

Asian Infrastructure Investment Bank
Condensed Financial Statements (Unaudited)
for the Nine Months Ended Sep. 30, 2024

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 5-48
 A. General Information 5
 B. Accounting Policies 5-6
 C. Disclosure Notes 7-29
 D. Financial Risk Management 30-43
 E. Fair Value Disclosures 44-48

Asian Infrastructure Investment Bank
Condensed Statement of Comprehensive Income
For the nine months ended Sep. 30, 2024

<i>In thousands of US Dollars</i>	Note	For the nine months ended Sep. 30, 2024 (unaudited)	For the nine months ended Sep. 30, 2023 (unaudited)
Interest income	C1	1,689,626	1,381,793
Interest expense	C1	(871,352)	(563,915)
Net interest income		818,274	817,878
Net fee and commission income	C2	28,883	24,760
Net gain on financial instruments measured at fair value through profit or loss	C3	162,913	190,381
Net loss on financial instruments measured at amortized cost	C9	(181)	(4,406)
Impairment provision	C4	55,224	(13,732)
General and administrative expenses	C5	(190,583)	(164,222)
Net foreign exchange gain/(loss)		113,320	(142,181)
Operating profit for the period		987,850	708,478
Accretion of paid-in capital receivables	C10	531	1,015
Net profit for the period		988,381	709,493
Other comprehensive loss <i>Items will not be reclassified to profit or loss</i>			
Unrealized loss on fair-valued borrowings arising from changes in own credit risk	C12	(143,542)	(99,229)
Total comprehensive income		844,839	610,264
Attributable to:			
Equity holders of the Bank		844,839	610,264

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

Asian Infrastructure Investment Bank
Condensed Statement of Financial Position
As at Sep. 30, 2024

<i>In thousands of US Dollars</i>	Note	Sep. 30, 2024 (unaudited)	Dec. 31, 2023 (audited)
Assets			
Cash and cash equivalents	C6	3,685,866	1,839,122
Term deposits	C6	2,103,165	3,108,817
Investments at fair value through profit or loss	C7	16,404,238	16,635,658
Loan investments, at amortized cost	C8	25,378,917	21,969,382
Debt securities, at amortized cost	C9	11,371,464	8,266,365
Paid-in capital receivables	C10	238,958	262,637
Derivative assets	C13	857,430	616,242
Property and equipment		5,687	5,573
Intangible assets		5,776	6,208
Other assets	C11	808,563	1,082,969
Total assets		60,860,064	53,792,973
Liabilities			
Borrowings	C12	36,799,081	30,528,131
Derivative liabilities	C13	1,091,562	1,582,026
Prepaid paid-in capital		369	200
Other liabilities	C14	673,346	233,759
Total liabilities		38,564,358	32,344,116
Members' equity			
Paid-in capital	C15	19,407,500	19,405,400
Reserves			
Accretion of paid-in capital receivables		(553)	(994)
Unrealized loss on fair-valued borrowings arising from changes in own credit risk		(195,282)	(51,740)
Retained earnings		3,084,041	2,096,191
Total members' equity		22,295,706	21,448,857
Total liabilities and members' equity		60,860,064	53,792,973

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, 2024

<i>In thousands of US Dollars</i>	Note	Reserves						Total members' equity
		Subscribed capital	Less: callable capital	Paid-in capital	Accretion of paid-in capital receivables	Unrealized loss on fair-valued borrowings arising from changes in own credit risk	Retained earnings	
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 loss		-	-	-	-	(99,229)	-	(99,229)
Paid-in capital receivables - accretion effect		-	-	-	-	-	-	-
Transfer of accretion	C10	-	-	-	1,015	-	(1,015)	-
Sep. 30, 2023 (unaudited)	C15	97,017,300	(77,613,900)	19,403,400	(1,253)	(89,681)	1,774,023	21,086,489
Jan. 1, 2024		97,027,300	(77,621,900)	19,405,400	(994)	(51,740)	2,096,191	21,448,857
Capital subscription and contribution		10,500	(8,400)	2,100	-	-	-	2,100
Net profit for the period		-	-	-	-	-	988,381	988,381
Other comprehensive loss		-	-	-	-	(143,542)	-	(143,542)
Paid-in capital receivables - accretion effect		-	-	-	(90)	-	-	(90)
Transfer of accretion	C10	-	-	-	531	-	(531)	-
Sep. 30, 2024 (unaudited)	C15	97,037,800	(77,630,300)	19,407,500	(553)	(195,282)	3,084,041	22,295,706

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, 2024

<i>In thousands of US Dollars</i>	Note	For the nine months ended Sep. 30, 2024 (unaudited)	For the nine months ended Sep. 30, 2023 (unaudited)
Cash flows from operating activities			
Net profit for the period		988,381	709,493
Adjustments for:			
Interest income from term deposits		(103,905)	(240,592)
Interest expense for borrowings	C12	858,130	557,627
Interest expense for leasing	C1	20	15
Issuance cost for borrowings	C5	8,507	9,169
Accretion of paid-in capital receivables	C10	(531)	(1,015)
Net gain on financial instruments measured at fair value through profit or loss		(91,230)	(136,320)
Impairment provision (release)/charge	C4	(55,224)	13,732
Depreciation and amortization		3,045	2,316
Increase in loan investments	C8	(3,349,562)	(2,983,635)
Increase in debt securities in investment operations portfolio		(8,175)	(439,112)
Net cash paid for derivatives		(560,518)	(680,593)
Decrease in other assets		274,854	147,257
Increase in other liabilities		439,196	274,958
Net cash used in operating activities		(1,597,012)	(2,766,700)
Cash flows from investing activities			
Increase in investments with equity participation		(246,571)	(217,408)
Dividends received and return of capital contributions		78,896	28,708
Debt securities at amortized cost purchased in treasury investment portfolio		(3,152,559)	(2,991,270)
Debt securities at amortized cost matured, terminated or sold under treasury investment portfolio		27,015	-
Decrease/(increase) in other treasury investment		1,201,350	(3,115,137)
Decrease in term deposits		1,005,900	3,432,061
Interest received from term deposits		103,658	276,479
Increase in intangible assets, property and equipment		(3,175)	(1,709)
Net cash used in investing activities		(985,486)	(2,588,276)
Cash flows from financing activities			
Proceeds from borrowings, net	C12	12,454,018	11,374,978
Repayments of borrowings	C12	(7,142,072)	(6,528,330)
Interest payments on borrowings	C12	(908,762)	(418,508)
Capital contributions received	C10	26,020	46,989
Prepaid paid-in capital received		369	1,000
Lease payment		(331)	-
Net cash from financing activities		4,429,242	4,476,129
Net increase/(decrease) in cash and cash equivalents		1,846,744	(878,847)
Cash and cash equivalents at beginning of period		1,839,122	3,077,356
Cash and cash equivalents at end of period	C6	3,685,866	2,198,509

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, 2024
(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, 2024, the Bank’s total approved membership is 110, of which 98 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, 2024 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”): IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the annual financial statements for the year ended Dec. 31, 2023.

The accounting policies adopted are consistent with those used in the Bank’s annual financial statements for the year ended Dec. 31, 2023.

The preparation of financial statements in conformity with IFRS Accounting Standards 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.

