

Asian Infrastructure Investment Bank
Condensed Financial Statements (Unaudited)
for the Nine Months Ended Sep. 30, 2023

Contents

Financial Statements

Condensed Statement of Comprehensive Income	1
Condensed Statement of Financial Position.....	2
Condensed Statement of Changes in Equity.....	3
Condensed Statement of Cash Flows	4
Notes to the Condensed Financial Statements	5-46
A. General Information	5
B. Accounting Policies.....	5-6
C. Disclosure Notes.....	7-30
D. Financial Risk Management.....	31-42
E. Fair Value Disclosure.....	43-46

Asian Infrastructure Investment Bank
Condensed Statement of Comprehensive Income
For the nine months ended Sep. 30, 2023

<i>In thousands of US Dollars</i>	Note	For the nine months ended Sep. 30, 2023 (unaudited)	For the nine months ended Sep. 30, 2022 (unaudited)
Interest income	C1	1,381,793	371,340
Interest expense	C1	(563,915)	(200,690)
Net interest income		817,878	170,650
Net fee and commission income	C2	24,760	26,481
Net gain on financial instruments measured at fair value through profit or loss	C3	187,068	155,355
Net loss on financial instruments measured at amortized cost	C9	(4,406)	(13,172)
Share of gain on investment in associate	C10	3,313	573
Impairment provision	C4	(13,732)	(158,673)
General and administrative expenses	C5	(164,222)	(131,948)
Net foreign exchange loss		(142,181)	(97,439)
Operating profit/(loss) for the period		708,478	(48,173)
Accretion of paid-in capital receivables	C11	1,015	1,866
Net profit/(loss) for the period		709,493	(46,307)
Other comprehensive income <i>Items will not be reclassified to profit or loss</i>			
Unrealized (loss)/gain on fair- valued borrowings arising from changes in own credit risk	C13	(99,229)	82,321
Total comprehensive income		610,264	36,014
Attributable to:			
Equity holders of the Bank		610,264	36,014

The accompanying notes are an integral part of these financial statements.

Asian Infrastructure Investment Bank
Condensed Statement of Financial Position
As at Sep. 30, 2023

<i>In thousands of US Dollars</i>	Note	Sep. 30, 2023 (unaudited)	Dec. 31, 2022 (audited)
Assets			
Cash and cash equivalents	C6	2,198,509	3,077,356
Term deposits	C6	3,201,055	6,669,005
Investments at fair value through profit or loss	C7	16,574,052	12,701,947
Loan investments, at amortized cost	C8	20,613,499	17,641,931
Bond investments, at amortized cost	C9	7,701,427	4,565,178
Paid-in capital receivables	C11	269,388	304,862
Derivative assets	C14	656,653	477,469
Investment in associate	C10	58,489	49,176
Property and equipment		5,476	4,365
Intangible assets		5,957	6,712
Other assets	C12	1,764,080	1,911,247
Total assets		53,048,585	47,409,248
Liabilities			
Borrowings	C13	29,321,439	24,475,728
Derivative liabilities	C14	2,182,982	2,286,664
Prepaid paid-in capital		1,000	-
Other liabilities	C15	456,675	181,131
Total liabilities		31,962,096	26,943,523
Members' equity			
Paid-in capital	C16	19,403,400	19,392,900
Reserves			
Accretion of paid-in capital receivables		(1,253)	(2,268)
Unrealized (loss)/gain on fair-valued borrowings arising from changes in own credit risk		(89,681)	9,548
Retained earnings		1,774,023	1,065,545
Total members' equity		21,086,489	20,465,725
Total liabilities and members' equity		53,048,585	47,409,248

The accompanying notes are an integral part of these financial statements

Asian Infrastructure Investment Bank
Condensed Statement of Changes in Equity
For the nine months ended Sep. 30, 2023

<i>In thousands of US Dollars</i>	Note	Subscribed capital	Less: callable capital	Paid-in capital	Reserves		Retained earnings	Total members' equity
					Accretion of paid-in capital receivables	Unrealized (loss)/gain on fair-valued borrowings arising from changes in own credit risk		
Jan. 1, 2022		96,775,100	(77,420,100)	19,355,000	(3,463)	(61,622)	876,003	20,165,918
Capital subscription and contribution		189,600	(151,700)	37,900	-	-	-	37,900
Net loss for the period		-	-	-	-	-	(46,307)	(46,307)
Other comprehensive income		-	-	-	-	82,321	-	82,321
Paid-in capital receivables - accretion effect		-	-	-	(1,162)	-	-	(1,162)
Transfer of accretion	C11	-	-	-	1,866	-	(1,866)	-
Sep. 30, 2022 (unaudited)	C16	96,964,700	(77,571,800)	19,392,900	(2,759)	20,699	827,830	20,238,670
Jan. 1, 2023		96,964,700	(77,571,800)	19,392,900	(2,268)	9,548	1,065,545	20,465,725
Capital subscription and contribution		52,600	(42,100)	10,500	-	-	-	10,500
Net profit for the period		-	-	-	-	-	709,493	709,493
Other comprehensive income		-	-	-	-	(99,229)	-	(99,229)
Paid-in capital receivables - accretion effect		-	-	-	-	-	-	-
Transfer of accretion	C11	-	-	-	1,015	-	(1,015)	-
Sep. 30, 2023 (unaudited)	C16	97,017,300	(77,613,900)	19,403,400	(1,253)	(89,681)	1,774,023	21,086,489

The accompanying notes are an integral part of these financial statements.

Asian Infrastructure Investment Bank
Condensed Statement of Cash Flows
For the nine months ended Sep. 30, 2023

<i>In thousands of US Dollars</i>	Note	For the nine months ended Sep. 30, 2023 (unaudited)	For the nine months ended Sep. 30, 2022 (unaudited)
Cash flows from operating activities			
Net profit/(loss) for the period		709,493	(46,307)
Adjustments for:			
Interest income from term deposits		(240,592)	(58,662)
Interest expense	C13,C1	557,642	194,465
Issuance cost for borrowings	C5	9,169	5,348
Accretion of paid-in capital receivables	C11	(1,015)	(1,866)
Net gain on financial instruments measured at fair value through profit or loss		(133,007)	(144,658)
Share of gain on investment in associate	C10	(3,313)	(573)
Impairment provision	C4	13,732	158,673
Depreciation and amortization		2,316	1,915
Increase in loan investments	C8	(2,983,635)	(3,011,236)
Increase in bond in investment operations portfolio		(439,112)	(58,287)
Net cash (paid for)/received from derivatives		(680,593)	48,894
Decrease/(increase) in other assets		147,257	(1,785,366)
Increase in other liabilities		274,958	82,721
Net cash used in operating activities		(2,766,700)	(4,614,939)
Cash flows from investing activities			
Increase in investment of funds, trusts and others		(211,408)	(247,624)
Dividends received and return of capital contributions		28,708	44,415
Bond at amortized cost purchased in treasury investment portfolio		(2,991,270)	(2,028,501)
Net purchase in other treasury investment		(3,115,137)	(844,012)
Decrease in term deposits		3,432,061	1,750,000
Increase in investment in associate		(6,000)	(13,500)
Interest received from term deposits		276,479	33,533
Increase in intangible assets, property and equipment		(1,709)	(2,808)
Net cash used in investing activities		(2,588,276)	(1,308,497)
Cash flows from financing activities			
Proceeds from borrowings, net	C13	11,374,978	7,058,185
Repayments of borrowings	C13	(6,528,330)	(376,313)
Interest payments on borrowings	C13	(418,508)	(148,709)
Capital contributions received	C11	46,989	26,257
Prepaid paid-in capital received		1,000	-
Net cash from financing activities		4,476,129	6,559,420
Net (decrease)/increase in cash and cash equivalents		(878,847)	635,984
Cash and cash equivalents at beginning of period		3,077,356	2,109,608
Cash and cash equivalents at end of period	C6	2,198,509	2,745,592

The accompanying notes are an integral part of these financial statements.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

A General Information

The Asian Infrastructure Investment Bank (the “Bank” or “AIIB”) is a multilateral development bank. By the end of year 2015, representatives from 57 countries signed AIIB’s Articles of Agreement (the “AOA”) which entered into force on Dec. 25, 2015. The Bank commenced operations on Jan. 16, 2016. AIIB’s principal office is in Beijing, the People’s Republic of China (the “PRC”).

As at Sep. 30, 2023, the Bank’s total approved membership is 109, of which 93 have completed the membership process and have become members of AIIB in accordance with the AOA.

AIIB’s purpose is to (i) foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors; and (ii) promote regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions.

The legal status, privileges and immunities for the operation and functioning of AIIB in the PRC are agreed in the AOA and further defined in the Headquarters Agreement between the government of the People’s Republic of China (the “Government”) and the Bank on Jan. 16, 2016.

The Bank’s first overseas office, an Interim Operational Hub (the “Hub”), was established in Abu Dhabi, the United Arab Emirates, upon the government of the United Arab Emirates (the “UAE”) and the Bank signing an agreement regarding the establishment of an office in the UAE on April 19, 2023. The Hub provides proximity to global financial centers and connectivity with the international infrastructure ecosystem which is important in maintaining AIIB’s growth momentum.

B Accounting Policies

B1 Basis of preparation

These condensed interim financial statements for the nine months ended Sep. 30, 2023 have been prepared in accordance with International Financial Reporting Standard: IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the annual financial statements for the year ended Dec. 31, 2022.

The accounting policies adopted are consistent with those used in the Bank’s annual financial statements for the year ended Dec. 31, 2022.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in its process of applying the Bank’s accounting policies. The financial statements have been prepared on a going concern basis.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

B Accounting Policies

B2 New accounting pronouncements

The new accounting pronouncements, amendments and interpretations issued during the nine months ended Sep. 30, 2023, do not have any significant impact on the operating results, financial position and comprehensive income of the Bank, based on the assessment of the Bank.

