



ASIAN INFRASTRUCTURE
INVESTMENT BANK

Panda Bonds and Sustainability- linked Loans for Greener Transport

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PHOTO: SEMBCORP

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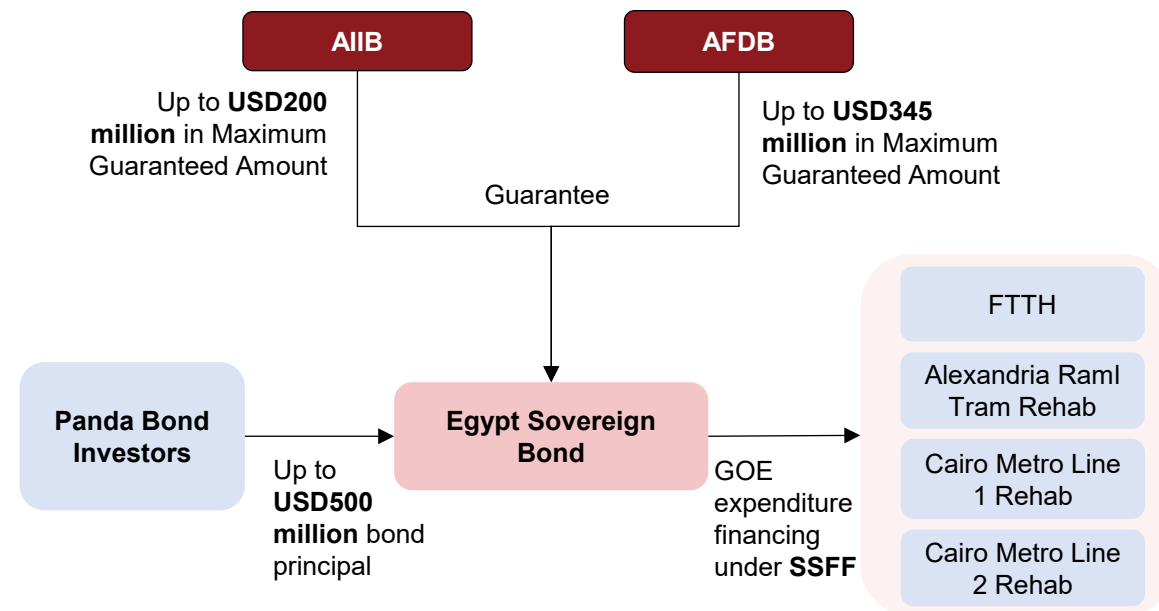
Egypt: Sustainable Transport and Digital Infrastructure Guarantee

AIIB Guarantee (PDG) key terms

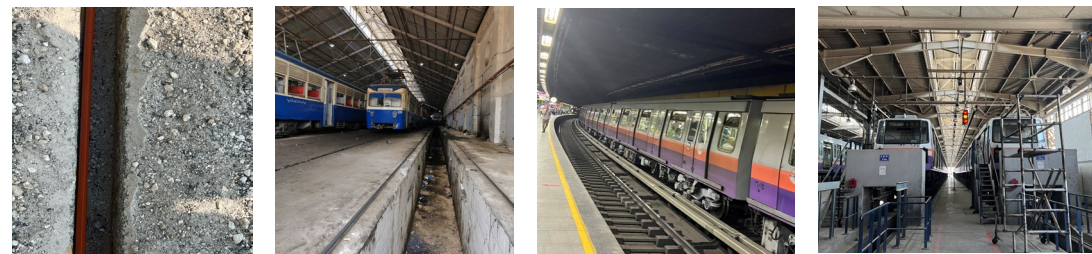
- Egyptian government (GOE) was aiming to raise up to **USD500 million equivalent CNY** through a privately placed, **3-year maturity**, Sustainable-labeled bond (the Bond) by 2023.
- This Bond proceeds will support **4 infrastructure subprojects in the transport and digital sector** which are aligned with Paris Agreement carbon-emission reduction under Egypt's Sovereign Sustainable Financing Framework (SSFF) 2022.
- The Project is proposed to support the financing of the Bond through a **Partial Debt Guarantee (PDG)**, jointly provided by AIIB and AFDB. The pro-rata split between AIIB and AFDB's guarantee amount is 37% / 63%, which is **subject to a maximum guaranteed amount of USD200 million and USD345 million respectively**, including principal and any accrued but unpaid interest.