B Accounting Policies

B2 New accounting pronouncements

In May 2024, the IASB issued amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures, effective for annual reporting periods beginning on, or after, 1 January 2026. The amendments provide further clarification regarding the classification and measurement of financial assets and liabilities. In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements, effective for annual reporting periods beginning on or after 1 January 2027. The new standard aims to give users of financial statements more transparent and comparable information about an entity's financial performance. The Bank is undertaking assessments of the potential impact of the new standard and amendments to the standards.

B3 Comparatives

The comparative date of the Condensed Statement of Financial Position is as at Dec. 31, 2023, 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, 2023 to Sep. 30, 2023.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2024
(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, 2024	For the nine months ended Sep. 30, 2023
Interest income		
Loan investments ⁽¹⁾	1,152,013	874,488
Cash, cash equivalents, and deposits	261,224	384,372
Debt securities	276,364	122,933
Reverse repurchase agreements	25	-
Total interest income	1,689,626	1,381,793
Interest expense		
Borrowings ⁽²⁾	(871,332)	(563,900)
Lease	(20)	(15)
Total interest expense	(871,352)	(563,915)
Net interest income	818,274	817,878

⁽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. Please refer to Note C13 Derivatives for details.

C2 Net fee and commission income

	For the nine months ended Sep. 30, 2024	For the nine months ended Sep. 30, 2023
Loan and guarantee fees	30,690	26,232
Special Funds administration fee (Note C19)	200	113
MCDF administration fee ⁽¹⁾	1,647	1,710
Implementing entity administration fee ⁽²⁾	149	69
Cofinancing service income	210	-
Total fee and commission income	32,896	28,124
Cofinancing service expense	(4,013)	(3,364)
Total fee and commission expense	(4,013)	(3,364)
Net fee and commission income	28,883	24,760

⁽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, the Bank 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 the Bank'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, 2024
(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, 2024	For the nine months ended Sep. 30, 2023
Money Market Funds (Note C6)	71,683	54,061
Investments at fair value through profit or loss (Note C7)	777,683	285,593
Borrowings (Note C12)	(857,587)	248,454
Derivatives (Note C13):		
- Borrowings associated	240,747	(893,060)
- Loan investments associated	(103,896)	148,206
- Treasury investment portfolio and debt securities associated	34,283	347,127
Total	162,913	190,381

C4 Impairment provision

	For the nine months ended Sep. 30, 2024	For the nine months ended Sep. 30, 2023
- Loan investments (Note C8)	(59,659)	11,586
- Debt securities (Note C9)	4,048	2,146
- Guarantees	387	-
Total impairment provision	(55,224)	13,732

C5 General and administrative expenses

	For the nine months ended Sep. 30, 2024	For the nine months ended Sep. 30, 2023
Staff costs	104,477	86,059
Professional service expenses	28,377	23,066
IT services	17,200	15,416
Facilities and administration expenses	13,372	12,938
Travel expenses	10,238	10,294
Issuance cost for borrowings	8,507	9,169
Others	8,412	7,280
Total general and administrative expenses	190,583	164,222

Refer to Note C19 for details of key management remuneration.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C6 Cash, cash equivalents, and deposits with banks

	Sep. 30, 2024	Dec. 31, 2023
Cash	-	-
Deposits with banks		
- Demand deposits ⁽¹⁾	93,040	60,308
- Term deposits with initial maturity of three months or less	2,860,677	628,728
Money Market Funds ⁽²⁾	732,149	1,150,086
Total cash and cash equivalents	3,685,866	1,839,122
Add: term deposits with initial maturity more than three months ⁽³⁾	2,103,165	3,108,817
Total cash, cash equivalents, and deposits with banks	5,789,031	4,947,939

⁽¹⁾ USD53.61 million of demand deposits is segregated for the externally managed portfolios (Dec. 31, 2023: USD37.84 million).

⁽²⁾ Money Market Funds

	For the nine months ended Sep. 30, 2024	For the year ended Dec. 31, 2023
As at beginning of period/year	1,150,086	1,280,649
Additions	16,302,835	18,189,374
Disposals	(16,792,455)	(18,394,715)
Fair value gain, net	71,683	74,778
Total Money Market Funds	732,149	1,150,086

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, 2024, USD2.10 billion of term deposits have remaining maturity within 12 months (Dec. 31, 2023: USD3.11 billion).

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2024
(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, 2024	For the year ended Dec. 31, 2023
As at beginning of period/year	16,635,658	12,751,123
Investment, net	(951,695)	3,133,649
Return of capital contributions	(57,408)	(33,857)
Net gain of investments	777,683	784,743
Total investments at fair value through profit or loss	16,404,238	16,635,658

Analysis of investments at fair value through profit or loss:

	Sep. 30, 2024	Dec. 31, 2023
External Managers Program (a)	4,449,010	4,267,303
Debt securities (b)	10,489,497	11,145,386
Investment operations fixed income portfolio (c)	255,339	242,553
Investments with equity participation (d)	1,210,392	980,416
Total investments at fair value through profit or loss	16,404,238	16,635,658

- (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.
- (b) The Bank invests mainly in debt securities of high credit quality, such as bonds, certificates of deposit and commercial papers, which are mostly actively managed within treasury investment portfolio. The debt securities are measured at fair value through profit or loss. Separately, the Bank also invests in securities for infrastructure and development purposes in its investment operations portfolio.
- (c) The Bank has engaged an external asset manager 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.

C Disclosure Notes

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

- (d) The Bank held investments with equity participation which includes limited partnership funds ("LP Funds"), trust, venture capital associates 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.

From June 2024 onwards, investment to associates with the objectives of looking for capital appreciation, rather than assuming responsibility for managing those entities, were made and held through a newly structured independent and centralized function of the Bank. The Bank applied the exemption from adopting the equity method under IAS 28 for the investments in the venture capital associates, and elected to measure these investments held by the independent and centralized function of the Bank at fair value through profit or loss in accordance with IFRS 9. This election is applied prospectively.

As at Sep. 30, 2024, the Bank held USD124.81 million investments in venture capital associates. During the nine months ended Sep. 30, 2024, these investments recorded a fair value gain of USD9.93 million, which is included in Note C3. As at Dec. 31, 2023, the investment in associate separately presented in the previous year's financial statement was USD58.80 million. For the nine months ended Sep. 30, 2023, USD3.31 million share of gain on investment in associate separately presented in prior year's financial statement has now been included in Note C3.

Please refer to Note C19 Related party transactions for the transactions with venture capital associates.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2024
(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, 2024	Dec. 31, 2023
Gross carrying amount	25,577,713	22,250,589
ECL allowance	(198,796)	(281,207)
Net carrying amount	25,378,917	21,969,382

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, 2024, USD17,326.45 million of the total gross carrying amount of the Bank’s loans are variable spread loans (Dec. 31, 2023: USD14,039.2 million).

As at Sep. 30, 2024, USD1,463.21 million of the total carrying amount matures within 12 months (Dec. 31, 2023: USD1,537.5 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, 2024. 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, 2024	Dec. 31, 2023
Loan investments, gross carrying amount	25,577,713	22,250,589
Loan commitments	13,504,229	11,959,440
	39,081,942	34,210,029
Total ECL allowance (a)	(199,130)	(281,227)
	38,882,812	33,928,802

C Disclosure Notes

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

(a) As at Sep. 30, 2024, total ECL allowance related to loan commitments is USD0.33 million (Dec. 31, 2023: USD0.02 million), and is presented as a provision in Note C14.