B3 Comparatives

The comparative date of the Condensed Statement of Financial Position is as at Dec. 31, 2022, while the comparative period of the Condensed Statement of Comprehensive Income, the Condensed Statement of Changes in Equity and the Condensed Statement of Cash Flows are from Jan. 1, 2022 to Sep. 30, 2022.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C1 Interest income and expense

	For the nine months ended Sep. 30, 2023	For the nine months ended Sep. 30, 2022
Interest income		
Loan investments ⁽¹⁾	874,488	246,553
Cash, cash equivalents, and deposits	384,372	79,024
Bond investments	122,933	45,763
Total interest income	1,381,793	371,340
Interest expense		
Borrowings ⁽²⁾	(563,900)	(200,690)
Lease	(15)	-
Total interest expense	(563,915)	(200,690)
Net interest income	817,878	170,650

(1) Interest income for loan investments includes amortization of front-end fees, and other incremental and directly related costs in relation to loan origination that are an integral part of the effective interest rate of those loans.

(2) Interest expense is accrued mainly based on the notional coupon rate. However, the Bank uses derivatives to manage interest rate and foreign currency risks, and hence, the actual borrowing cost for the Bank is swapped from fixed to floating rate. The hedging results are presented in Note C14 Derivatives.

C2 Net fee and commission income

	For the nine months ended Sep. 30, 2023	For the nine months ended Sep. 30, 2022
Loan commitment fee and service fee	26,232	26,175
Special Funds administration fee (Note C20)	113	188
MCDF administration fee ⁽¹⁾	1,710	1,681
Implementing entity administration fee ⁽²⁾	69	278
Others	-	15
Total fee and commission income	28,124	28,337
Cofinancing service fee	(3,364)	(1,856)
Total fee and commission expense	(3,364)	(1,856)
Net fee and commission income	24,760	26,481

(1) According to the Governing Instrument of the Finance Facility of the Multilateral Cooperation Center for Development Finance ("MCDF Finance Facility") and the agreement on the terms and conditions of service as the administrator of the MCDF Finance Facility, AIIB provides administrative and financial services to the MCDF Finance Facility, including hosting of the secretariat of the Multilateral Cooperation Center for Development Finance ("MCDF"). Therefore, the Bank charges an administration fee for the services provided as the administrator of the MCDF Finance Facility. The MCDF serves as a multilateral initiative to foster high-quality infrastructure and connectivity investments in developing countries.

(2) Implementing entity refers to AIIB's role as either implementing partner, technical partner, or another analogous role, in a multilateral partnership facility.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C3 Net gain on financial instruments measured at fair value through profit or loss

	For the nine months ended Sep. 30, 2023	For the nine months ended Sep. 30, 2022
Money Market Funds (Note C6)	54,061	10,697
Investments at fair value through profit or loss (Note C7)	282,280	(330,922)
Borrowings (Note C13)	248,454	2,000,049
Derivatives (Note C14):		
- Borrowings associated	(893,060)	(1,972,277)
- Loan investments associated	148,206	121,690
- Treasury investment portfolio and bond investments associated	347,127	326,118
Total	187,068	155,355

C4 Impairment provision

	For the nine months ended Sep. 30, 2023	For the nine months ended Sep. 30, 2022
Impairment provision for		
- Loan investments (Note C8)	11,586	150,075
- Bond investments (Note C9)	2,146	8,598
Total impairment provision	13,732	158,673

C5 General and administrative expenses

	For the nine months ended Sep. 30, 2023	For the nine months ended Sep. 30, 2022
Staff costs	86,059	71,316
Professional service expenses	23,066	21,079
IT services	15,416	14,215
Facilities and administration expenses	12,938	12,188
Travel expenses	10,294	2,198
Issuance cost for borrowings	9,169	5,348
Others	7,280	5,604
Total general and administrative expenses	164,222	131,948

Refer to Note C20 for details of key management remuneration.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C6 Cash, cash equivalents, and deposits with banks

	Sep. 30, 2023	Dec. 31, 2022
Cash	-	-
Deposits with banks		
- Demand deposits ⁽¹⁾	129,120	106,253
- Term deposits with initial maturity of three months or less	1,274,037	1,690,454
Money Market Funds ⁽²⁾	795,352	1,280,649
Total cash and cash equivalents	2,198,509	3,077,356
Add: term deposits with initial maturity more than three months ⁽³⁾	3,201,055	6,669,005
Total cash, cash equivalents, and deposits with banks	5,399,564	9,746,361

⁽¹⁾ USD58.09 million of demand deposits is segregated for the externally managed portfolios (Dec. 31, 2022: USD73.15 million).

⁽²⁾ Money Market Funds

	For the nine months ended Sep. 30, 2023	For the year ended Dec. 31, 2022
As at beginning of period/year	1,280,649	1,710,022
Additions	14,071,588	13,402,000
Disposals	(14,610,946)	(13,848,258)
Fair value gain, net	54,061	16,885
Total Money Market Funds	795,352	1,280,649

Money Market Funds (“MMFs”) are rated triple-A equivalent and invest in a diversified portfolio of short-term high-quality assets. The objective of the investment is only to meet short-term cash commitments. The MMFs are subject to an insignificant risk of changes in value, with daily liquidity and an investment return comparable to normal USD denominated money market interest rates. The MMFs are exposed to credit, market and liquidity risks, and are measured at fair value.

⁽³⁾ Term deposits with initial maturity more than three months have maturities up to 24 months. As at Sep. 30, 2023, USD3.2 billion of term deposits has remaining maturity within 12 months (Dec. 31, 2022: USD6.67 billion).

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C7 Investments at fair value through profit or loss

	For the nine months ended Sep. 30, 2023	For the year ended Dec. 31, 2022
As at beginning of period/year	12,701,947	10,565,949
Additions, net	3,608,995	2,174,149
Return of capital contributions	(19,170)	(55,845)
Net gain of investments	282,280	17,694
Total investments at fair value through profit or loss	16,574,052	12,701,947

Analysis of investments at fair value through profit or loss:

	Sep. 30, 2023	Dec. 31, 2022
External Managers Program (a)	4,150,191	4,020,106
Bond investments (b)	8,565,689	5,738,255
Certificates of deposit and commercial papers (c)	2,798,529	2,114,223
Investment operations fixed income portfolio (d)	232,678	220,451
Investment in funds, trusts and others (e)	826,965	608,912
Total investments at fair value through profit or loss	16,574,052	12,701,947

(a) The Bank has engaged external asset managers to invest in portfolios of high credit quality securities (the "External Managers Program"). The portfolios are fair value measured and securities are eligible for sale. The following table sets out the amounts of the investment portfolio by asset categories.

External Managers Program	Sep. 30, 2023	Dec. 31, 2022
Investment grade corporate bonds	1,622,964	1,704,603
Treasury bills and notes	996,947	692,923
Sovereign, supranational and agency bonds	978,345	1,163,506
Commercial papers	242,691	109,895
Term deposits and certificates of deposit	191,614	238,171
Other investment securities	117,630	111,008
Total	4,150,191	4,020,106

C Disclosure Notes

C7 Investments at fair value through profit or loss (Continued)

- (b) The Bank invests in bond securities which are actively managed. The bond investments are measured at fair value through profit or loss. The bonds invested are mainly of high credit quality. The Bank also invests in securities for infrastructure and development purposes in its investment operations portfolio.
- (c) The Bank invests in certificates of deposit and commercial papers which are actively managed within treasury investment portfolio and measured at fair value through profit or loss. The certificates of deposit and commercial papers are of high credit quality.
- (d) The Bank has engaged external asset managers to invest in a fixed-income portfolio. The objective of this portfolio is to develop the climate bond markets in Asia, composing of labeled green bonds and unlabeled climate-aligned bonds. The investment strategy targets climate bond issuers who rate high on the evaluation of three dimensions related to the Paris Agreement: (a) climate mitigation, (b) climate adaptation and (c) contribution to the transition to a low carbon, climate resilient economy.
- (e) The Bank invests in limited partnership funds ("LP Funds"), trust and others. LP Funds are managed by the general partners, who manage all investments on behalf of the limited partners. The Bank, along with other investors, has entered into the LP Funds as a limited partner. The trust is managed by investment manager who makes investment decisions on behalf of the trust as per the trust deed and the investment management agreement. The investment in funds, trusts and others do not have an expected maturity date within twelve months.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C8 Loan investments, loan commitments and related ECL allowance

Loan investments	Sep. 30, 2023	Dec. 31, 2022
Gross carrying amount	20,918,727	17,935,092
ECL allowance	(305,228)	(293,161)
Net carrying amount	20,613,499	17,641,931

Loan investments are carried at amortized cost. At initial recognition, loan investments are measured at fair value using the assumptions market participants of either sovereign-backed or nonsovereign-backed projects would use when pricing the loan assets. The market where the Bank enters into such transactions is considered to be the principal market. The transaction price normally represents the fair value of loans at their initial recognition.

All sovereign-backed loans to eligible members are subject to the same pricing, taking into account the “preferred creditor status” and other terms giving the Bank rights more favorable than those available to commercial creditors. The Bank applies commercial pricing practices to nonsovereign-backed loans. The Bank has no intention to sell sovereign-backed loans, nor does it believe there is a secondary market for such loans.

The Bank began offering variable spread loans in 2019 where the lending rate consists of a variable reference rate and a variable spread. The variable spread consists of a fixed contractual lending spread and maturity premium along with a variable borrowing cost margin. The reference rate and the borrowing cost margin are determined at each interest rate reset date and are applicable for the following six months. The borrowing cost margin is based on the cost of the underlying funding for these loans at the time of the reset. As at Sep. 30, 2023, USD12,961.97 million of the total carrying amount of the Bank’s loans are variable spread loans (Dec. 31, 2022: USD10,887.26 million).

As at Sep. 30, 2023, USD1,245.87 million of the total carrying amount matures within 12 months (Dec. 31, 2022, USD618.65 million).

The following table sets out overall information about the credit quality of loan investments and loan commitments issued for effective contracts as at Sep. 30, 2023. The gross amounts of loans are net of the transaction costs and fees that are capitalized through the effective interest method, or EIR method.

	Sep. 30, 2023	Dec. 31, 2022
Loan investments, gross carrying amount	20,918,727	17,935,092
Loan commitments	12,344,448	13,039,033
	33,263,175	30,974,125
Total ECL allowance (a)	(306,022)	(294,436)
	32,957,153	30,679,689

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C8 Loan investments, loan commitments and related ECL allowance (Continued)

(a) As at Sep. 30, 2023, the total ECL allowance related to loan commitments is USD0.79 million (Dec. 31, 2022: USD1.28 million), and is presented as a provision in Note C15.

