MOODY'S
RATINGS

# Rating Action: Moody's Ratings affirms AIIB's Aaa rating, outlook remains stable

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London, April 02, 2025 -- Moody's Ratings (Moody's) has today affirmed the Asian Infrastructure Investment Bank's (AIIB) foreign-currency long-term issuer and senior unsecured ratings at Aaa. Concurrently, the foreign-currency senior unsecured shelf and MTN program ratings have been affirmed at (P)Aaa and the foreign-currency short-term issuer and Commercial Paper ratings at Prime-1. The outlook remains stable.

The decision to affirm AIIB's Aaa rating reflects its very strong intrinsic financial profile, with solid capital adequacy, asset performance and very strong liquidity metrics. AIIB's capital base will continue to be very large relative to its development assets for several years, providing ample financial capacity to fulfill its mandate.

The bank started operations in 2016 and has by now established a solid track record of lending operations and debt issuance. Its risk management framework and practices are prudent and aligned with those of its Aaa-rated peers. Also, AIIB benefits from very strong support from a large and globally diverse membership base, with close to 100 shareholders at the end of 2024.

The stable outlook reflects our view that AIIB will continue to manage its growth plan in a prudent and successful manner, thus keeping its strong financial profile intact. The bank aims for continued strong growth in its lending operations over the coming years.

At the same time, AIIB's leverage metrics will remain strong, given the substantial paid-in equity buffer and growing retained earnings at the bank's disposal. We also expect liquidity metrics to remain robust and prudently managed, while AIIB further broadens its funding profile.

RATINGS RATIONALE

RATIONALE FOR AFFIRMING THE Aaa RATINGS

## CAPITAL ADEQUACY WILL REMAIN ROBUST, DESPITE CONTINUED PORTFOLIO GROWTH

AIIB's capital adequacy continues to be very strong, notwithstanding steady growth in its lending activities. AIIB has a large buffer of paid-in capital of close to $20 billion or around 20% of total subscribed capital. Combined with growing retained earnings – close to $3 billion as per unaudited Q3 2024 financial statements – will provide a solid cushion, as AIIB ramps up lending. Disbursed loans stood at $32.4 billion as of end-2024, compared to close to $20 billion in 2022.

AIIB's leverage metric - defined as the ratio of  development-related assets and treasury assets rated A3 or lower to useable equity – continues to be very strong, at below 1.4x as of Q3 2024, compared to 1.2x as of end-2023, in line with our expectations.

Asset performance has also remained strong, with the sovereign loan portfolio benefitting from AIIB's status as preferred creditor and zero non-performing exposures. Non-performing assets (NPAs) in the non-sovereign portfolio declined to 0.7% in Q3 2024, compared to 3% in 2023, due to the settlement of the largest – and well provisioned – non-performing loan in Q1 2024.

Looking ahead, we expect asset performance to remain strong. While most of the loan portfolio has not yet seasoned and AIIB still has a comparatively undiversified portfolio in terms of country exposures, its growing size and increasing diversification under AIIB's prudent risk management standards will likely ensure that the NPA ratio remains contained over the coming years.

## LIQUIDITY BUFFERS ARE HIGH AND MARKET ACCESS IS WELL ESTABLISHED

AIIB's liquidity and funding position have also remained strong, as evidenced by very high liquidity buffers and by now well-established market access. The high level of treasury assets – at around $26 billion as of end-2024 –reflects AIIB's high paid-in capital and still low leverage.

AIIB's liquidity coverage ratio will likely decline over the coming years, as the loan portfolio expands. But very stringent liquidity requirements, supported by a growing issuance program, will ensure a continued strong liquidity ratio over the coming years. AIIB requires that its liquidity portfolio should cover at least 40% of net cash requirements for the upcoming 36 months and 100% of stressed net cash requirements for any upcoming 12-month period. Most peers require a minimum of 12 months of net cash requirements. Similar to peers, AIIB maintains significantly higher liquidity levels than mandated by its policy.

AIIB has successfully ramped up its presence in global markets, in line with our expectations. Outstanding borrowings stand at $36.8 billion as of September 2024, compared to $24.5 billion at the end of 2022 and just $2.6 billion at the end of 2019.

Its investor base is broadly similar to other Aaa-rated peers, with a large share held by central banks and other hold-to-maturity investors; it issues in a variety of markets, currencies and formats.

Lastly, AIIB's risk management practices are in line with best banking practices, with extensive stress testing of capital and liquidity, which aims to preserve a buffer for counter-cyclical lending at all times.

## SUPPORT FROM LARGE AND GLOBALLY DIVERSE MEMBERSHIP BASE IS STRONG

AIIB is among the few MDBs with a global shareholder base. As of end-2024, AIIB has 110 approved members, including 48 regional and 50 non-regional members, as well as 12 prospective members. Around 45% of the members are non-borrowing and many are highly rated advanced economies with strong capacity to support the Bank. As a result of its large global membership base, financial and economic links among members are lower than for some of its more regionally-focused peers.