For the nine months ended Sep. 30, 2024, the impairment provision released on loan investments and loan commitments was USD59.66 million (impairment provision charged for the nine months ended Sep. 30, 2023: USD11.59 million), as disclosed in Note C4.

C9 Debt securities at amortized cost

	Sep. 30, 2024	Dec. 31, 2023
Externally managed fixed-income portfolio (a)	423,033	450,047
Internally managed fixed-income portfolio (b)	10,272,277	7,119,718
Investment operations debt securities portfolios (c)	695,185	711,583
Gross carrying amount	11,390,495	8,281,348
ECL allowance	(19,031)	(14,983)
Net carrying amount	11,371,464	8,266,365

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

(b) The Bank has an internally managed treasury investment portfolio of high credit quality debt securities. The portfolio adopts a hold-to-maturity business strategy. The debt securities are initially recognized at fair value and subsequently measured at amortized cost.

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

For the nine months ended Sep. 30, 2024, USD0.18 million net investment loss was recognized as a result of disposal of certain debt securities in the portfolios (for the nine months ended Sep. 30, 2023: USD4.41 million).

Debt securities at amortized cost are subject to credit losses estimated by applying an ECL model, assessed on a forward-looking basis. As at Sep. 30, 2024, ECL allowances of USD16.14 million and USD2.89 million have been provided respectively to debt securities in investment operations and treasury investment portfolio (Dec. 31, 2023: USD14.47 million and USD0.51 million respectively).

As at Sep. 30, 2024, USD2,452 million of the gross carrying amount matures within 12 months (Dec. 31, 2023: USD3,045.95 million).

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C10 Paid-in capital receivables

According to the AOA, payments for paid-in capital (refer to Note C15) 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, 2024, a total discount of USD0.09 million (for the nine months ended Sep. 30, 2023: none) has been debited to the reserve. An amount of USD0.53 million (for the nine months ended Sep. 30, 2023: USD1.02 million) has been accreted through income in the current period.

As at Sep. 30, 2024, overdue contractual undiscounted paid-in capital receivables amounted to USD200.63 million (Dec. 31, 2023: USD215.51 million) (Note C15) are not considered impaired. Of this amount, USD0.4 million has been collected by the date of publication of the financial statements for the nine months ended Sep. 30, 2024.

As at Sep. 30, 2024, USD231.53 million (Dec. 31, 2023: USD248.03 million) of the paid-in capital balance is due within 12 months.

	For the nine months ended Sep. 30, 2024	For the year ended Dec. 31, 2023
As at beginning of period/year	262,637	304,862
Paid-in capital receivables originated	2,010	12,500
Contributions received	(26,020)	(55,999)
Transfer from prepaid paid-in capital to contribution	(200)	-
Accretion to profit or loss	531	1,274
Total paid-in capital receivables	238,958	262,637

C11 Other assets

	Sep. 30, 2024	Dec. 31, 2023
Cash collateral receivable (Note C13)	448,870	1,055,823
Receivable for unsettled trades	328,715	16,552
Reverse repurchase agreements	20,337	-
Prepayments	7,786	6,604
Receivable for Special Funds and MCDF administration fees	1,647	2,459
Guarantee fee receivables	-	254
Others	1,208	1,277
Total other assets	808,563	1,082,969

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C12 Borrowings

	Sep. 30, 2024	Dec. 31, 2023
Borrowings carried at fair value	34,338,794	28,334,027
Borrowings carried at amortized cost	2,460,287	2,194,104
Total borrowings	36,799,081	30,528,131

The Bank raises funds through various markets to support its operations. The Bank's debt issuance programs include the SEC-registered Shelf, Global Medium-Term Notes Programme, Australian Dollar and New Zealand Dollar Debt Issuance Programme, Renminbi Bond Issuance Program, and Euro Commercial Paper Programme (the "ECP"). Among these funding sources, the SEC-registered fixed-rate global notes have been the primary program of the Bank's borrowing activities. These funding initiatives have enabled the Bank to access diverse sources of capital and strengthen its financial position.

The following table sets out the details of the outstanding amount by denominated currency.

Denominated currency	Sep. 30, 2024	Dec. 31, 2023
USD	23,189,949	20,473,978
GBP	4,345,907	3,138,279
EUR	3,088,929	1,892,423
CNY	2,363,672	1,670,561
HKD	1,041,311	768,246
AUD	1,022,826	1,003,122
INR	626,321	267,864
TRY	325,720	482,371
CHF	256,725	251,756
Others	537,721	579,531
Total	36,799,081	30,528,131

Borrowings that are paired with swaps are designated as financial liabilities at fair value through profit or loss. The designation significantly reduces accounting mismatches that would otherwise arise if the borrowings were carried at amortized cost while the related swaps are carried at fair value. Interest from borrowings is 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 the effective interest rate method.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C12 Borrowings (Continued)

The fair value changes for financial liabilities that are designated as at fair value through profit or loss that are 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, 2024, the fair value loss attributable to changes in the Bank's own credit risk included in the other comprehensive income amounted to USD143.54 million (for the nine months ended Sep. 30, 2023: fair value loss of USD99.23 million). As at Sep. 30, 2024, USD4.69 million of cumulative unrealized loss on fair-valued borrowings was reversed from the other comprehensive income at the derecognition (Dec. 31, 2023: USD3.89 million of cumulative unrealized loss).

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, 2024	For the year ended Dec. 31, 2023
As at beginning of period/year	30,528,131	24,475,728
Changes arising from cash flows		
- Proceeds from borrowings, net	12,454,018	13,184,003
- Repayment of borrowings	(7,142,072)	(8,111,728)
- Interest payments	(908,762)	(583,347)
- Issuance cost for borrowings	8,507	9,169
Non-cash changes		
- Accrued interest	858,130	789,961
- Changes in fair values included in the other comprehensive income	143,542	61,288
- Changes in fair values included in profit or loss (Note C3)	857,587	703,057
Total borrowings	36,799,081	30,528,131

C Disclosure Notes

C13 Derivatives

As at Sep. 30, 2024, 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, 2024 and Dec. 31, 2023. The payments under each of the derivative contracts are subject to enforceable master netting arrangements.

	As at Sep. 30, 2024		
	Contractual notional amount	Fair value	
		Assets	Liabilities
Derivatives			
Interest rate swaps	34,951,567	206,405	347,060
Cross currency swaps	21,236,222	646,665	712,993
FX forwards	2,637,273	4,360	31,509
Total derivatives	58,825,062	857,430	1,091,562

	As at Dec. 31, 2023		
	Contractual notional amount	Fair value	
		Assets	Liabilities
Derivatives			
Interest rate swaps	29,459,077	179,681	717,607
Cross currency swaps	15,127,846	436,303	823,460
FX forwards	2,334,500	258	40,959
Total derivatives	46,921,423	616,242	1,582,026

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C13 Derivatives (Continued)

The table below presents the undiscounted cash flows in/(out) of the derivatives the Bank has entered into as at Sep. 30, 2024 and Dec. 31, 2023.