For the nine months ended Sep. 30, 2023, the impairment losses on loan investments and loan commitments were USD11.59 million (for the nine months ended Sep. 30, 2022: USD150.07 million), as disclosed in Note C4.

C9 Bond investments at amortized cost

Bond investments	Sep. 30, 2023	Dec. 31, 2022
Externally managed fixed-income portfolio (a)	1,993,458	2,000,504
Internally managed fixed-income portfolio (b)	5,018,064	2,019,748
Investment operations bond portfolios (c)	704,980	557,855
Gross carrying amount	7,716,502	4,578,107
ECL allowance	(15,075)	(12,929)
Net carrying amount	7,701,427	4,565,178

(a) In Sep. 2021, the Bank engaged an external asset manager to invest in a portfolio of high credit quality securities. The portfolio adopts a hold-to-maturity business strategy. The bonds are initially recognized at fair value and subsequently measured at amortized cost.

(b) In April 2022, the Bank started an internally managed portfolio to invest in high credit quality securities. The portfolio adopts a hold-to-maturity business strategy. The bonds are initially recognized at fair value and subsequently measured at amortized cost.

(c) The Bank has invested in a fixed income bond investment portfolio which comprises Asian infrastructure-related bonds and other private bond investment. The bonds are initially recognized at fair value and subsequently measured at amortized cost.

For the nine months ended Sep. 30, 2023, USD4.41 million investment loss was recognized as a result of disposal of certain bonds in the portfolios (for the nine months ended Sep. 30, 2022: USD13.17 million).

Bond investments at amortized cost are subject to credit losses estimated by applying an ECL model, assessed on a forward-looking basis. As at Sep. 30, 2023, ECL allowance of USD14.49 million and USD0.59 million has been provided respectively to bonds in investment operations and treasury investment portfolio (ECL allowance of USD12.93 million has been provided to bonds in investment operations as at Dec. 31, 2022).

As at Sep. 30, 2023, USD2,401.70 million of the gross carrying amount matures within 12 months (Dec. 31, 2022: USD12.59 million).

C Disclosure Notes

C10 Investment in associate

On April 2, 2020, the Bank subscribed for a 30% economic interest in a private company incorporated in Singapore and limited by shares. The purpose of the investee is to acquire and securitize infrastructure loans. As at Sep. 30, 2023, the undrawn capital commitment is nil (as at Dec. 31, 2022: USD6 million).

For the nine months ended Sep. 30, 2023, the associate recognized a profit of USD11.0 million (for the year ended Dec. 31, 2022: profit of USD6.1 million). The Bank has recorded a net profit of USD3.3 million following the equity method (for the year ended Dec. 31, 2022: net profit of USD1.8 million).

	For the nine months ended Sep. 30, 2023	For the year ended Dec. 31, 2022
As at beginning of period/year	49,176	33,842
Additions	6,000	13,500
Share of gain for the period/year	3,313	1,834
Total investment in associate	58,489	49,176

C11 Paid-in capital receivables

According to the AOA, payments for paid-in capital (refer to Note C16) are due in five installments, with the exception of members considered as less developed countries, who may pay in ten installments. Paid-in capital receivables represent amounts due from members in respect of paid-in capital. These amounts are initially recognized at fair value and subsequently measured at amortized cost. The fair value discount is accreted through income using the effective interest method. For the nine months ended Sep. 30, 2023, none of discount (for the nine months ended Sep. 30, 2022: USD1.16 million) has been debited to the reserve. An amount of USD1.02 million (for the nine months ended Sep. 30, 2022: USD1.87 million) has been accreted through income in the current period.

As at Sep. 30, 2023, overdue contractual undiscounted paid-in capital receivables amounting to USD198.55 million (Dec. 31, 2022: USD214.06 million) (Note C16) are not considered impaired.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C11 Paid-in capital receivables (Continued)

As at Sep. 30, 2023, USD231.31 million (Dec. 31, 2022: USD258.96 million) of the paid-in capital balance is due within 12 months.

	For the nine months ended Sep. 30, 2023	For the year ended Dec. 31, 2022
As at beginning of period/year	304,862	303,695
Paid-in capital receivables originated	10,500	36,737
Contributions received	(46,989)	(36,727)
Transfer from prepaid paid-in capital to contribution	-	(1,200)
Accretion to profit or loss	1,015	2,357
Total paid-in capital receivables	269,388	304,862

C12 Other assets

	Sep. 30, 2023	Dec. 31, 2022
Cash collateral receivable (Note C14)	1,657,084	1,872,002
Receivable for unsettled trades	96,789	29,790
Prepayments	6,157	6,008
Receivable for MCDF administration fee	1,711	2,218
Others	2,339	1,229
Total other assets	1,764,080	1,911,247

C13 Borrowings

	Sep. 30, 2023	Dec. 31, 2022
i) Borrowings carried at fair value		
SEC-registered notes (a)	17,365,066	16,135,993
Global Medium-Term Notes (b)	8,482,162	5,411,566
Australian Dollar and New Zealand Dollar Bonds (c)	936,071	964,221
RMB Denominated Panda Bond (d)	764,538	656,531
Total borrowings at fair value	27,547,837	23,168,311
ii) Borrowings carried at amortized cost		
Global Medium-Term Notes (b)	1,262,576	1,208,555
Euro Commercial Papers (e)	411,314	-
Other bond issuance (f)	99,712	98,862
Total borrowings at amortized cost	1,773,602	1,307,417
Total borrowings	29,321,439	24,475,728

(a) As at Sep. 30, 2023, the Bank has issued a total of USD21.25 billion SEC-registered fixed rate global notes in the capital markets. These notes are listed on the London Stock Exchange's main market. The following table sets out the details of the SEC-registered notes.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C13 Borrowings (Continued)

(in USD million)						
Date of issuance	Notional amount	Cash proceeds	Coupon (per annum)	Coupon payment	Maturity date	
May 16, 2019	2,500	2,492.95	2.25%	Semi-annual	May 16, 2024	
May 28, 2020	3,000	2,984.94	0.50%	Semi-annual	May 28, 2025	
Sep. 29, 2020	3,000	2,994.09	0.25%	Semi-annual	Sep. 29, 2023	
Jan. 27, 2021	3,000	2,987.16	0.50%	Semi-annual	Jan. 27, 2026	
Sep. 16, 2021	2,500	2,496.30	0.50%	Semi-annual	Oct. 30, 2024	
June 29, 2022	1,250	1,246.08	3.375%	Semi-annual	June 29, 2025	
Sep. 14, 2022	2,000	1,994.40	3.75%	Semi-annual	Sep. 14, 2027	
Jan. 18, 2023	2,000	1,988.00	4.00%	Semi-annual	Jan. 18, 2028	
Sep. 14, 2023	2,000	1,994.70	4.875%	Semi-annual	Sep. 14, 2026	
Total	21,250	21,178.62				

- (b) As at Sep. 30, 2023, the Bank issued a total of USD11,676.96 million equivalent fixed rate notes, and a total of USD1,250 million floating rate notes under its Global Medium-Term Note (“GMTN”) program through a combination of private and public placements, of which amount of USD2,009.37 million equivalent fixed rate notes have been repaid. The following table sets out the details of the GMTN notes by denominated currency. The interest expense is mostly payable annually.

GMTNs in denominated currency	Sep. 30, 2023	Dec. 31, 2022
GBP	3,288,186	2,070,561
USD	1,875,000	2,025,000
EUR	1,767,498	161,898
CNH	1,015,103	1,238,492
HKD	767,458	302,942
MXN	667,501	125,123
TRY	646,153	549,253
INR	298,071	202,950
Others	592,619	622,204
Total	10,917,589	7,298,423

- (c) As at Sep. 30, 2023, the Bank has issued a total of USD1,483.05 million equivalent fixed rate notes under its Australian Dollar and New Zealand Dollar Debt Issuance program through a combination of private and public placements, of which amount of USD364.03 million equivalent fixed rate notes have been repaid. The interest expense payable is semi-annually.
- (d) As at Sep. 30, 2023, the Bank has issued a total of USD1,215.58 million equivalent fixed rate Renminbi denominated bonds (“RMB Denominated Panda Bond”) through public placements, of which amount of USD424.63 million equivalent fixed rate notes have been repaid. The interest expense payable is annually.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C13 Borrowings (Continued)

^(e) As at Sep. 30, 2023, the Bank has issued a total of USD1,761.79 million under its Euro Commercial Paper (“ECP”) program to expand the Bank's short-term funding options in the debt capital market, of which amount of USD1,347.79 million equivalent fixed rate notes have been repaid.

^(f) As at Sep. 30, 2023, the Bank has USD100 million equivalent floating rate bond issuances through private placement in local onshore market, interest expense payable quarterly.

Borrowings that are paired with swaps are designated as financial liabilities at fair value through profit or loss, in order to significantly reduce accounting mismatches that would have otherwise arisen if the borrowings were carried at amortized cost while the related swaps are carried at fair value. Interest from borrowings was calculated based on outstanding balances of the borrowings and coupon rates and presented as interest expense in the Statement of Comprehensive Income.

Floating rate notes and ECP are carried at amortized cost with interest expenses recognized under effective interest rate method.

The fair value changes for financial liabilities that are designated as at fair value through profit or loss, that is attributable to changes in the Bank's own credit risk, are recognized in other comprehensive income in accordance with the requirements of IFRS 9. Fair value movements attributable to changes in the Bank's own credit risk are determined using the mark-to-market approach by applying an observable own credit spread curve to the Bank's exposure at the reporting date.

For the nine months ended Sep. 30, 2023, the fair value loss attributable to changes in the Bank's own credit risk included in the other comprehensive income amounted to USD99.23 million (for the nine months ended Sep. 30, 2022: fair value gain of USD82.32 million).

The following table sets out information about changes in liabilities arising from borrowing activities, including changes arising from cash flows and non-cash changes for the nine months ended Sep. 30, 2023 and the year ended Dec. 31, 2022.

