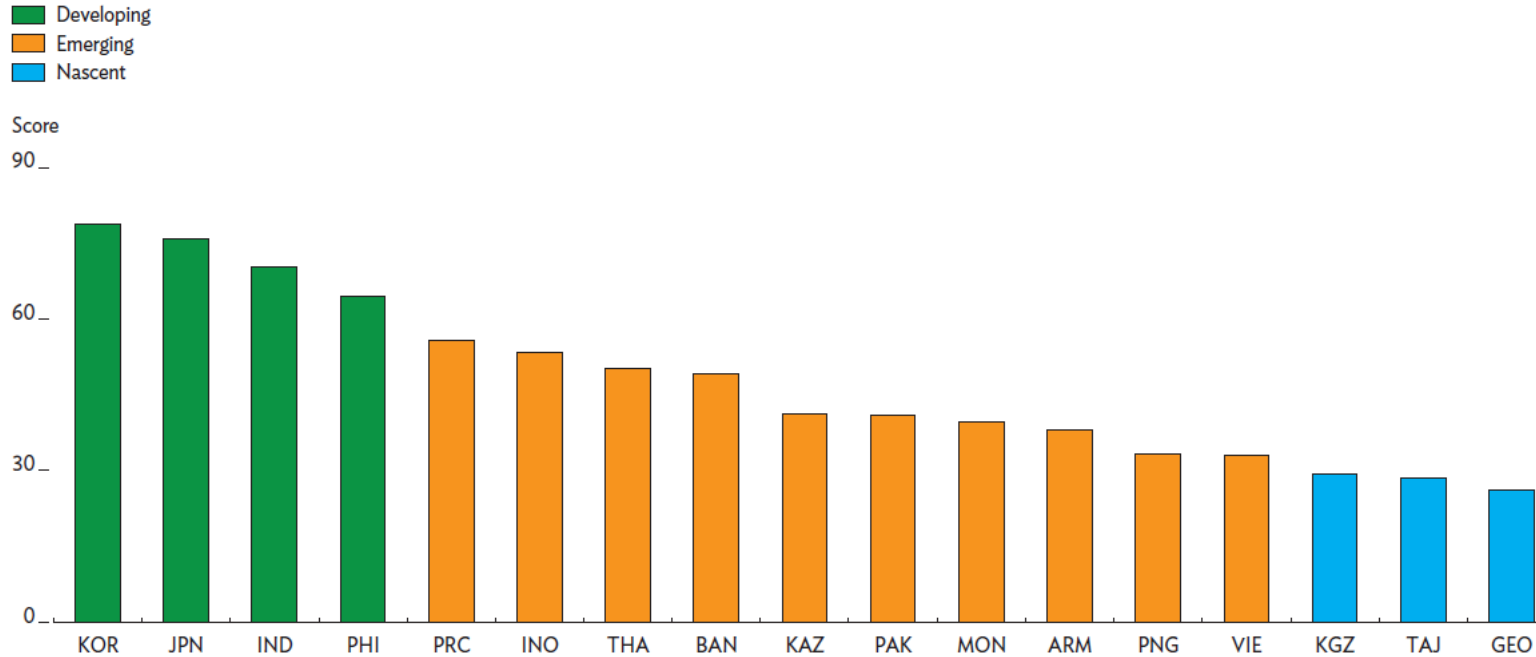


- Most PPP investment is into energy & transportation
- Recently, PPP investment in energy has declined as energy projects have matured and sector no longer needed as much support
- New investment has moved into transportation

Source: ADB report-Sustaining development through public-private partnership; World Bank Private Participation in Infrastructure database (accessed 25 May 2017)

PPP, A WAY TO FILL THE INFRASTRUCTURE GAP (3/3)