	As at Sep. 30, 2024					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Derivatives						
Interest rate swaps	(123,100)	(111,087)	(30,101)	124,571	15,194	(124,523)
Gross settling cross currency swaps - inflow	1,290,570	377,832	3,198,994	15,861,204	4,945,298	25,673,899
Gross settling cross currency swaps - outflow	(1,312,841)	(462,948)	(3,244,108)	(15,469,921)	(4,678,406)	(25,168,224)
Gross settling FX forwards - inflow	820,010	640,557	1,177,134	-	-	2,637,701
Gross settling FX forwards - outflow	(833,952)	(646,873)	(1,165,001)	-	-	(2,645,826)
Total derivatives	(159,313)	(202,519)	(63,082)	515,854	282,086	373,027

	As at Dec. 31, 2023					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Derivatives						
Interest rate swaps	(43,831)	(95,858)	(367,008)	(42,899)	1,933	(547,663)
Gross settling cross currency swaps - inflow	64,112	950,949	2,179,876	12,287,630	1,848,326	17,330,893
Gross settling cross currency swaps - outflow	(92,825)	(1,018,177)	(2,233,970)	(12,431,559)	(1,579,160)	(17,355,691)
Gross settling FX forwards - inflow	646,370	686,993	610,938	390,113	-	2,334,414
Gross settling FX forwards - outflow	(663,649)	(696,344)	(606,812)	(376,581)	-	(2,343,386)
Total derivatives	(89,823)	(172,437)	(416,976)	(173,296)	271,099	(581,433)

C Disclosure Notes

C13 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, 2024, the Bank has received cash collateral of USD272.90 million (Note C14) (Dec. 31, 2023: USD101.99 million) from the swap counterparties, and has paid cash collateral of USD448.87 million (Note C11) (Dec. 31, 2023: USD1,055.82 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, 2024 and Dec. 31, 2023.

As at Sep. 30, 2024, the Bank makes use of derivatives with notional amount of USD38,097.27 million to hedge the borrowings with carrying amount of USD34,338.79 million. The Bank has entered into derivatives with notional amount of USD6,370.11 million to hedge loans with carrying amount of USD5,275.18 million. The Bank has made use of derivatives with notional amount of USD654.76 million to hedge debt securities in investment operations with carrying amount of USD686.53 million. Derivatives with notional amount of USD13,702.92 million are associated with treasury investment portfolio. The Bank's risk exposures have been well hedged. Therefore, the profit and loss are effectively managed on a net basis.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C14 Other liabilities

	Sep. 30, 2024	Dec. 31, 2023
Payable and advance receipt for unsettled trades	309,809	49,328
Cash collateral payable (Note C13)	272,896	101,994
Deferred interest (Note C19)	36,880	34,855
Accrued expenses	28,587	28,758
Financial guarantee liabilities	11,635	4,681
Staff costs payable	10,428	8,837
Loan provision—ECL allowance (Note C8)	334	20
Lease liability	587	898
Payable to Special Fund Window relating to project cancellation (C19)	-	4,140
Deferred administration fee (Note C19)	-	170
Others	2,190	78
Total other liabilities	673,346	233,759

C15 Share capital

	Sep. 30, 2024	Dec. 31, 2023
Authorized capital	100,000,000	100,000,000
– Allocated		
- Subscribed	97,037,800	97,027,300
- Unsubscribed	974,200	984,200
– Unallocated	1,988,000	1,988,500
Total authorized capital	100,000,000	100,000,000
Subscribed capital	97,037,800	97,027,300
Less: callable capital	(77,630,300)	(77,621,900)
Paid-in capital	19,407,500	19,405,400
Paid-in capital comprises:		
– amounts received	19,167,989	19,141,769
– amounts due but not yet received	200,631	215,512
– amounts not yet due	38,880	48,119
Total paid-in capital	19,407,500	19,405,400

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, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C15 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
Djibouti	5	500	400	100
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, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C15 Share capital (Continued)

Members	Total shares	Subscribed capital	Callable capital	Paid-in capital
Kazakhstan	7,293	729,300	583,400	145,900
Kenya	50	5,000	4,000	1,000
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
Papua New Guinea	50	5,000	4,000	1,000
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
South Africa	50	5,000	4,000	1,000
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
Togo	50	5,000	4,000	1,000
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	970,378	97,037,800	77,630,300	19,407,500

C Disclosure Notes

C16 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.

C17 Distribution

Retained earnings as at Sep. 30, 2024 are USD3,084.04 million (Dec. 31, 2023: USD2,096.19 million). For the nine months ended Sep. 30, 2024, USD0.53 million (for the nine months ended Sep. 30, 2023: USD1.02 million) of retained earnings has been transferred to the reserve for accretion of the paid-in capital receivables.

No dividends were declared during the reporting period.

C18 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, 2024, the Project Preparation Special Fund has aggregate contributions received amounted to USD128 million (Dec. 31, 2023: USD128 million). For the nine months ended Sep. 30, 2024, fees recognized as income amounted to USD0.17 million (for the nine months ended Sep. 30, 2023: USD0.11 million) (Note C2). As at Sep. 30, 2024, there was no deferred administration fee recognized as other liabilities (Dec. 31, 2023: USD0.17 million) (Note C14).

C Disclosure Notes

C18 Unconsolidated structured entities (Continued)

The Special Fund Window for Less Developed Members (the “Special Fund Window”)

The Special Fund Window 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 is funded by the amounts transferred by the Bank from its Project Preparation Special Fund, and voluntary contributions from the Bank’s Members.

For the nine months ended Sep. 30, 2024, fees recognized as income amounted to USD0.03 million (for the nine months ended Sep. 30, 2023: none) (Note C2). As at Sep. 30, 2024, there was no administration fee receivable by the Bank (Dec. 31, 2023: USD0.04 million), and the interest rate buy-down balance for eligible sovereign-backed loans from Special Fund Window amounted to USD36.88 million (Dec. 31, 2023: USD34.86 million) (Note C14).

As at Sep. 30, 2024, there was no payable amount to Special Fund Window due to partial cancellation of loan commitment (Dec. 31, 2023: USD4.14 million) (Note C14).

AIIB Project-Specific Window

On March 19, 2024, the Bank established the Project-Specific Window for the Bank to accept, manage, and disburse external grants for the co-financing of eligible projects in the Bank’s low- and middle-income members and small island members as defined in the Rules and Regulations of the AIIB Project-Specific Window.

The resource of the Project-Specific Window consists of contributions from eligible contributors to co-finance specific eligible projects approved by the contributors. Contributions received will be channeled and disbursed to the approved specific projects. The full cost of administration shall be charged to the Project-Specific Window.

As at Sep. 30, 2024, no contribution has been received in Project-Specific Window.

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.

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, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C19 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, 2024			Dec. 31, 2023		
	PRC related entities	Key management personnel	Other related parties	PRC related entities	Key management personnel	Other related parties
Loan investments	1,581,845	-	-	1,508,033	-	-
LP Fund	66,340	-	-	67,830	-	-
Equity and debt security investments in/or related to venture capital associates	-	-	205,804	-	-	205,043
Other assets	-	-	-	-	-	37
Staff loan	-	32	-	-	-	-
Other liabilities	-	-	36,880	-	-	39,165

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

	For the nine months ended Sep. 30, 2024			For the nine months ended Sep. 30, 2023		
	PRC related entities	Key management personnel	Other related parties	PRC related entities	Key management personnel	Other related parties
Income from loan investments	55,878	-	-	54,562	-	-
Net (loss)/gain on LP Fund	(2,812)	-	-	3,040	-	-
Net gain on equity and debt security investments in/or related to venture capital associates	-	-	16,207	-	-	11,498
Income from staff loan	-	2	-	-	-	-
Income from Special Funds (Administration Fee)	-	-	200	-	-	113

C Disclosure Notes

C19 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 at Sep. 30, 2024, the Government of the PRC (the "Government") owned approximately 30.69% of the paid-in capital of the Bank (Dec. 31, 2023: approximately 30.69%).