	For the nine months ended Sep. 30, 2023	For the year ended Dec. 31, 2022
As at beginning of period/year	24,475,728	19,267,851
Changes arising from cash flows		
- Proceeds from borrowings, net	11,374,978	7,248,788
- Repayment of borrowings	(6,528,330)	(387,574)
- Interest payments	(418,508)	(235,063)
- Issuance cost for borrowings	9,169	5,598
Non-cash changes		
- Accrued interest	557,627	325,156
- Changes in fair values included in the other comprehensive income	99,229	(71,170)
- Changes in fair values included in profit or loss (Note C3)	(248,454)	(1,677,858)
Total borrowings	29,321,439	24,475,728

C Disclosure Notes

C14 Derivatives

As at Sep. 30, 2023, the Bank has entered into several interest rate swap, foreign exchange forward and cross currency swap contracts. The Bank makes use of derivatives primarily to hedge the Bank's borrowings, so as to convert issuance proceeds into the currency and interest rate structure sought by the Bank. The Bank also uses derivatives to manage the net interest rate and foreign exchange risks arising from its financial assets including, but not limited to, loans, certificates of deposit and bond investments.

Derivative contracts are financial instruments valued at each reporting date using valuation techniques that consider observable market data such as yield curves, interest rates, and foreign currency rates. Net interest paid or received on these derivative contracts is included within the net gain on financial instruments.

The following table sets out the contractual notional amounts and fair values of the derivatives as at Sep. 30, 2023 and Dec. 31, 2022. The payments under each of the derivative contracts are subject to enforceable master netting arrangements.

	As at Sep. 30, 2023		
	Contractual notional amount	Fair value	
		Assets	Liabilities
Derivatives			
Interest rate swaps	32,045,025	245,535	1,086,820
Cross currency swaps	15,161,452	367,842	1,093,601
FX forwards	2,053,362	43,276	2,561
Total derivatives	49,259,839	656,653	2,182,982

	As at Dec. 31, 2022		
	Contractual notional amount	Fair value	
		Assets	Liabilities
Derivatives			
Interest rate swaps	32,374,705	198,691	1,193,693
Cross currency swaps	10,571,179	278,778	1,008,593
FX forwards	1,189,853	-	84,378
Total derivatives	44,135,737	477,469	2,286,664

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C14 Derivatives (Continued)

The table below presents the undiscounted cash flows in/(out) of the derivatives the Bank has entered into as at Sep. 30, 2023 and Dec. 31, 2022.

	As at Sep. 30, 2023					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Derivatives						
Interest rate swaps	(80,954)	(54,091)	(394,442)	(352,328)	6,110	(875,705)
Gross settling cross currency swaps - inflow	204,331	653,501	2,488,821	12,178,385	1,990,825	17,515,863
Gross settling cross currency swaps - outflow	(194,755)	(722,053)	(2,566,654)	(12,678,359)	(1,769,144)	(17,930,965)
Gross settling FX forwards - inflow	649,514	779,691	233,655	1,112	-	1,663,972
Gross settling FX forwards - outflow	(629,210)	(763,744)	(224,014)	-	-	(1,616,968)
Total derivatives	(51,074)	(106,696)	(462,634)	(851,190)	227,791	(1,243,803)

	As at Dec. 31, 2022					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Derivatives						
Interest rate swaps	(63,188)	(101,881)	(371,607)	(506,796)	4,638	(1,038,834)
Gross settling cross currency swaps - inflow	258,023	62,412	3,330,754	6,762,364	590,245	11,003,798
Gross settling cross currency swaps - outflow	(256,015)	(84,848)	(3,395,789)	(7,299,287)	(589,471)	(11,625,410)
Gross settling FX forwards - inflow	499,779	690,074	-	-	-	1,189,853
Gross settling FX forwards - outflow	(542,180)	(728,402)	-	-	-	(1,270,582)
Total derivatives	(103,581)	(162,645)	(436,642)	(1,043,719)	5,412	(1,741,175)

C Disclosure Notes

C14 Derivatives (Continued)

The Bank requires collateral in the form of cash against the exposures to derivative counterparties. The Bank records cash collateral in respect of the interest rate swaps and cross currency swaps based on the fair value of the swaps. This amount is presented separately in the Bank's Statement of Financial Position as the cash flows are not applied towards the settlement of net interest payments. The collateral would only be applied against amounts due in the event that some or all the corresponding swaps are terminated early, including, but not limited to, as a result of a default by the relevant counterparty. As at Sep. 30, 2023, the Bank has received cash collateral of USD82.46 million (Note C15) (Dec. 31, 2022: USD112.23 million) from the swap counterparties, and has paid cash collateral of USD1,657.08 million (Note C12) (Dec. 31, 2022: USD1,872.00 million) to the swap counterparties.

Due to the collateral arrangements in the Bank's derivatives contracts, the counterparty valuation adjustment ("CVA") and debt valuation adjustment ("DVA") do not have a material impact on the derivative valuations as at Sep. 30, 2023 and Dec. 31, 2022.

As at Sep. 30, 2023, the Bank makes use of derivatives with notional amount of USD33,391.53 million to hedge the borrowings with carrying amount of USD27,547.84 million. The Bank enters into derivatives with notional amount of USD3,282.01 million to hedge loans with carrying amount of USD2,619.98 million. The Bank makes use of derivatives with notional amount of USD571.21 million to hedge bonds in investment operations with carrying amount of USD579.07 million. Derivatives with notional amount of USD12,015.10 million are used to hedge financial instruments in treasury investment portfolio. The Bank's risk exposures have been well managed; therefore, the respective profit and loss are effectively hedged on a net basis.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C15 Other liabilities

	Sep. 30, 2023	Dec. 31, 2022
Payable and advance receipt for unsettled trades	298,551	-
Cash collateral payable (Note C14)	82,455	112,231
Deferred interest (Note C20)	39,308	34,495
Accrued expenses	26,045	24,001
Staff costs payable	8,338	8,617
Provision—ECL allowance (Note C8)	794	1,275
Lease liability	996	-
Deferred administration fee (Note C20)	188	300
Others	-	212
Total other liabilities	456,675	181,131

C16 Share capital

	Sep. 30, 2023	Dec. 31, 2022
Authorized capital	100,000,000	100,000,000
– Allocated		
- Subscribed	97,017,300	96,964,700
- Unsubscribed	983,700	1,621,800
– Unallocated	1,999,000	1,413,500
Total authorized capital	100,000,000	100,000,000
Subscribed capital	97,017,300	96,964,700
Less: callable capital	(77,613,900)	(77,571,800)
Paid-in capital	19,403,400	19,392,900
Paid-in capital comprises:		
– amounts received	19,132,759	19,085,770
– amounts due but not yet received	198,552	214,062
– amounts not yet due	72,089	93,068
Total paid-in capital	19,403,400	19,392,900

In accordance with Articles 4 and 5 of the AOA, the initial authorized capital stock of the Bank is USD100 billion, divided into 1,000,000 shares, which shall be available for subscription only by members.

The original authorized capital stock is divided into paid-in shares and callable shares, with paid-in shares having an aggregate par value of USD20 billion and callable shares having an aggregate par value of USD80 billion.

Payment of the amount subscribed to the callable capital stock of the Bank shall be subject to call only as and when required by the Bank to meet its liabilities. Calls on unpaid subscriptions shall be uniform in percentage on all callable shares.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C16 Share capital (Continued)

In accordance with Article 37 of the AOA, any member may withdraw from the Bank at any time by delivering a notice in writing to the Bank at its principal office. A withdrawing member remains liable for all direct and contingent obligations to the Bank to which it was subject at the date of delivery of the withdrawal notice. At the time a country ceases to be a member, the Bank shall arrange for the repurchase of such country's shares by the Bank as a part of the settlement of accounts with such country.

Members	Total shares	Subscribed capital	Callable capital	Paid-in capital
Afghanistan	866	86,600	69,300	17,300
Algeria	50	5,000	4,000	1,000
Argentina	50	5,000	4,000	1,000
Australia	36,912	3,691,200	2,953,000	738,200
Austria	5,008	500,800	400,600	100,200
Azerbaijan	2,541	254,100	203,300	50,800
Bahrain	1,036	103,600	82,900	20,700
Bangladesh	6,605	660,500	528,400	132,100
Belarus	641	64,100	51,300	12,800
Belgium	2,846	284,600	227,700	56,900
Benin	50	5,000	4,000	1,000
Brazil	50	5,000	4,000	1,000
Brunei Darussalam	524	52,400	41,900	10,500
Cambodia	623	62,300	49,800	12,500
Canada	9,954	995,400	796,300	199,100
Chile	100	10,000	8,000	2,000
China	297,804	29,780,400	23,824,300	5,956,100
Cook Islands	5	500	400	100
Côte d'Ivoire	50	5,000	4,000	1,000
Croatia	50	5,000	4,000	1,000
Cyprus	200	20,000	16,000	4,000
Denmark	3,695	369,500	295,600	73,900
Ecuador	50	5,000	4,000	1,000
Egypt	6,505	650,500	520,400	130,100
Ethiopia	458	45,800	36,600	9,200
Fiji	125	12,500	10,000	2,500
Finland	3,103	310,300	248,200	62,100
France	33,756	3,375,600	2,700,500	675,100
Georgia	539	53,900	43,100	10,800
Germany	44,842	4,484,200	3,587,400	896,800
Ghana	50	5,000	4,000	1,000
Greece	100	10,000	8,000	2,000
Guinea	50	5,000	4,000	1,000
Hong Kong, China	7,651	765,100	612,100	153,000
Hungary	1,000	100,000	80,000	20,000
Iceland	176	17,600	14,100	3,500
India	83,673	8,367,300	6,693,800	1,673,500
Indonesia	33,607	3,360,700	2,688,600	672,100
Iran	15,808	1,580,800	1,264,600	316,200
Iraq	250	25,000	20,000	5,000
Ireland	1,313	131,300	105,000	26,300
Israel	7,499	749,900	599,900	150,000
Italy	25,718	2,571,800	2,057,400	514,400
Jordan	1,192	119,200	95,400	23,800

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C16 Share capital (Continued)