Government of Canada's (Aaa stable) review in its relations with AIIB has not been concluded. We note that Canada's shareholding is small at around 1% of the shares, giving it a voting share of around 0.8%. None of the other non-borrowing shareholders have followed Canada in reviewing its membership of the bank.

Government of China (A1 negative) remains the single-largest shareholder, with a share of 30.7%. So far, it has exercised its strong role with caution and there are no indications that geopolitical tensions are affecting the Bank. We will monitor the upcoming change in the leadership of the Bank – President Jin Liqun will reach the end of his non-renewable second term in January 2026. Our baseline scenario remains that the Chinese government and other shareholders with a strategic interest in sustaining the Bank's operations would provide extraordinary support beyond their contractual obligations if it ever was needed.

## RATIONALE FOR STABLE OUTLOOK

The stable outlook reflects our view that AIIB will continue to manage its growth plan in a prudent and successful manner, thus keeping its strong financial profile intact. The bank is targeting an increase in its development-related asset portfolio by close to 10% per year on average over the next three years. But while lending growth will be high, AIIB's leverage metrics will continue to be strong, given the substantial paid-in equity buffer and growing retained earnings at the bank's disposal.

We estimate that AIIB's leverage will remain below 2x over the next three years, significantly below most peers. Under the Bank's longer-term growth plans, leverage would rise to around 2.6x by 2032, which would bring it broadly in line with the current median for Aaa-rated peers (2.43x as of 2023), while liquidity metrics will remain safely above internal limits.

AIIB's objective to have an even split between sovereign and non-sovereign financing approvals by 2030 (34% in 2024) may put some pressure on asset quality and performance, given that private-sector exposures tend to have a lower credit quality than lending to sovereigns. At the same time, portfolio growth will bring benefits in terms of diversification, which combined with AIIB's prudent risk management should contain any pressure on asset quality or performance.

Lastly, we do not expect the solid support from shareholders to change in the coming years, given AIIB's important role in providing financing for infrastructure investment. In December 2024, the Board of Directors approved a modified capital adequacy and stress testing policy, recognizing a prudent portion of the Bank's callable capital into internal capital adequacy limits, following the G20 Capital Adequacy Framework working group's recommendation, demonstrating the strength of shareholder support for the Bank.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONSIDERATIONS

AIIB's CIS-1 indicates that the credit rating is higher than it would have been in the absence of ESG considerations. This is mainly driven by the institution's very strong risk management, coupled with very limited exposure to environmental and social risks, which is further supported by the diverse global membership.

AIIB's E-2 environmental issuer profile score is in line with the sector median and reflects limited exposure to environmental risks. AIIB has relatively high exposure to countries with high exposure to environmental risks, both with regards to physical climate and carbon transition risk.

However, AIIB's loan portfolio is growing rapidly and its increasing diversification will reduce the respective risk exposure. Also, AIIB has been set up specifically as an MDB with sustainability as part of its mandate. All projects are being screened and assessed under its Environmental and Social Framework (ESF) right from the start. Consequently, AIIB has no legacy assets that have not been screened against the ESF, reducing exposure to carbon transition risks for instance.

AIIB's issuer profile is positively affected by social considerations, reflected in a S-1 social issuer profile. AIIB's focus on financing sustainable infrastructure in Asia and its commitment to sustainability and social progress is aligned with key demographic and societal trends.

Similarly, AIIB's focus on responsible production, as well as efficient processes and client needs have a positive influence on the credit profile, allowing rapid disbursement of loans, as seen in the Covid response in 2020. Similar to other leading MDBs, AIIB has established an independent evaluation office and has robust processes in place for stakeholders to air grievances and complaints, with information easily accessible.

AIIB's very strong governance exerts positive influence on the credit rating and is reflected in a G-1 governance issuer profile score. The Bank has established its risk management practices with the highest standards in mind, on par with the strongest MDBs; its financial and risk management is very robust and management has established a strong track record, with a focus on efficiency, and lean and transparent operations.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

WHAT COULD MOVE THE RATINGS UP

An upgrade of AIIB's ratings is not possible as its Aaa ratings are at the highest level on our rating scale.

WHAT COULD MOVE THE RATINGS DOWN

The Bank aims to ramp up lending at a relatively rapid pace in the coming years. Downward pressure on the rating could emerge if the Bank's underwriting and risk management processes are not applied effectively and consistently, leading to a marked and sustained deterioration in its asset performance and overall credit metrics.

The rating could also come under downward pressure if signs of increasing interference by shareholders were to emerge, or if the Bank were to implement a shift in strategy that results in a greater geographic concentration of lending and investment than we expect. Evidence of diminished capacity or willingness to support from key shareholders – in particular China – would also weigh on the AIIB's credit profile.

The principal methodology used in these ratings was Multilateral Development Banks and Other Supranational Entities published in February 2024 and available at https://ratings.moodys.com/rmc-documents/414557 . Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions .

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