The Bank enters into transactions with enterprises ultimately controlled by the Government (State-owned Entities), including but not limited to, lending, debt securities, 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 has loan facilities to nonsovereign borrowers that are ultimately controlled by State-owned Entities with a total outstanding balance of USD229.67 million as at Sep. 30, 2024 (Dec. 31, 2023: USD229.94 million). The Bank entered into the agreements with the borrowers in the ordinary course of business under normal commercial terms and at market rates.

The Bank has sovereign-backed facilities to PRC with a total outstanding balance of USD1,352.18 million equivalent as at Sep. 30, 2024 (Dec. 31, 2023: USD1,278.09 million). The Bank's standard interest rate for sovereign-backed loans has been applied. PRC sovereign-backed loans and nonsovereign-backed loan 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, 2024, the fair value of the Bank's interest in the Fund is USD66.34 million (Dec. 31, 2023: USD67.83 million).

C Disclosure Notes

C19 Related party transactions (Continued)

Transactions with other related parties are as follows:

(1) Equity and debt security investments in/or related to associates

The fair value of the Bank's interest in the investment in venture capital associates is USD124.81 million. As at Sep. 30, 2024, the Bank holds USD81.03 million of infrastructure asset-backed securities issued by one associate.

(2) Transactions with Special Funds

As at Sep. 30, 2024, there was no outstanding balance of other receivables from the Special Funds (Dec. 31, 2023: USD0.04 million).

As at Sep. 30, 2024, there were no other liabilities relating to the Project Preparation Special Fund deferred administration fee (Dec. 31, 2023: USD0.17 million), and there was no payable amount (Dec. 31, 2023: USD4.14 million) to Special Fund Window due to a partial cancellation of loan commitment (Note C18). The interest rate buy-down balance from Special Fund Window was USD36.88 million (Dec. 31, 2023: USD34.86 million).

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, 2024 and the nine months ended Sep. 30, 2023, other than loan granted to key management personnel as disclosed above, the Bank has no material transactions with key management personnel.

The compensation of key management personnel for the nine months ended Sep. 30, 2024 comprises short-term employee benefits of USD3.26 million (for the nine months ended Sep. 30, 2023: USD3.12 million) and defined contribution plans of USD0.66 million (for the nine months ended Sep. 30, 2023: USD0.62 million).

C Disclosure Notes

C19 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, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C20 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 table below illustrates the geographic distribution of the Bank's loan and guarantee revenue by destination for the nine months ended Sep. 30, 2024, and Sep. 30, 2023.

Loan and guarantee revenue comprises loan interest income, loan commitment fee, guarantee fee and other service fees.

Region	For the nine months ended Sep. 30, 2024			For the nine months ended Sep. 30, 2023		
	Sovereign -backed loans and guarantees	Nonsovereign -backed loans	Total	Sovereign -backed loans	Nonsovereign -backed loans	Total
Central Asia	95,563	14,292	109,855	51,088	8,077	59,165
Eastern Asia	59,436	10,130	69,566	46,993	16,803	63,796
Southeastern Asia	231,765	19,852	251,617	165,015	11,721	176,736
Southern Asia	426,131	18,883	445,014	322,939	19,283	342,222
Western Asia	177,168	57,592	234,760	145,842	51,794	197,636
Oceania	5,674	-	5,674	5,485	-	5,485
Other Regional	-	12,589	12,589	-	13,823	13,823
Total Regional	995,737	133,338	1,129,075	737,362	121,501	858,863
Total Non- Regional	40,630	12,998	53,628	30,395	11,462	41,857
Total	1,036,367	146,336	1,182,703	767,757	132,963	900,720

C21 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.

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 and integrity risk in the Bank's activities. It is also designed to manage assets and liabilities to minimize the volatility in its 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, 2023.

D2 Market risk

IBOR reform

All sovereign loans and swaps have been transitioned to a SOFR reference rate.

As at Sep. 30, 2024, the Bank has successfully completed the majority of the transition for nonsovereign-backed loans. There is a legacy project with a gross carrying amount of USD94.98 million that now has synthetic LIBOR reset rates but has yet to transition to standard SOFR terms. The Bank is actively considering additional approaches to solve the legacy portfolio which leaves the Bank with minimal exposure to residual interest rate risk.

D3 Credit and other investment risks

Credit quality analysis

Except for loan investments, debt securities and issued guarantee commitments, 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 exclusive of any received sovereign guarantees, debt securities at amortized cost and issued guarantees, with their respective ECL allowance balance as at Sep. 30, 2024.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit and other investment risks (Continued)

Credit quality analysis (Continued)

	Sep. 30, 2024			Dec. 31, 2023		
	Gross Carrying amount	Commitments	ECL	Gross Carrying amount	Commitments	ECL
Sovereign-backed loans	23,261,872	12,789,414	(63,937)	19,944,062	11,443,983	(185,867)
Nonsovereign-backed loans	2,315,841	714,815	(135,193)	2,306,527	515,457	(95,360)
Loan investments	25,577,713	13,504,229	(199,130)	22,250,589	11,959,440	(281,227)
Debt securities	11,390,495	-	(19,031)	8,281,348	-	(14,983)
Total	36,968,208	13,504,229	(218,161)	30,531,937	11,959,440	(296,210)

The maximum credit risk exposure of the issued financial guarantees as at Sep. 30, 2024 is USD1,369.04 million (Dec. 31, 2023: USD1,190.28 million), with an associated ECL allowance of USD1.25 million (Dec. 31, 2023: USD0.86 million). The issued financial guarantees are classified as Stage 1.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit and other investment risks (Continued)

Credit quality analysis (Continued)

(i) Concentration of credit risk in investment operations portfolio

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

Region	Sep. 30, 2024			Dec. 31, 2023		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Sovereign-backed loans and guarantees⁽¹⁾						
Central Asia	3,197,224	50,699	3,247,923	2,806,901	50,041	2,856,942
Eastern Asia	2,596,652	-	2,596,652	2,574,924	-	2,574,924
Southeastern Asia	9,299,161	69,544	9,368,705	5,296,931	70,690	5,367,621
Southern Asia	14,368,570	785,083	15,153,653	14,060,498	806,141	14,866,639
Western Asia	4,896,603	-	4,896,603	4,222,254	604,114	4,826,368
Oceania	115,669	-	115,669	117,023	-	117,023
Total Regional	34,473,879	905,326	35,379,205	29,078,531	1,530,986	30,609,517
Total						
Non-Regional	2,041,121	-	2,041,121	1,968,811	-	1,968,811
Subtotal	36,515,000	905,326	37,420,326	31,047,342	1,530,986	32,578,328

Region	Sep. 30, 2024			Dec. 31, 2023		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
ECL allowance						
Central Asia	960	2,485	3,445	1,079	7,503	8,582
Eastern Asia	689	-	689	627	-	627
Southeastern Asia	1,441	7,151	8,592	608	20,553	21,161
Southern Asia	17,056	28,455	45,511	21,335	111,761	133,096
Western Asia	3,785	-	3,785	5,769	14,106	19,875
Oceania	147	-	147	596	-	596
Total Regional	24,078	38,091	62,169	30,014	153,923	183,937
Total						
Non-Regional	3,014	-	3,014	2,790	-	2,790
Subtotal	27,092	38,091	65,183	32,804	153,923	186,727