Members	Total shares	Subscribed capital	Callable capital	Paid-in capital
Kazakhstan	7,293	729,300	583,400	145,900
Korea	37,387	3,738,700	2,991,000	747,700
Kyrgyz Republic	268	26,800	21,400	5,400
Lao PDR	430	43,000	34,400	8,600
Liberia	50	5,000	4,000	1,000
Libya	526	52,600	42,100	10,500
Luxembourg	697	69,700	55,800	13,900
Madagascar	50	5,000	4,000	1,000
Malaysia	1,095	109,500	87,600	21,900
Maldives	72	7,200	5,800	1,400
Malta	136	13,600	10,900	2,700
Mongolia	411	41,100	32,900	8,200
Morocco	50	5,000	4,000	1,000
Myanmar	2,645	264,500	211,600	52,900
Nepal	809	80,900	64,700	16,200
Netherlands	10,313	1,031,300	825,000	206,300
New Zealand	4,615	461,500	369,200	92,300
Norway	5,506	550,600	440,500	110,100
Oman	2,592	259,200	207,400	51,800
Pakistan	10,341	1,034,100	827,300	206,800
Peru	1,546	154,600	123,700	30,900
Philippines	9,791	979,100	783,300	195,800
Poland	8,318	831,800	665,400	166,400
Portugal	650	65,000	52,000	13,000
Qatar	6,044	604,400	483,500	120,900
Romania	1,530	153,000	122,400	30,600
Russia	65,362	6,536,200	5,229,000	1,307,200
Rwanda	50	5,000	4,000	1,000
Samoa	21	2,100	1,700	400
Saudi Arabia	25,446	2,544,600	2,035,700	508,900
Serbia	50	5,000	4,000	1,000
Singapore	2,500	250,000	200,000	50,000
Spain	17,615	1,761,500	1,409,200	352,300
Sri Lanka	2,690	269,000	215,200	53,800
Sudan	590	59,000	47,200	11,800
Sweden	6,300	630,000	504,000	126,000
Switzerland	7,064	706,400	565,100	141,300
Tajikistan	309	30,900	24,700	6,200
Thailand	14,275	1,427,500	1,142,000	285,500
Timor-Leste	160	16,000	12,800	3,200
Tonga	12	1,200	1,000	200
Tunisia	50	5,000	4,000	1,000
Türkiye	26,099	2,609,900	2,087,900	522,000
United Arab Emirates	11,857	1,185,700	948,600	237,100
United Kingdom	30,547	3,054,700	2,443,800	610,900
Uruguay	50	5,000	4,000	1,000
Uzbekistan	2,198	219,800	175,800	44,000
Vanuatu	5	500	400	100
Viet Nam	6,633	663,300	530,600	132,700
Total	970,173	97,017,300	77,613,900	19,403,400

C Disclosure Notes

C17 Reserves

Based on Article 18.1 of the AOA, the Board of Governors shall determine at least annually what part of the net income of the Bank shall be allocated, after making provision for reserves, to retained earnings or other purposes and what part, if any, shall be distributed to the members.

C18 Distribution

Retained earnings as at Sep. 30, 2023 are USD1,774.02 million (Dec. 31, 2022: USD1,065.55 million). For the nine months ended Sep. 30, 2023, USD1.02 million (for the nine months ended Sep. 30, 2022: USD1.87 million) of retained earnings has been transferred to the serve for accretion of the paid-in capital receivables.

No dividends were declared during the reporting period.

C19 Unconsolidated structured entities

Special Funds established and administered by the Bank based on Article 17.1 of the AOA are unconsolidated structured entities for accounting purposes. Consistent with Article 10 of the Bank's AOA, the resources of the Special Funds shall at all times and in all respects be held, used, committed, invested or otherwise disposed of entirely separately from the Bank's ordinary resources.

The Project Preparation Special Fund

The objective of the Project Preparation Special Fund is to support and facilitate preparatory activities during the preparation and early implementation of projects, on a grant basis, for the benefit of one or more members of the Bank that, at the time when the decision to extend the grant is made by the Bank, are classified as recipients of financing from the International Development Association ("IDA"), and other members of the Bank with substantial development needs and capacity constraints.

The resources of the Project Preparation Special Fund consist of: (a) amounts accepted from any member of the Bank, any of its political or administrative sub-divisions, or any entity under the control of the member or such sub-divisions or any other country, entity or person approved by the President may become a contributor to the Special Funds; (b) income derived from investment of the resources of the Special Funds; and (c) funds reimbursed to the Special Funds, if any.

The full cost of administering the Project Preparation Special Fund is charged to the Project Preparation Special Fund. The Bank charges an administration fee equal to 1% of any contribution, and the Project Preparation Special Fund bears all expenses appertaining directly to operations financed from the resources of the Project Preparation Special Fund.

As at Sep. 30, 2023, the Project Preparation Special Fund has aggregate contributions received amounting to USD128 million (Dec. 31, 2022: USD128 million). For the nine months ended Sep. 30, 2023, fees recognized as income amounted to USD0.11 million (for the nine months ended Sep. 30, 2022: USD0.19 million) (Note C2). As at Sep. 30, 2023, deferred administration fees recognized as other liabilities amounted to USD0.19 million (Dec. 31, 2022: USD0.3 million) (Note C15).

C Disclosure Notes

C19 Unconsolidated structured entities (Continued)

The Special Fund Window for Less Developed Members

The Special Fund Window for Less Developed Members provides interest rate buy-down to eligible sovereign-backed financing aligned with AIIB's Corporate Strategy in eligible members according to the approved Rules and Regulations. The Special Fund Window for Less Developed Members was funded by the amounts transferred by the Bank from its Project Preparation Special Fund and was renamed from the Special Fund Window under the COVID-19 Crisis Recovery Facility upon the approval of the AIIB Board of Directors on March 23, 2022.

As at Sep. 30, 2023, interest rate buy-down balance for eligible sovereign-backed loans from Special Fund Window for Less Developed Members amounted to USD39.3 million (Dec. 31, 2022: USD34.50 million) (Note C15).

AIIB External Special Funds

Special Fund resources received by AIIB in its role as implementing entity of multilateral partnership facilities are considered as AIIB External Special Funds collectively. AIIB became the Global Infrastructure Facility Technical Partner ("GIF TP") on June 23, 2021 after executing the Financial Procedures Agreement; the MCDF Implementing Partner ("MCDF IP") on Aug. 9, 2021 after executing the Implementing Partner Agreement; and the Pandemic Prevention, Preparedness and Response Trust Fund Implementing Entity ("PPR IE") on Feb. 10, 2023 after executing the Financial Procedures Agreement. Resources from the multilateral partnership facilities are administrated in separate External Special Funds (i.e., the GIF TP Special Fund, the MCDF IP Special Fund and the PPR IE Special Fund).

The Bank is not obliged to provide financial support to the Special Funds.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C20 Related party transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely to the legal form.

Major outstanding balances with related parties are as follows:

	Sep. 30, 2023		Dec. 31, 2022	
	PRC related entities	Other related parties	PRC related entities	Other related parties
Loan investments	1,626,434	-	1,175,621	-
LP Fund	60,262	-	58,121	-
Equity and bond investment in associate	-	217,624	-	162,850
Other liabilities	-	39,496	-	34,795

The income and expense items affected by transactions with related parties are as follows:

	For the nine months ended Sep. 30, 2023		For the nine months ended Sep. 30, 2022	
	PRC related entities	Other related parties	PRC related entities	Other related parties
Income from loan investments	54,562	-	18,760	-
Net gain on LP Fund	3,040	-	4,287	-
Net gain/(loss) on equity and bond investment in associate	-	11,498	-	(612)
Income from Special Funds (Administration Fee)	-	113	-	188

C Disclosure Notes

C20 Related party transactions (Continued)

Shareholder with significant influence

The Bank considers PRC as the member that has a significant influence over the Bank's financial and operating policies through its ability to exercise its voting powers in the Board. As of Sep. 30, 2023, the Government of the PRC (the "Government") owned approximately 30.70% of the paid-in capital of the Bank (Dec. 31, 2022: approximately 30.71%).

The Bank enters into transactions with enterprises ultimately controlled by the Government (State-owned Entities), including but not limited to, lending, bond investments, equity and fund investments, deposits and interbank placements, goods and services.

The Bank considers the transactions with PRC state-owned entities are activities conducted in the ordinary course of business, and the dealings of the Bank have not been significantly or unduly affected by the fact that these entities are ultimately controlled by the Government.

Significant transactions with the PRC related entities are as follows:

(1) Loan investments

The Bank approved loan facilities to nonsovereign borrowers that are ultimately controlled by State-owned Entities with a total effective amount of USD480.78 million as at Sep. 30, 2023. The Bank entered into the agreement with the borrowers in the ordinary course of business under normal commercial terms and at market rates.

The Bank approved sovereign-backed facilities to PRC with a total effective amount of USD2,300.7 million equivalent as of Sep. 30, 2023. AIIB's standard interest rate for sovereign-backed loans has been applied. PRC sovereign-backed loans on USD LIBOR have been transitioned to SOFR.

(2) LP Fund

In July 2019, the Bank approved a USD75 million investment into a limited partnership fund organized under the laws of Hong Kong, China and subscribed to an interest therein in November 2019. In addition to the Bank, the Government and other entities related therewith are also limited partners of the Fund. The Bank will not take part in the management of the Fund. As at Sep. 30, 2023, the fair value of the Bank's interest in the Fund is USD60.26 million (Dec. 31, 2022: USD58.12 million).

C Disclosure Notes

C20 Related party transactions (Continued)

Transactions with other related parties are as follows:

(1) Equity and bond investment in associate

In April 2020, the Bank subscribed for USD54 million in an associate. The terms of the preference shares provide the Bank with 30% voting power over the financial and operating decisions of the investee's governing body (Note C10). As at Sep. 30, 2023, the Bank holds USD159.1 million of infrastructure asset-backed securities issued by the associate (Note C7).

(2) Other liabilities

As at Sep. 30, 2023, other liabilities relate to the Project Preparation Special Fund deferred administration fee of USD0.19 million (Dec. 31, 2022: USD0.3 million) and the interest rate buy-down balance of USD39.3 million from Special Fund Window for Less Developed Members (Dec. 31, 2022: USD34.50 million) (Note C19).

Key management personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct, and control the activities of the Bank. Key management personnel of the Bank is defined as the members of the Bank's Executive Committee, that is, in accordance with the Terms of Reference of the Executive Committee dated Jan. 5, 2022, the President, the Vice Presidents, the General Counsel, the Chief Risk Officer, the Chief Financial Officer and the Chief Economist.

For the nine months ended Sep. 30, 2023 and the year ended Dec. 31, 2022, the Bank has no material transactions with key management personnel.