Project structure



4 Sample Subprojects



Strategic Rationale

Value Addition to Egypt



*Aligns with member's **long term funding diversification strategy**, and **unlocks access to international debt capital market***

- As advised by IMF and WB, GOE has been implementing a long-term strategy in diversifying its funding sources
- In March 2022, GOE issued a JPY Samurai bond in the Japanese market, with a guarantee provided by Sumitomo Mitsui Banking Corporation
- In February 2023 February, GOE issued a Sukuk bond (sharia-compliant bond used in Islamic finance), denominated in USD
- Egyptian Ministry of Finance aims to further issue more in these markets.

Value Addition to



- **Broadens product offering** that can be customized for our clients' needs
- **Catalyzes private capital involvement**
- **Increasing importance of Guarantee-related products** in the MDB universe where AIIB can play a leading role

- Historically, **only investment grade sovereign issuers** (BBB and above) have been able to issue in the Chinese Panda Bond market, as the regulators have been prudent in managing Panda Bond issuances.
- Therefore, **it is important to obtain a guarantee from highly rated entities** (AIIB and AFDB) as a credit enhancement for the Egyptian government to successfully issue in the Chinese Panda Bond market.

Innovative Structure, Unprecedented Transaction

What we bring to the market...	Our value add...
<p><i>First</i> time for GOE to issue a bond in China's panda bond market. Egypt became the <i>First</i> Panda Bond issuer in Africa.</p>	<ul style="list-style-type: none"> • Diversifies funding sources of GOE • Helps GOE access international market
<p><i>First</i> MDB support of GOE's recently published Sovereign Sustainable Financing Framework</p>	<ul style="list-style-type: none"> • Leads to a streamlined and pragmatic implementation for GOE's future development under the framework
<p><i>First</i> bond issuance provided with a MDB guarantee in the panda bond market</p>	<ul style="list-style-type: none"> • Introduces an innovative structure to investors
<p><i>First</i> SBF guarantee transaction by AIIB</p>	<ul style="list-style-type: none"> • Widens the products offerings of our Bank Similar structure can be considered for other members in the future
<p><i>First</i> collaboration with AFDB</p>	<ul style="list-style-type: none"> • Strengthens relationship with AFDB • Expands AIIB's footprint within African members

Regional Transport Connectivity Project (Sustainability-Linked Loan)

About Project

- **Project Objective:** To support the Company in reducing its carbon intensity of fleet on the China-India shipping route.
- **Project Description:** The Project involves providing a USD 70 million **sustainability-linked loan (SLL)** along with IFC (lead co-financier) to X-Press Feeders Limited (XPF) for the purchase of three 7,000 twenty-foot equivalent units (TEUs) new-build container ships for deployment on the China-India shipping route.
- **Value-Addition to AIIB:**
 - (i) First sustainability-linked loan;
 - (ii) First financing in the maritime sector;
 - (iii) 100% climate mitigation financing; and
 - (iv) Supporting the Bank's thematic priorities and lending portfolio;
- **Value-Addition to Client:**
 - (i) Diversify funding sources with long-term financing by AIIB;
 - (ii) Promote financial integration through the issuance of an SLL;
 - (iii) Support shipping sector toward decarbonization



Sustainability-Linked Loan (SLL)

- SLL aims to **incentivize the achievement of predefined and quantifiable sustainability targets** from borrowing entities through pricing incentives.
- SLL is governed by the Sustainability-Linked Loan Principles (SLLP) which was developed by representatives from leading financial institutions active in the global syndicated loan markets.

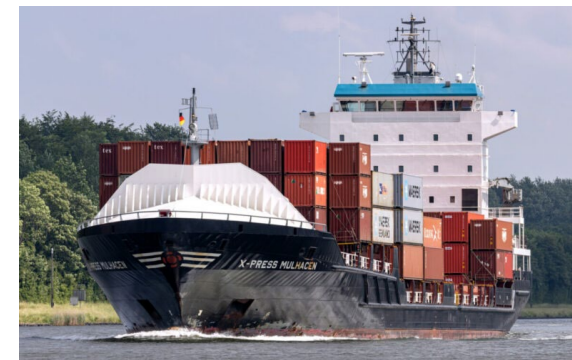
Key Performance Indicators (KPIs) for this SLL are:

Carbon Emission Reduction

KPI: 40% reduction in Energy Efficiency Operational Indicator (EEOI) from 2021 to 2027.

Plastic Reduction KPI:

reduction of usage of plastics on board all XPF vessels by 70% from 2021 to 2027 (the first time for maritime sector).