(1) The issued financial guarantees are classified as Stage 1.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit and other investment risks (Continued)

Credit quality analysis (Continued)

(i) Concentration of credit risk in investment operations portfolio (Continued)

Region	Sep. 30, 2024				Dec. 31, 2023			
	Stage 1	Stage 2	Stage 3 ⁽¹⁾	Total	Stage 1	Stage 2	Stage 3	Total
Nonsovereign-backed loans								
Central Asia	340,179	94,975	-	435,154	245,424	-	-	245,424
Eastern Asia	409,507	-	-	409,507	346,258	-	-	346,258
Southeastern Asia	336,765	-	-	336,765	348,976	-	67,255	416,231
Southern Asia	364,480	40,240	-	404,720	427,462	-	-	427,462
Western Asia	736,100	95,702	-	831,802	709,028	112,351	-	821,379
Other Regional	-	262,465	-	262,465	-	270,070	-	270,070
Total Regional	2,187,031	493,382	-	2,680,413	2,077,148	382,421	67,255	2,526,824
Total Non-Regional	248,365	101,878	-	350,243	181,065	114,095	-	295,160
Subtotal	2,435,396	595,260	-	3,030,656	2,258,213	496,516	67,255	2,821,984
Total	38,950,396	1,500,586	-	40,450,982	33,305,555	2,027,502	67,255	35,400,312

Region	Sep. 30, 2024				Dec. 31, 2023			
	Stage 1	Stage 2	Stage 3 ⁽¹⁾	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance								
Central Asia	167	12,617	-	12,784	1,025	-	-	1,025
Eastern Asia	2,706	-	-	2,706	192	-	-	192
Southeastern Asia	1,777	-	-	1,777	802	-	62,751	63,553
Southern Asia	2,310	4,149	-	6,459	626	-	-	626
Western Asia	5,996	2,941	-	8,937	3,967	1,810	-	5,777
Other Regional	-	88,659	-	88,659	-	11,104	-	11,104
Total Regional	12,956	108,366	-	121,322	6,612	12,914	62,751	82,277
Total Non-Regional	2,081	11,790	-	13,871	817	12,266	-	13,083
Subtotal	15,037	120,156	-	135,193	7,429	25,180	62,751	95,360
Total	42,129	158,247	-	200,376	40,233	179,103	62,751	282,087

(1) A credit impaired nonsovereign-backed loan was derecognized after the Bank exited in full in March 2024.

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit and other investment risks (Continued)

Credit quality analysis (Continued)

(i) Concentration of credit risk in investment operations portfolio (Continued)

The sector distribution of the proceeds of the Bank's projects for loan investments (gross carrying amount of loans and exposure of loan commitments), issued guarantee commitments and associated ECL is as follows:

Sector	Sep. 30, 2024			Dec. 31, 2023		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Sovereign-backed loans and guarantees						
CRF ⁽¹⁾ -Economic						
Resilience/PBF ⁽²⁾	11,666,478	-	11,666,478	9,124,604	-	9,124,604
CRF-Finance/Liquidity	941,088	193,241	1,134,329	1,207,390	210,323	1,417,713
CRF-Public Health	3,261,003	-	3,261,003	3,288,501	-	3,288,501
Education Infrastructure	252,547	-	252,547	249,860	-	249,860
Energy	4,649,068	297,523	4,946,591	3,970,868	900,944	4,871,812
Transport	6,711,525	131,728	6,843,253	6,310,317	139,451	6,449,768
Urban	1,619,003	202,100	1,821,103	1,549,584	200,244	1,749,828
Water	3,918,790	-	3,918,790	3,673,042	-	3,673,042
Health Infrastructure	1,080,675	-	1,080,675	-	-	-
Multi-sector	1,876,120	-	1,876,120	1,590,894	-	1,590,894
Others	538,703	80,734	619,437	82,282	80,024	162,306
Subtotal	36,515,000	905,326	37,420,326	31,047,342	1,530,986	32,578,328

Sector	Sep. 30, 2024			Dec. 31, 2023		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
ECL allowance						
CRF-Economic						
Resilience/PBF	13,065	-	13,065	22,727	-	22,727
CRF-Finance/Liquidity	1,855	3,730	5,585	2,376	23,142	25,518
CRF-Public Health	1,181	-	1,181	1,486	-	1,486
Education Infrastructure	6	-	6	11	-	11
Energy	2,888	8,399	11,287	2,342	36,436	38,778
Transport	747	8,674	9,421	598	26,146	26,744
Urban	713	12,701	13,414	1,216	49,448	50,664
Water	1,855	-	1,855	828	-	828
Health Infrastructure	1	-	1	-	-	-
Multi-sector	2,363	-	2,363	1,205	-	1,205
Others	2,418	4,587	7,005	15	18,751	18,766
Subtotal	27,092	38,091	65,183	32,804	153,923	186,727

(1) Crisis Recovery Facility (CRF) supports 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, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit and other investment risks (Continued)

Credit quality analysis (Continued)

(i) Concentration of credit risk in investment operations portfolio (Continued)

Sector	Sep. 30, 2024				Dec. 31, 2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Nonsovereign-backed loans								
CRF-Finance/								
Liquidity	359,223	262,465	-	621,688	379,354	270,070	-	649,424
CRF-Public Health	101,025	-	-	101,025	99,927	-	-	99,927
Digital Infrastructure and Technology	137,952	-	-	137,952	137,837	-	67,255	205,092
Energy	738,508	332,795	-	1,071,303	642,654	226,446	-	869,100
Multi-sector	357,898	-	-	357,898	296,198	-	-	296,198
Transport	451,892	-	-	451,892	392,793	-	-	392,793
Urban	288,898	-	-	288,898	309,450	-	-	309,450
Subtotal	2,435,396	595,260	-	3,030,656	2,258,213	496,516	67,255	2,821,984
Total	38,950,396	1,500,586	-	40,450,982	33,305,555	2,027,502	67,255	35,400,312

Sector	Sep. 30, 2024				Dec. 31, 2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance								
CRF-Finance/								
Liquidity	2,225	88,659	-	90,884	2,494	11,103	-	13,597
CRF-Public Health	1,072	-	-	1,072	73	-	-	73
Digital Infrastructure and Technology	339	-	-	339	187	-	62,751	62,938
Energy	4,224	31,497	-	35,721	2,129	14,077	-	16,206
Multi-sector	1,554	-	-	1,554	850	-	-	850
Transport	4,573	-	-	4,573	836	-	-	836
Urban	1,050	-	-	1,050	860	-	-	860
Subtotal	15,037	120,156	-	135,193	7,429	25,180	62,751	95,360
Total	42,129	158,247	-	200,376	40,233	179,103	62,751	282,087

D Financial Risk Management

D3 Credit and other investment risks (Continued)

Credit quality analysis (Continued)

(ii) Reconciliation of gross carrying amount of loans and exposure of loan commitments, issued guarantee commitments, debt securities, 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 and issued guarantee commitments