The compensation of key management personnel during the period comprises short-term employee benefits of USD3.12 million (for the nine months ended Sep. 30, 2022: USD3.13 million) and defined contribution plans of USD0.62 million (for the nine months ended Sep. 30, 2022: USD0.62 million).

C Disclosure Notes

C20 Related party transactions (Continued)

Use of office building

In accordance with Article 5 of the Headquarters Agreement, Government will provide a permanent office building (“Permanent Premises”) and temporary office accommodation to the Bank, free of charge. The Permanent Premises and temporary office accommodation are provided to the Bank for the purposes of carrying out its Official Activities, as defined in Article 1(k) of the Headquarters Agreement. The Bank does not have legal ownership of the Permanent Premises. Please refer to Headquarters Agreement disclosed on public domain of AIIB website.

The provision of the Permanent Premises and temporary office accommodation is not subject to any consideration payable by the Bank, or any conditions relating to the Bank’s lending or investing activities. The Bank, however, remains responsible for the management of the Premises and/or for the associated costs, including that of utilities and services.

On June 1, 2020, the Bank officially moved to the Permanent Premises. The temporary office was returned to the Government on June 5, 2020.

The Permanent Premises of the Bank are located at Towers A and B, Asia Financial Center, No.1 Tianchen East Road, Chaoyang District, Beijing 100101 and, as of the reporting date, provides the Bank with approximately 81,580 square meters of office space and associated facilities and equipment.

On September 11, 2019, the People’s Government of Tianjin Municipality (the “Tianjin Municipality”) and the Bank entered into a Memorandum of Understanding (the “MOU”), in accordance with Article 5 of the Headquarters Agreement, to set out the arrangements regarding the premises of the Bank as its back-up business office in Tianjin (the “Tianjin Premises”). Specifically, according to the MOU, Tianjin Municipality will provide the Tianjin Premises to the Bank for its use, free of charge, similar to the arrangements for the Permanent Premises.

On March 31, 2021, Tianjin Municipality officially handed over the Tianjin Premises to the Bank. The Tianjin Premises are located at Level 25, Level 26, 3-14, No. 681, Ronghe Road, Binhai New Area, Tianjin, and provide the Bank with approximately 4,258 square meters of office space.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C21 Segment reporting

The Bank has only one reportable segment since financial results are reviewed and resource allocation decisions are made at the entity level.

The following table presents the Bank's loan revenue by borrowers' geographic region for the nine months ended Sep. 30, 2023, and Sep. 30, 2022.

Loan revenue comprises loan interest incomes, loan commitment fee and service fees.

Region	For the nine months ended Sep. 30, 2023			For the nine months ended Sep. 30, 2022		
	Sovereign -backed loans	Nonsovereign -backed loans	Total	Sovereign -backed loans	Nonsovereign -backed loans	Total
Central Asia	51,088	8,077	59,165	3,762	2,997	6,759
Eastern Asia	46,993	16,803	63,796	14,382	6,471	20,853
Southeastern Asia	165,015	11,721	176,736	44,743	7,701	52,444
Southern Asia	322,939	19,283	342,222	82,291	15,186	97,477
Western Asia	145,842	51,794	197,636	43,857	19,754	63,611
Oceania	5,485	-	5,485	1,049	-	1,049
Other Regional	-	13,823	13,823	-	16,417	16,417
Total Regional	737,362	121,501	858,863	190,084	68,526	258,610
Total Non- Regional	30,395	11,462	41,857	7,263	6,855	14,118
Total	767,757	132,963	900,720	197,347	75,381	272,728

C22 Events after the end of the reporting period

There have been no other material events since the reporting date that would require disclosure or adjustment to these financial statements.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D1 Overview

The Bank adopts a proactive and comprehensive approach to risk management that is instrumental to the Bank's financial viability and success in achieving its mandate. The ability to identify, mitigate, and manage risk begins with the Bank's policies established with a strong risk culture. In addition to establishing appropriate risk parameters and a thorough and robust project review and monitoring process, the risk management function provides independent oversight of credit and other investment risk, market risk, liquidity risk, counterparty credit risk, model risk, operational risk, and compliance risk in the Bank's activities. It is also designed to manage assets and liabilities to minimize the volatility in equity value and to maintain sufficient liquidity.

For further information, please refer to the accompanying notes D Financial Risk Management included in the Bank's financial statements for the year ended Dec. 31, 2022.

D2 Market risk

IBOR reform

The following table contains details of the main financial instruments that the Bank holds as at Sep. 30, 2023, which reference to USD LIBOR and to be transitioned to SOFR:

	Carrying amount/ Notional amount as at Sep. 30, 2023	Carrying amount/ Notional amount as at Dec. 31, 2022
<i>Non-derivative assets and liabilities at carrying amount</i>		
Loan investments, at amortized cost	3,717,780	6,247,872
Bond investments, at amortized cost	-	16,224
Investments at fair value through profit or loss		
- Bond investments – Treasury investment portfolio	-	236,794
- Bond investments – Investment operations portfolio	-	51,700
Non-derivative assets	3,717,780	6,552,590
Loan commitment	2,245,767	4,651,969

Following the transition notices sent to sovereign borrowers for their variable spread loans, informing them of the selection of SOFR as the replacement reference rate to LIBOR and the related amendments to the provisions of the loan agreement, all variable spread sovereign loans have been transitioned to SOFR as of June. 30, 2022.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D2 Market risk (Continued)

IBOR reform (Continued)

Fixed spread sovereign-backed loans on a LIBOR reference rate shall be replaced by SOFR at the first interest reprice date after July 1, 2023, following a transition notification sent to the borrowers, as established in the Bank's General Conditions. By the date when the financial statements are authorized for issue, a total carrying amount of USD2,058 million of the fixed spread sovereign-backed loans, with a commitment amount of USD972 million, have been replaced by SOFR.

The Bank continues the amendment of agreements for nonsovereign loans on a LIBOR reference rate. This is in line with the Bank's defined nonsovereign transition strategy, as part of which the Bank has adopted Term SOFR as an additional risk-free rate for nonsovereign borrowers from June 2022.

The Bank follows the standard terms of the ISDA IBOR Fallbacks Protocol, all swaps have been transitioned to a SOFR reference rate (as of Dec 31, 2022, notional amount of USD10,314 million were yet to be transitioned).

D3 Credit risk

Credit quality analysis

Except for loan investments and bond investments, other financial assets are paid-in capital receivables, deposits with banks and MMFs, for which the credit risk is not material.

The following table sets out the loans and loan commitments for sovereign-backed loans, nonsovereign-backed loans and bond investments at amortized cost, with their respective ECL allowance balances.

	Sep. 30, 2023			Dec. 31, 2022		
	Gross Carrying amount	Commitments	ECL	Gross Carrying amount	Commitments	ECL
Sovereign-backed loans	18,632,459	11,716,228	(201,386)	15,889,289	12,541,658	(176,429)
Nonsovereign-backed loans	2,286,268	628,220	(104,636)	2,045,803	497,375	(118,007)
Loan investments	20,918,727	12,344,448	(306,022)	17,935,092	13,039,033	(294,436)
Bond investments	7,716,502	-	(15,075)	4,578,107	-	(12,929)
Total	28,635,229	12,344,448	(321,097)	22,513,199	13,039,033	(307,365)

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit risk (Continued)

Credit quality analysis (Continued)

(i) Concentration of credit risk

The geographical distribution of the Bank's loan investments (gross carrying amount of loans and exposure of loan commitments) and ECL is as follows:

Region	Sep. 30, 2023			Dec. 31, 2022		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Sovereign-backed loans						
Central Asia	2,159,331	50,424	2,209,755	2,246,288	49,994	2,296,282
Eastern Asia	2,516,724	-	2,516,724	2,435,457	-	2,435,457
Southeastern Asia	5,069,169	70,346	5,139,515	4,574,645	70,339	4,644,984
Southern Asia	13,938,416	831,828	14,770,244	12,748,127	832,773	13,580,900
Western Asia	3,800,216	608,740	4,408,956	3,611,329	602,787	4,214,116
Oceania	122,070	-	122,070	120,142	-	120,142
Total Regional	27,605,926	1,561,338	29,167,264	25,735,988	1,555,893	27,291,881
Total Non-Regional	1,181,423	-	1,181,423	1,139,066	-	1,139,066
Subtotal	28,787,349	1,561,338	30,348,687	26,875,054	1,555,893	28,430,947

Region	Sep. 30, 2023			Dec. 31, 2022		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
ECL allowance						
Central Asia	964	7,343	8,307	2,107	7,969	10,076
Eastern Asia	727	-	727	425	-	425
Southeastern Asia	709	19,742	20,451	457	18,461	18,918
Southern Asia	25,578	122,237	147,815	28,931	90,965	119,896
Western Asia	6,526	14,492	21,018	7,261	16,925	24,186
Oceania	647	-	647	317	-	317
Total Regional	35,151	163,814	198,965	39,498	134,320	173,818
Total Non-Regional	2,421	-	2,421	2,611	-	2,611
Subtotal	37,572	163,814	201,386	42,109	134,320	176,429

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit risk (Continued)

Credit quality analysis (Continued)

(i) Concentration of credit risk (Continued)

Region	Sep. 30, 2023				Dec. 31, 2022			
	Stage 1	Stage 2	Stage 3 ⁽¹⁾	Total	Stage 1	Stage 2	Stage 3 ⁽¹⁾	Total
Nonsovereign-backed loans								
Central Asia	210,858	-	-	210,858	129,875	-	-	129,875
Eastern Asia	530,286	-	-	530,286	502,510	-	-	502,510
Southeastern Asia	381,430	-	73,519	454,949	191,339	-	74,068	265,407
Southern Asia	489,886	-	-	489,886	441,483	-	-	441,483
Western Asia	760,884	54,672	-	815,556	523,111	175,238	-	698,349
Other Regional	-	251,574	-	251,574	-	332,379	-	332,379
Total Regional	2,373,344	306,246	73,519	2,753,109	1,788,318	507,617	74,068	2,370,003
Total Non-Regional	50,223	111,156	-	161,379	50,804	122,371	-	173,175
Subtotal	2,423,567	417,402	73,519	2,914,488	1,839,122	629,988	74,068	2,543,178
Total	31,210,916	1,978,740	73,519	33,263,175	28,714,176	2,185,881	74,068	30,974,125

Region	Sep. 30, 2023				Dec. 31, 2022			
	Stage 1	Stage 2	Stage 3 ⁽¹⁾	Total	Stage 1	Stage 2	Stage 3 ⁽¹⁾	Total
ECL allowance								
Central Asia	751	-	-	751	407	-	-	407
Eastern Asia	215	-	-	215	125	-	-	125
Southeastern Asia	651	-	68,945	69,596	222	-	66,909	67,131
Southern Asia	481	-	-	481	437	-	-	437
Western Asia	4,921	1,436	-	6,357	4,406	7,002	-	11,408
Other Regional	-	13,912	-	13,912	-	31,035	-	31,035
Total Regional	7,019	15,348	68,945	91,312	5,597	38,037	66,909	110,543
Total Non-Regional	538	12,786	-	13,324	609	6,855	-	7,464
Subtotal	7,557	28,134	68,945	104,636	6,206	44,892	66,909	118,007
Total	45,129	191,948	68,945	306,022	48,315	179,212	66,909	294,436

(1) A nonsovereign-backed loan was assessed as "credit impaired" and downgraded to Stage 3 in 2021. As at Sep. 30, 2023, USD68.95 million of ECL allowance has been provided for the loan (as at Dec. 31, 2022: USD66.91 million).