Thank you.

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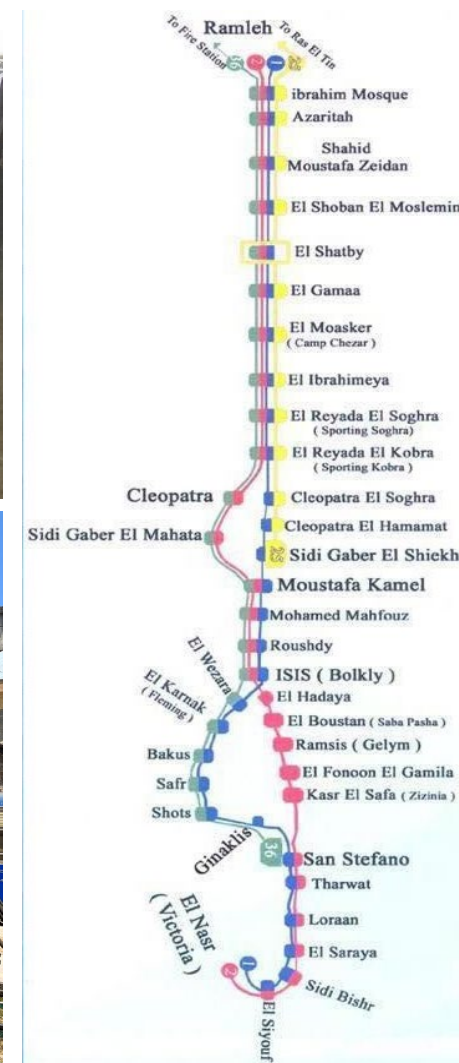
Tram Rehabilitation Subproject

Project highlights

- This Tramway line is **150 years old**
- Stations and tracks will be upgraded to **avoid road crossings and improve safety**
- Employ **automatic signaling and ticketing**, integrated with other systems being rehabilitated
- Average speed is expected to **double**
- Capacity is expected to **triple**

Cost and Financing

Total Subproject Cost	USD346 million
Financing by GOE	USD188 million
Supported by AIIB PDG ¹	USD41 million
Other MDB/DFI Financing Sources	USD158 million



1. The Bond amounts covered by AIIB PDG (up to USD200m) are allocated to each subproject on a non-weighted percentage of the total GOE financing out of the four subprojects. These amounts might differ during the allocation process based on the subprojects' expenses needs at the time of allocation.

Cairo Metro Lines Rehabilitation Subprojects

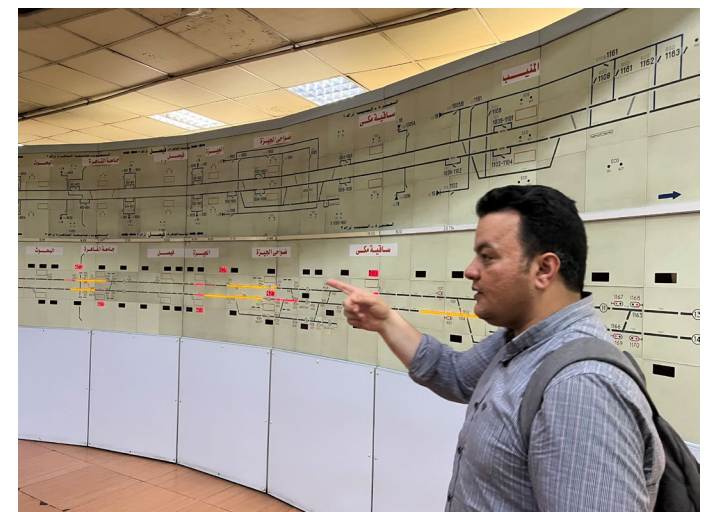
Project highlights

- Upgrade to a **Communication based Train Control System**, and **centralized telecommunication control system**
- Expected to **double headway efficiency**
- **Improve safety management** such as firefighting system and flooding management



Cost and Financing

In USD	Line 1	Line 2
Total Subproject Cost	483 million	356 million
Financing by GOE	93 million	39 million
Supported by AIIB PDG ¹	21 million	9.5 million
Other MDB/DFI Financing Sources	389 million	317 million



1. The Bond amounts covered by AIIB PDG (up to USD200m) are allocated to each subproject on a non-weighted percentage of the total GOE financing out of the four subprojects. These amounts might differ during the allocation process based on the subprojects' expenses needs at the time of allocation.