PPP readiness score of selected economies in Asia and the Pacific



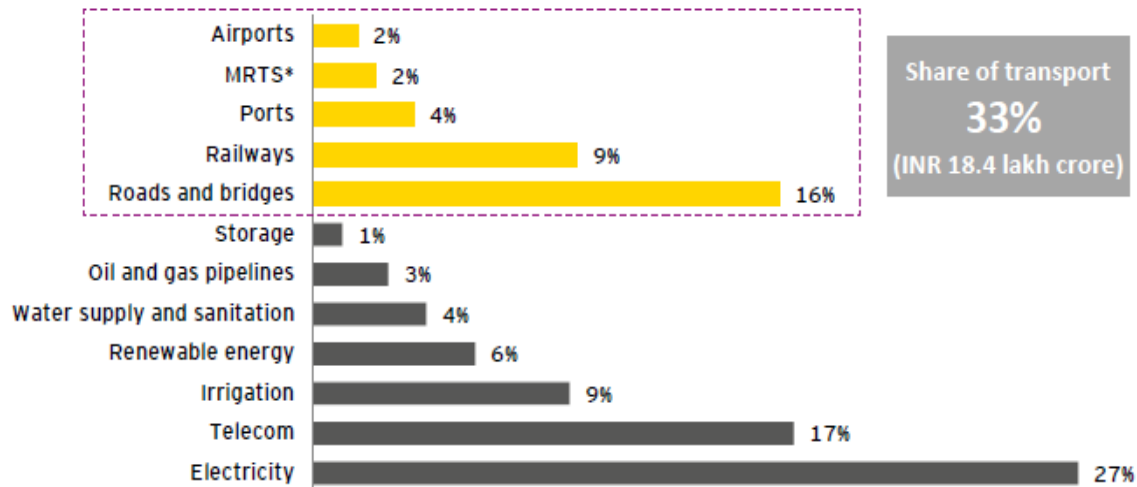
ARM = Armenia, BAN = Bangladesh, GEO = Georgia, IND = India, INO = Indonesia, JPN = Japan, KAZ = Kazakhstan, KGZ = Kyrgyz Republic, KOR = Republic of Korea, MON = Mongolia, PAK = Pakistan, PHI = Philippines, PNG = Papua New Guinea, PPP = public-private partnership, PRC = People's Republic of China, TAJ = Tajikistan, THA = Thailand, VIE = Viet Nam.

Source: ADB report-Sustaining development through public-private partnership; Economist Intelligence Unit (2015)

- Of the 20 Asian economies, 4 are developed
- Emerging countries need to build capacity to select, design, deliver, manage projects, & develop the local financing market
- Nascent economies are yet to develop their institutional and technical capacity to deliver complex PPP projects

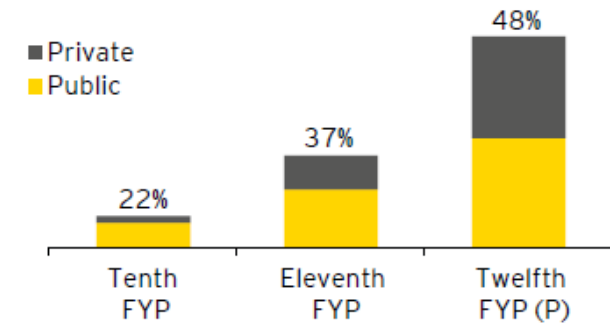
POTENTIAL INVESTMENT OPPORTUNITIES – INDIA (1/4)

Infrastructure investment across sectors



Source: Twelfth Five-Year Plan, Planning Commission

Infrastructure investment



Source: Twelfth Five-Year Plan and Eleventh Five-Year Plan, Planning Commission

- Total planned investment in infrastructure sector during 12th plan was USD1 trillion (INR56 lakh crore); share of potential private sector investment was 48%
- 880 PPP projects under different stages of development and/or operation
- However, actual investments could be around ~ USD645 billion (INR39 lakh crore), shortfall of around 31%, though recent efforts may bring infrastructure investments back on track

POTENTIAL INVESTMENT OPPORTUNITIES – INDIA (2/4)

○ **Roads:**

- NHDP - 20,000 km (in the next 3 years); potential investment of USD45 billion
- other programs - Bharat mala (6,000 km), High density corridor program, district connectivity etc.
- new PPP models – TOT, HAM, unlocking equity from completed BOT projects for re-investment