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit risk (Continued)

Credit quality analysis (Continued)

(i) Concentration of credit risk (Continued)

The sector distribution of the Bank's loan investments (gross carrying amount of loans and exposure of loan commitments) and ECL is as follows:

Sector	Sep. 30, 2023			Dec. 31, 2022		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Sovereign-backed loans						
CRF ⁽¹⁾ -Economic						
Resilience/PBF ⁽²⁾	7,854,616	-	7,854,616	7,153,708	-	7,153,708
CRF-Finance/Liquidity	1,208,212	233,598	1,441,810	1,346,014	230,190	1,576,204
CRF-Public Health	3,506,355	-	3,506,355	3,648,831	-	3,648,831
Education Infrastructure	251,449	-	251,449	249,912	-	249,912
Energy	4,007,707	908,043	4,915,750	4,096,871	901,622	4,998,493
Transport	6,072,013	137,929	6,209,942	5,067,408	144,134	5,211,542
Urban	1,772,414	201,470	1,973,884	1,402,846	200,015	1,602,861
Water	3,631,108	-	3,631,108	3,627,625	-	3,627,625
Multi-sector	400,776	-	400,776	199,765	-	199,765
Others	82,699	80,298	162,997	82,074	79,932	162,006
Subtotal	28,787,349	1,561,338	30,348,687	26,875,054	1,555,893	28,430,947

Sector	Sep. 30, 2023			Dec. 31, 2022		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
ECL allowance						
CRF-Economic						
Resilience/PBF	25,921	-	25,921	30,256	-	30,256
CRF-Finance/Liquidity	2,990	26,541	29,531	3,599	35,825	39,424
CRF-Public Health	1,641	-	1,641	1,707	-	1,707
Education Infrastructure	11	-	11	5	-	5
Energy	2,759	42,703	45,462	3,321	48,779	52,100
Transport	1,140	26,099	27,239	1,068	26,335	27,403
Urban	1,645	50,305	51,950	935	16,906	17,841
Water	1,131	-	1,131	1,139	-	1,139
Multi-sector	316	-	316	54	-	54
Others	18	18,166	18,184	25	6,475	6,500
Subtotal	37,572	163,814	201,386	42,109	134,320	176,429

(1) Crisis Recovery Facility (CRF) is to support AIIB's members and clients in alleviating and mitigating economic, financial and public health pressures arising from COVID-19.

(2) PBF refers to policy-based financing.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit risk (Continued)

Credit quality analysis (Continued)

(i) Concentration of credit risk (Continued)

Sector	Sep. 30, 2023				Dec. 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Nonsovereign-backed loans								
CRF-Finance/								
Liquidity	374,361	251,574	-	625,935	301,638	332,379	-	634,017
CRF-Public Health	99,889	-	-	99,889	99,702	-	-	99,702
Digital Infrastructure and Technology	134,993	-	73,519	208,512	135,724	-	74,068	209,792
Energy	940,430	165,828	-	1,106,258	732,146	191,234	-	923,380
Multi-sector	280,767	-	-	280,767	300,806	-	-	300,806
Transport	284,807	-	-	284,807	67,044	-	-	67,044
Urban	308,320	-	-	308,320	202,062	106,375	-	308,437
Subtotal	2,423,567	417,402	73,519	2,914,488	1,839,122	629,988	74,068	2,543,178
Total	31,210,916	1,978,740	73,519	33,263,175	28,714,176	2,185,881	74,068	30,974,125

Sector	Sep. 30, 2023				Dec. 31, 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance								
CRF-Finance/								
Liquidity	2,488	13,912	-	16,400	2,860	31,035	-	33,895
CRF-Public Health	92	-	-	92	79	-	-	79
Digital Infrastructure and Technology	203	-	68,945	69,148	129	-	66,909	67,038
Energy	2,135	14,222	-	16,357	1,881	9,047	-	10,928
Multi-sector	590	-	-	590	675	-	-	675
Transport	1,093	-	-	1,093	465	-	-	465
Urban	956	-	-	956	117	4,810	-	4,927
Subtotal	7,557	28,134	68,945	104,636	6,206	44,892	66,909	118,007
Total	45,129	191,948	68,945	306,022	48,315	179,212	66,909	294,436

D Financial Risk Management

D3 Credit risk (Continued)

Credit quality analysis (Continued)

(ii) Reconciliation of gross carrying amount of loans and exposure of loan commitments, bond investments, and ECL

An analysis of the changes in the gross carrying amount of loans and exposure of loan commitments, with the related changes in ECL allowances is as follows:

Sovereign-backed loans

	Stage 1	Stage 2	Total
Gross carrying amount of loans and exposure of loan commitments as at Jan. 1, 2023	26,875,054	1,555,893	28,430,947
New loans and commitments originated	2,302,750	-	2,302,750
Repayments	(120,449)	(6,596)	(127,045)
Movement in net transaction costs, fees, and related income through EIR method	160,510	12,041	172,551
Cancelled commitment	(392,738)	-	(392,738)
Foreign exchange movements	(37,778)	-	(37,778)
Transfer to stage 1	-	-	-
Transfer to stage 2	-	-	-
As at Sep. 30, 2023	28,787,349	1,561,338	30,348,687

	Stage 1	Stage 2	Total
ECL allowance as at Jan. 1, 2023	42,109	134,320	176,429
Additions	1,223	-	1,223
Change in risk parameters ⁽¹⁾	(5,715)	29,494	23,779
Change from lifetime (stage 2) to 12-month (stage 1) ECL	-	-	-
Change from 12-month (stage 1) to lifetime (stage 2) ECL	-	-	-
Reversal of ECL allowance	(45)	-	(45)
As at Sep. 30, 2023	37,572	163,814	201,386

⁽¹⁾ The change in the loss allowance is due to change in the Probability of Default ("PD"), Loss Given Default ("LGD") and exposure at default used to calculate the expected credit loss for the loans.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit risk (Continued)

Credit quality analysis (Continued)

Nonsovereign-backed loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount of loans and exposure of loan commitments as at Jan. 1, 2023	1,839,122	629,988	74,068	2,543,178
New loans and commitments originated	585,152	-	-	585,152
Repayments	(81,595)	(22,107)	-	(103,702)
Movement in net transaction costs, fees, and related income through EIR method	(3,955)	2,586	(549)	(1,918)
Derecognition and cancelled commitment	(1,799)	-	-	(1,799)
Foreign exchange movements	(20,917)	(85,506)	-	(106,423)
Transfer to stage 1	107,559	(107,559)	-	-
Transfer to stage 2	-	-	-	-
As at Sep. 30, 2023	2,423,567	417,402	73,519	2,914,488
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at Jan. 1, 2023	6,206	44,892	66,909	118,007
Additions	1,483	-	-	1,483
Change in risk parameters ⁽¹⁾	(959)	(11,948)	2,036	(10,871)
Change from lifetime (stage 2) to 12-month (stage 1) ECL	827	(4,810)	-	(3,983)
Change from 12-month (stage 1) to lifetime (stage 2) ECL	-	-	-	-
Reversal of ECL allowance	-	-	-	-
As at Sep. 30, 2023	7,557	28,134	68,945	104,636
Total gross carrying amount of loans and exposure of loan commitments as at Sep. 30, 2023	31,210,916	1,978,740	73,519	33,263,175
Total ECL allowance as at Sep. 30, 2023	45,129	191,948	68,945	306,022

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit risk (Continued)

Credit quality analysis (Continued)

Sovereign-backed loans	Stage 1	Stage 2	Total
Gross carrying amount of loans and exposure of loan commitments as at Jan. 1, 2022	18,547,751	1,792,176	20,339,927
New loans and commitments originated	8,244,122	-	8,244,122
Repayments	(92,991)	(17,646)	(110,637)
Movement in net transaction costs, fees, and related income through EIR method	109,067	8,001	117,068
Cancelled commitment	(53,140)	(19,448)	(72,588)
Foreign exchange movements	(86,945)	-	(86,945)
Transfer to stage 1	287,142	(287,142)	-
Transfer to stage 2	(79,952)	79,952	-
As at Dec. 31, 2022	26,875,054	1,555,893	28,430,947
	Stage 1	Stage 2	Total
ECL allowance as at Jan. 1, 2022	16,121	97,658	113,779
Additions	14,359	-	14,359
Change in risk parameters ⁽¹⁾	12,003	29,612	41,615
Change from lifetime (stage 2) to 12-month (stage 1) ECL	213	(5,585)	(5,372)
Change from 12-month (stage 1) to lifetime (stage 2) ECL	(491)	13,001	12,510
Reversal of ECL allowance	(96)	(366)	(462)
As at Dec. 31, 2022	42,109	134,320	176,429

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit risk (Continued)

Credit quality analysis (Continued)