	Stage 1	Stage 2	Total
Gross carrying amount of loans and exposure of loan/ guarantee commitments as at Jan. 1, 2024	31,047,342	1,530,986	32,578,328
New loans, commitments and guarantees originated	5,214,868	-	5,214,868
Repayments	(647,297)	(27,865)	(675,162)
Movement in net transaction costs, fees, and related income through EIR method	89,045	13,478	102,523
Cancelled commitment	(18,005)	-	(18,005)
Foreign exchange movements	217,774	-	217,774
Transfer to stage 1	611,273	(611,273)	-
Transfer to stage 2	-	-	-
As at Sep. 30, 2024	36,515,000	905,326	37,420,326

	Stage 1	Stage 2	Total
ECL allowance as at Jan. 1, 2024	32,804	153,923	186,727
Additions	3,327	-	3,327
Change in risk parameters ⁽¹⁾	(9,640)	(101,726)	(111,366)
Change from lifetime (stage 2) to 12-month (stage 1) ECL	606	(14,106)	(13,500)
Change from 12-month (stage 1) to lifetime (stage 2) ECL	-	-	-
Reversal of ECL allowance	(5)	-	(5)
As at Sep. 30, 2024	27,092	38,091	65,183

⁽¹⁾ The change in the loss allowance is due to change in the Probability of Default, Loss Given Default 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, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit and other investment risks (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, 2024	2,258,213	496,516	67,255	2,821,984
New loans and commitments originated	457,757	-	-	457,757
Repayments	(103,626)	(22,497)	-	(126,123)
Movement in net transaction costs, fees, and related income through EIR method	(4,679)	(288)	(170)	(5,137)
Derecognition and cancelled commitment	-	-	(67,085)	(67,085)
Cancelled commitment	(55,639)	-	-	(55,639)
Foreign exchange movements	18,585	(13,686)	-	4,899
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(135,215)	135,215	-	-
As at Sep. 30, 2024	2,435,396	595,260	-	3,030,656
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at Jan. 1, 2024	7,429	25,180	62,751	95,360
Additions	456	-	-	456
Change in risk parameters ⁽¹⁾	7,910	78,210	-	86,120
Change from lifetime (stage 2) to 12-month (stage 1) ECL	-	-	-	-
Change from 12-month (stage 1) to lifetime (stage 2) ECL	(758)	16,766	-	16,008
Reversal of ECL allowance	-	-	(62,751)	(62,751)
As at Sep. 30, 2024	15,037	120,156	-	135,193
Total gross carrying amount of loans and exposure of loan commitments as at Sep. 30, 2024	38,950,396	1,500,586	-	40,450,982
Total ECL allowance as at Sep. 30, 2024	42,129	158,247	-	200,376

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit and other investment risks (Continued)

Credit quality analysis (Continued)

Sovereign-backed loans and issued guarantee commitments

	Stage 1	Stage 2	Total
Gross carrying amount of loans and exposure of loan/ guarantee commitments as at Jan. 1, 2023	26,875,054	1,555,893	28,430,947
New loans, commitments and guarantees originated	4,977,828	-	4,977,828
Repayments	(348,992)	(27,782)	(376,774)
Movement in net transaction costs, fees, and related income through EIR method	103,011	2,875	105,886
Cancelled commitment	(691,755)	-	(691,755)
Foreign exchange movements	132,196	-	132,196
Transfer to stage 1	-	-	-
Transfer to stage 2	-	-	-
As at Dec. 31, 2023	31,047,342	1,530,986	32,578,328
	Stage 1	Stage 2	Total
ECL allowance as at Jan. 1, 2023	42,109	134,320	176,429
Additions	5,582	-	5,582
Change in risk parameters ⁽¹⁾	(14,815)	19,603	4,788
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	(72)	-	(72)
As at Dec. 31, 2023	32,804	153,923	186,727

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit and other investment risks (Continued)

Credit quality analysis (Continued)

Nonsovereign-backed loans

Gross carrying amount of loans and exposure of loan commitments as at Jan. 1, 2023	Stage 1	Stage 2	Stage 3	Total
	1,839,122	629,988	74,068	2,543,178
New loans and commitments originated	751,030	-	-	751,030
Repayments	(377,611)	(27,335)	(6,000)	(410,946)
Movement in net transaction costs, fees, and related income through EIR method	5,985	1,680	(813)	6,852
Derecognition and cancelled commitment	(1,798)	-	-	(1,798)
Foreign exchange movements	(7,702)	(58,630)	-	(66,332)
Transfer to stage 1	105,165	(105,165)	-	-
Transfer to stage 2	(55,978)	55,978	-	-
As at Dec. 31, 2023	2,258,213	496,516	67,255	2,821,984

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at Jan. 1, 2023	6,206	44,892	66,909	118,007
Additions	1,758	-	-	1,758
Change in risk parameters ⁽¹⁾	(976)	(15,497)	(4,158)	(20,631)
Change from lifetime (stage 2) to 12-month (stage 1) ECL	740	(4,810)	-	(4,070)
Change from 12-month (stage 1) to lifetime (stage 2) ECL	(299)	595	-	296
As at Dec. 31, 2023	7,429	25,180	62,751	95,360

Total gross carrying amount of loans and exposure of loan commitments as at Dec. 31, 2023	33,305,555	2,027,502	67,255	35,400,312
--	-------------------	------------------	---------------	-------------------

Total ECL allowance as at Dec. 31, 2023	40,233	179,103	62,751	282,087
--	---------------	----------------	---------------	----------------

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit and other investment risks (Continued)

Credit quality analysis (Continued)

Debt securities

	Stage 1	Stage 2	Stage 3	Total
Debt securities as at				
Jan. 1, 2024	8,266,858	-	14,490	8,281,348
New debt securities	5,600,642	-	-	5,600,642
Accrual and amortization	57,470	-	356	57,826
Foreign exchange movements	(496)	-	-	(496)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Derecognition	(2,548,825)	-	-	(2,548,825)
As at Sep. 30, 2024	11,375,649	-	14,846	11,390,495

	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at				
Jan. 1, 2024	1,224	-	13,759	14,983
Additions	1,456	-	-	1,456
Change in risk parameters	2,466	-	256	2,722
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	(130)	-	-	(130)
As at Sep. 30, 2024	5,016	-	14,015	19,031

Asian Infrastructure Investment Bank
Notes to the Condensed Financial Statements
For the nine months ended Sep. 30, 2024
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D3 Credit and other investment risks (Continued)

Credit quality analysis (Continued)

Debt securities	Stage 1	Stage 2	Stage 3	Total
Debt securities as at				
Jan. 1, 2023	4,564,046	-	14,061	4,578,107
New debt securities	3,695,031	-	-	3,695,031
Accrual and amortization	79,327	-	429	79,756
Foreign exchange movements	(1,345)	-	-	(1,345)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
Derecognition	(70,201)	-	-	(70,201)
As at Dec. 31, 2023	8,266,858	-	14,490	8,281,348
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at				
Jan. 1, 2023	1,122	-	11,807	12,929
Additions	513	-	-	513
Change in risk parameters	161	-	1,952	2,113
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 Dec. 31, 2023	1,224	-	13,759	14,983

D Financial Risk Management

D3 Credit and other investment risks (Continued)

Credit quality analysis (Continued)

Change of accounting estimates in LGD and ECL methodology

As part of its credit risk monitoring and model governance processes, the Bank periodically evaluates the performance of the ECL model and reviews the appropriateness of critical modelling methodology and risk parameter inputs. During the nine months ended September 30, 2024, the Bank conducted a holistic review and adopted a series of enhancements, including Loss Given Defaults (LGD) for sovereign transactions, forward-looking macroeconomic scenarios and point-in-time Probability of Default (PIT PD) applied to ECL calculation.