○ **Railways:**

- potential private sector investment - 20% (INR0.92 lakh crore) of the total investment during 2028-32¹
- 100% FDI under automatic route: sub-urban corridor projects, Dedicated freight lines, Rolling stock, MRTS, station redevelopment

○ **Renewable Energy:** Gol target of 175 GW (2022) which includes 100 GW (solar) and 60 GW (wind)

○ **Smart Cities:**

- to develop 100 sustainable cities, potential investment of USD15 billion; first 20 smart cities under implementation
- potential private sector opportunities in manufacturing, logistics, tourism and services

POTENTIAL INVESTMENT OPPORTUNITIES – BANGLADESH (3/4)

- 47 PPP projects in pipeline which are under various stages of development
- potential investment envisaged ~ USD14 billion
 - road projects such as Dhaka Bypass which is at tender stage, & few in pipeline
 - container port terminal
- **Power & Energy:**
 - current power demand is 11,400 MW, and is projected to be around 20,000 MW (2021) and 33,000 MW (2030). Demand to be met by:
 - large IPP power plants - to be fired by LNG blended with domestic gas or with a back up fuel
 - grid tied utility scale solar
 - FSRU's, LNG terminal and associated facilities as GoB is contemplating LNG as a fuel option

POTENTIAL INVESTMENT OPPORTUNITIES – INDONESIA (4/4)

- Govt. keen on infrastructure spending - budget increase of 8% (2016) for public spending on roads, railways and airports
- infrastructure spending to 2.5% of GDP
- installation of additional 35,000MW of electricity generating capacity
- plan to build 2,850km of new roads; 3,200km of railways; new seaports, container handling
- PPPs may be likely a financing option, which will result in huge opportunity for private sector investment

BANK'S POLICY DOES PROMOTE PRIVATE CAPITAL

- **Energy sector strategy:** Principle 5 - Catalyze private capital
 - ensure that the costs and risks associated with PPP projects are appropriately shared and distributed
 - explore with clients and private partners on new cooperation modalities to meet country needs
 - avoid crowding out the private sector
- **Transport and Sustainable Cities strategy** is under development; will also emphasize the significant role of the private sector

BANK'S ROLE IN A PPP PROJECT LIFE CYCLE (1/2)

- Currently, not involved in “**enabling environment, policy & sectoral reforms**”, or “**project preparation & pipeline development**” for Government entities
- Bank’s involvement starts with “**Investment**” evaluation “**post**” award of the project to the private investor
- Provides support in areas for successful implementation of a PPP project:
 - strong focus on green economic infrastructure
 - long-term finance
 - innovative debt and equity structuring
 - higher risk appetite for projects supporting the Bank’s mandate

BANK'S ROLE IN A PPP PROJECT LIFE CYCLE (2/2)

- Leverage development capital to finance sustainable infrastructure projects
 - sovereign-backed financing for the additional up-front capital to make traditional infrastructure projects bankable, **added to;**
 - long term non-sovereign financing to attract private investors willing to take risks for higher returns
- To introduce; guarantees, credit enhancement, local currency/swaps etc. thereby reducing risks for private investors

INVESTMENT IN A PPP PROJECT: EGYPT ROUND II SOLAR PV FEED-IN TARIFFS PROGRAM

- independent due diligence: technical, legal, E&S, financial, term sheets and negotiations
- AIIB may provide up to USD210 million long-term debt financing

17 sponsors	6 sponsor groups	Identical project documents & standardized T&Cs	11 greenfield solar power plants
490MW capacity	US\$719M investment	A loan 35%; B Loan 35%; subordinated debt 5%; equity 25%	18 year term, including 1.5 year grace period
Limited recourse	Maintenance ratio 1.05 × DSCR	Dividend distribution 1.2 × DSCR	US¢ 8.4/kWh PPA, of which 70% is linked to EGP/USD exchange rate
300,000 residential customers	57,6432 tons of CO ₂ abatement pa	IFC lead financier; 9 other lenders; 2 private banks	SoE off-taker; Government guarantee; deemed generation basis

THANK YOU



ASIAN INFRASTRUCTURE
INVESTMENT BANK