Nonsovereign-backed loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount of loans and exposure of loan commitments as at Jan. 1, 2022	1,977,604	316,388	75,525	2,369,517
New loans and commitments originated	540,986	-	-	540,986
Repayments	(148,194)	(185,686)	(1,739)	(335,619)
Movement in net transaction costs, fees, and related income through EIR method	5,149	(887)	282	4,544
Derecognition and cancelled commitment	(16,258)	(6,714)	-	(22,972)
Foreign exchange movements	(13,278)	-	-	(13,278)
Transfer to stage 1	54,239	(54,239)	-	-
Transfer to stage 2	(561,126)	561,126	-	-
As at Dec. 31, 2022	1,839,122	629,988	74,068	2,543,178
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at Jan. 1, 2022	5,956	19,022	44,018	68,996
Additions	2,596	-	-	2,596
Change in risk parameters ⁽¹⁾	(824)	(13,726)	22,891	8,341
Change from lifetime (stage 2) to 12-month (stage 1) ECL	183	(2,777)	-	(2,594)
Change from 12-month (stage 1) to lifetime (stage 2) ECL	(1,694)	42,700	-	41,006
Reversal of ECL allowance	(11)	(327)	-	(338)
As at Dec. 31, 2022	6,206	44,892	66,909	118,007
Total gross carrying amount of loans and exposure of loan commitments as at Dec. 31, 2022	28,714,176	2,185,881	74,068	30,974,125
Total ECL allowance as at Dec. 31, 2022	48,315	179,212	66,909	294,436

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit risk (Continued)

Credit quality analysis (Continued)

Bond investments	Stage 1	Stage 2	Stage 3⁽¹⁾	Total
Bond investments as at Jan. 1, 2023	4,564,046	-	14,061	4,578,107
New bond investments	3,154,545	-	-	3,154,545
Accrual and amortization	54,258	-	329	54,587
Foreign exchange movements	(1,233)	-	-	(1,233)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Derecognition	(69,504)	-	-	(69,504)
As at Sep. 30, 2023	7,702,112	-	14,390	7,716,502
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at Jan. 1, 2023	1,122	-	11,806	12,928
Additions	548	-	-	548
Change in risk parameters	314	-	1,857	2,171
Change from lifetime (stage 2) to 12-month (stage 1) ECL	-	-	-	-
Change from 12-month (stage 1) to lifetime (stage 2) ECL	-	-	-	-
Change from 12-month (stage 1) to lifetime (stage 3) ECL	-	-	-	-
Reversal of ECL allowance	(572)	-	-	(572)
As at Sep. 30, 2023	1,412	-	13,663	15,075

(1) The Bank held bonds from four issuers that were assessed as "credit impaired" and downgraded to Stage 3. As at Sep. 30, 2023, USD13.66 million of ECL allowance has been provided for the bonds.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit risk (Continued)

Credit quality analysis (Continued)

Bond investments	Stage 1	Stage 2	Stage 3	Total
Bond investments as at				
Jan. 1, 2022	2,401,627	98,016	-	2,499,643
New bond investments	2,203,979	-	-	2,203,979
Accrual and amortization	18,033	(495)	-	17,538
Transfer to stage 1	59,533	(59,533)	-	-
Transfer to stage 3	(9,788)	(14,061)	23,849	-
Derecognition	(109,338)	(23,927)	(9,788)	(143,053)
As at Dec. 31, 2022	4,564,046	-	14,061	4,578,107
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at Jan. 1, 2022	699	3,825	-	4,524
Additions	168	-	-	168
Change in risk parameters	(17)	-	-	(17)
Change from lifetime (stage 2) to 12-month (stage 1) ECL	403	(2,161)	-	(1,758)
Change from 12-month (stage 2) to lifetime (stage 3) ECL	-	(1,166)	11,807	10,641
Change from 12-month (stage 1) to lifetime (stage 3) ECL	(12)	-	1,280	1,268
Reversal of ECL allowance	(119)	(498)	(1,280)	(1,897)
As at Dec. 31, 2022	1,122	-	11,807	12,929

E Fair Value Disclosures

The majority of the Bank's assets and liabilities in the Statement of Financial Position are financial assets and financial liabilities. Fair value measurement of nonfinancial assets and nonfinancial liabilities do not have a material impact on the Bank's financial position and operations, taken as a whole.

The Bank does not have any financial assets or financial liabilities subject to nonrecurring fair value measurements for the nine months ended Sep. 30, 2023 (for the nine months ended Sep. 30, 2022: none).

The fair value of the Bank's financial assets and financial liabilities are determined as follows:

- If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively.
- If not traded in active markets, fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments or using unobservable inputs relevant to the Bank's assessment.

Fair value hierarchy

The Bank classifies financial assets and financial liabilities into the following three levels based on the extent to which inputs to valuation techniques used to measure fair value of the financial assets and financial liabilities are observable:

- Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;
- Level 2: Fair value measurements are those derived from inputs other than quoted included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3: Fair value measurements are based on models, and unobservable inputs are significant to the entire measurement.

E Fair Value Disclosures

Financial assets and financial liabilities not measured at fair value on the Statement of Financial Position

The table below summarizes the carrying amounts and fair values of those financial instruments not measured in the Statement of Financial Position at their fair value:

	Sep. 30, 2023		Dec. 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
- Term deposits	3,201,055	3,201,055	6,669,005	6,669,005
- Loan investments, at amortized cost	20,613,499	21,220,860	17,641,931	18,120,730
- Bond investments, at amortized cost	7,716,502	7,308,518	4,565,178	4,281,812
- Paid-in capital receivables	269,388	266,421	304,862	301,569
Total financial assets	31,800,444	31,996,854	29,180,976	29,373,116
Financial liabilities				
- Borrowings	1,773,602	1,773,643	1,307,417	1,302,352
Total financial liabilities	1,773,602	1,773,643	1,307,417	1,302,352

As at Sep. 30, 2023, other than those disclosed above, the Bank's balances of financial instruments not measured at fair value but with short-term maturity approximate their fair values.

Fair value of loan investments and paid-in capital receivables measured at amortized cost has been calculated using Level 3 inputs by discounting the cash flows at a current interest rate applicable to each loan and paid-in capital receivable.

The significant input used in the fair value of loan investments are risk-free rate, credit default swap spreads, expected recovery rate and foreign exchange rates. Management makes certain assumptions about the unobservable inputs to the model. These are regularly assessed for reasonableness and impact on the fair value of loans. An increase in the level of forecast cash flows in subsequent periods would lead to an increase in the fair value and an increase in the discount rate used to discount to forecast cash flow would lead to a decrease in the fair value of loans.

Fair value of bond investments held at amortized cost are generally based upon quoted market prices, if available. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Fair value of borrowings held at amortized cost are generally based upon quoted market prices, if available. If the market prices are not readily available, fair values are determined using discounted cash flow models.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2023
(All amounts in thousands of US Dollars unless otherwise stated)

E Fair Value Disclosures

Financial assets and financial liabilities measured at fair value on the Statement of Financial Position (Continued)

The table below summarizes the fair values of the financial assets and financial liabilities measured in the Statement of Financial Position at their fair value:

As at Sep. 30, 2023

	Level 1	Level 2	Level 3	Total
Financial assets and financial liabilities				
Investments at fair value through profit or loss				
- External Managers Program	3,598,256	551,935	-	4,150,191
- Investment in funds, trusts and others	-	-	826,965	826,965
- Bond investments	8,138,884	426,805	-	8,565,689
- Certificates of deposit and commercial papers	-	2,798,529	-	2,798,529
- Investment operations fixed-income portfolio	232,678	-	-	232,678
Money Market Funds	-	795,352	-	795,352
Derivative assets	-	656,653	-	656,653
Total financial assets	11,969,818	5,229,274	826,965	18,026,057
Borrowings	-	(27,547,837)	-	(27,547,837)
Derivative liabilities	-	(2,182,982)	-	(2,182,982)
Total financial liabilities	-	(29,730,819)	-	(29,730,819)

As at Dec. 31, 2022

	Level 1	Level 2	Level 3	Total
Financial assets and financial liabilities				
Investments at fair value through profit or loss				
- External Managers Program	3,561,032	459,074	-	4,020,106
- Investment in funds, trusts and others	-	-	608,912	608,912
- Bond investments	5,624,581	113,674	-	5,738,255
- Certificates of deposit and commercial papers	-	2,114,223	-	2,114,223
- Investment operations fixed-income portfolio	220,451	-	-	220,451
Money Market Funds	-	1,280,649	-	1,280,649
Derivative assets	-	477,469	-	477,469
Total financial assets	9,406,064	4,445,089	608,912	14,460,065
Borrowings	-	(23,168,311)	-	(23,168,311)
Derivative liabilities	-	(2,286,664)	-	(2,286,664)
Total financial liabilities	-	(25,454,975)	-	(25,454,975)

E Fair Value Disclosures

Financial assets and financial liabilities measured at fair value on the Statement of Financial Position (Continued)

The table below provides a reconciliation of the fair values of the Bank's Level 3 financial assets for the nine months ended Sep. 30, 2023 and the year ended Dec. 31, 2022.

Investment in funds, trusts and others:

	For the nine months ended Sep. 30, 2023	For the year ended Dec. 31, 2022
As at beginning of period/year.	608,912	332,226
Additions	211,408	318,967
Return of capital contributions	(19,170)	(55,845)
Fair value gain, net	25,815	13,564
Total investment in funds, trusts and others	826,965	608,912

The fair value gains or losses are attributable to the change in unrealized gains or losses relating to those financial assets held at the end of the reporting period. For the nine months ended Sep. 30, 2023, the realized gain arising from the Bank's Level 3 financial assets amounting to USD9.5 million (for the nine months ended Sep. 30, 2022: USD10.6 million).

The MMFs' shares are not traded in any market. The fair value of the MMFs is derived from that of the net assets value. Certificates of deposit, External Managers Program, bond investments and commercial papers have been valued at instrument level, adopting either discounted cash flow method based on observable market input, or obtained from market prices. Derivative instruments and borrowings have been valued using discounted cash flow methodology based on observable market inputs. Discounted cash flow valuation technique is mainly used for the valuation of the underlying assets of the funds, trusts and others. The unobservable inputs mainly include weighted average cost of capital, liquidity discount and projected cash flows. The fair value of the investment in funds, trusts and others is based on an adjusted net assets method.

There has been no transfer among Level 1, Level 2 and Level 3 during the nine months ended Sep. 30, 2023 (for the year ended Dec. 31, 2022: none).