Prior to the third quarter of 2024:

- **Sovereign LGD:** The Bank's sovereign LGD framework ranged from 15% to 40% for sovereign-backed loans and guarantees. The assessment was based on the level of development of the country, the ratio of its total Multilateral Development Bank (MDB) debt to its external debt, and the presence of Preferred Creditor Status (PCS) in its exposures to AIB.
- **Forward-looking macroeconomic scenarios:** The Bank applied three different scenarios (baseline, upside, downside) with weights of 46.6%, 26.7% and 26.7% respectively. In addition, climate risk was not explicitly factored into the ECL scenarios construction.
- **Point-in-time Probability of Default (PIT PD):** The Bank mapped each borrower's Through-the-cycle Probability of Default (TTC PD) to the unconditional PIT PD derived by Moody's Analytics for each credit rating. The unconditional PIT PD for each borrower was then converted into conditional PIT PD based on the macroeconomic scenarios, as well as the correlation matrix associated with the country and industry where the borrower operates.

D Financial Risk Management

D3 Credit and other investment risks (Continued)

Credit quality analysis (Continued)

Enhancements adopted in the third quarter of 2024 and onward:

- **Sovereign LGD:** Since the Bank's adoption of the previous LGD framework in 2020, there have been initiatives led to improve transparency over MDB's Sovereign loan loss experience, as recommended by the G20 Capital Adequacy Framework working group¹. In accordance with our peer MDBs' published loss data, the Bank revised its sovereign LGD framework, which now ranges from 5% to 40%. This new framework segments sovereign exposures into distinct categories, reflecting likely recovery times.
- **Forward-looking macroeconomic scenarios:** The Bank updates the scenario weights and severities calibration to reflect the evolutions in global economic environment and heightened volatilities since 2020, as well as emerging risks. The weights assigned to baseline, upside and downside scenarios are revised to 40%, 30% and 30% respectively. Further, climate risk is quantified as an additional shock to the downside scenarios for countries vulnerable to climate change.
- **Point-in-time Probability of Default (PIT PD):** To improve risk differentiation, the Bank applies more granular unconditional PIT PD derived by Moody's Analytics which are country and industry-specific. The Bank maps each borrower's TTC PD to the unconditional PIT PD as per the borrower's credit rating, country of risk and industry of risk, which are then further converted to conditional PIT PD following the same procedure.

Change of accounting estimates for Post Model Adjustment (PMA)

In the third quarter of 2024, the Bank included a post model adjustment (PMA), which is an overlay in addition to the modelled ECL for loan investments in Stage 1 and Stage 2, aiming to reflect the recently rising uncertainties from receiving loan interest payment and the principal repayment with respect to a certain borrower. The PMA is assessed by introducing additional scenarios which the regular ECL model and inputs are unable to appropriately capture and hence are based on expert judgement given the best available forward-looking information. The PMA resulted in an increase of provision amounted to USD82 million.

¹ [Boosting MDBs' investing capacity, An Independent Review of Multilateral Development Banks' Capital Adequacy Frameworks](#), G20 CAF working group, July 2022

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 does 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, 2024 (for the nine months ended Sep. 30, 2023: 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.

In June 2024, the Bank enhanced the methodology to assess the fair value hierarchy at security level. Please refer to below tables for the fair value hierarchy of the financial assets and liabilities as at Sep. 30, 2024 and Dec. 31, 2023 following the new method.

The Bank recognizes transfers in and transfers out of levels at the end of the reporting period during which the change has occurred.

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, 2024		Dec. 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
- Loan investments, at amortized cost	25,378,917	25,954,636	21,969,382	22,362,852
- Debt securities, at amortized cost	11,371,464	11,374,827	8,266,365	8,017,915
- Paid-in capital receivables	238,958	237,879	262,637	260,503
Financial liabilities				
- Borrowings	2,460,287	2,464,833	2,194,104	2,194,534

As at Sep. 30, 2024, other than those disclosed above, the Bank's balances of financial instruments are 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 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 debt securities 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, 2024
(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, 2024

	Level 1	Level 2	Level 3	Total
Financial assets and financial liabilities				
Investments at fair value through profit or loss				
- External Managers Program	4,045,708	403,302	-	4,449,010
- Investments with equity participation	-	-	1,210,392	1,210,392
- Debt securities	7,507,533	2,981,964	-	10,489,497
- Investment operations fixed-income portfolio	204,244	51,095	-	255,339
Money Market Funds	-	732,149	-	732,149
Derivative assets	-	857,430	-	857,430
Total financial assets	11,757,485	5,025,940	1,210,392	17,993,817
Borrowings	-	(34,338,794)	-	(34,338,794)
Derivative liabilities	-	(1,091,562)	-	(1,091,562)
Total financial liabilities	-	(35,430,356)	-	(35,430,356)

As at Dec. 31, 2023

	Level 1	Level 2	Level 3	Total
Financial assets and financial liabilities				
Investments at fair value through profit or loss				
- External Managers Program	3,846,640	420,663	-	4,267,303
- Investments with equity participation	-	-	980,416	980,416
- Debt securities	8,059,862	3,085,524	-	11,145,386
- Investment operations fixed-income portfolio	202,728	39,825	-	242,553
Money Market Funds	-	1,150,086	-	1,150,086
Derivative assets	-	616,242	-	616,242
Total financial assets	12,109,230	5,312,340	980,416	18,401,986
Borrowings	-	(28,334,027)	-	(28,334,027)
Derivative liabilities	-	(1,582,026)	-	(1,582,026)
Total financial liabilities	-	(29,916,053)	-	(29,916,053)

E Fair Value Disclosures

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

The MMFs' shares are not traded in any market. The fair value of the MMFs is derived from that of the net assets value, therefore MMFs are classified as Level 2 instruments.

External Managers Program and debt securities have been valued either using the discounted cash flow method based on observable market input, or obtained from market price. Derivative instruments and borrowings have been valued using discounted cash flow methodology based on observable market inputs. Quoted prices (unadjusted) in active markets are typical Level 1 inputs, while inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly or indirectly, are typically Level 2 inputs.

In some situations, the inputs used to measure fair value might fall in different level of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement falls shall be determined based on the lowest level input that is significant to the fair value measurement in its entirety. When unobservable inputs are significant to the fair value measurement, those financial instruments are to be categorized as level 3.

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, 2024 and the year ended Dec. 31, 2023.

Investments with equity participation:

	For the nine months ended Sep. 30, 2024	For the year ended Dec. 31, 2023
As at beginning of period/year	980,416	658,088
Additions	246,571	324,318
Return of capital contributions	(57,408)	(33,857)
Fair value gain, net	40,813	31,867
Total	1,210,392	980,416

E Fair Value Disclosures

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

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, 2024, the realized gain arising from the Bank's Level 3 financial assets amounted to USD21.5 million (for the nine months ended Sep. 30, 2023: USD9.5 million).

The fair value of the investments with equity participation is mainly based on an adjusted net assets method. To assess the fair value of the underlying assets of the equity investments, discounted cash flow valuation technique is mainly adopted. The unobservable inputs mainly include weighted average cost of capital, liquidity discount and projected cash flows.

There has been no transfer in and/or out of Level 3 during the nine months ended Sep. 30, 2024 (for the year ended Dec. 31, 2023: none).