

**Asian Infrastructure Investment Bank**

**Condensed Financial Statements (Unaudited)  
for the Three Months Ended March 31, 2022**

## 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 .....	5-47
A. General Information .....	5
B. Accounting Policies.....	5-6
C. Disclosure Notes.....	7-29
D. Financial Risk Management.....	30-43
E. Fair Value Disclosure.....	44-47

**Asian Infrastructure Investment Bank**  
**Condensed Statement of Comprehensive Income**  
**For the three months ended March 31, 2022**

<i>In thousands of US Dollars</i>	<b>Note</b>	<b>For the three months ended March 31, 2022 (unaudited)</b>	<b>For the three months ended March 31, 2021 (unaudited)</b>
Interest income	C1	72,108	62,722
Interest expense	C1	(56,612)	(41,139)
<b>Net interest income</b>		<b>15,496</b>	<b>21,583</b>
Net fee and commission income	C2	7,917	4,565
Net gain on financial instruments measured at fair value through profit or loss	C3	123,429	65,649
Net loss on financial instruments measured at amortized cost	C9	(8,313)	(510)
Share of gain/(loss) on investment in associate	C10	466	(45)
Impairment provision	C4	(104,779)	(4,674)
General and administrative expenses	C5	(39,064)	(33,173)
Net foreign exchange loss		(42,144)	(46,693)
<b>Operating (loss)/profit for the period</b>		<b>(46,992)</b>	<b>6,702</b>
Accretion of paid-in capital receivables	C11	680	1,630
<b>Net (loss)/profit for the period</b>		<b>(46,312)</b>	<b>8,332</b>
Other comprehensive income <i>Items will not be reclassified to profit or loss</i>			
Unrealized gain/(loss) on fair- valued borrowings arising from changes in own credit risk	C13	63,477	(16,856)
<b>Total comprehensive income/(loss)</b>		<b>17,165</b>	<b>(8,524)</b>
<b>Attributable to:</b>			
Equity holders of the Bank		<b>17,165</b>	<b>(8,524)</b>

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

**Asian Infrastructure Investment Bank**  
**Condensed Statement of Financial Position**  
**As at March 31, 2022**

<i>In thousands of US Dollars</i>		<b>March 31, 2022</b> <b>(unaudited)</b>	<b>Dec. 31, 2021</b> <b>(audited)</b>
	<b>Note</b>		
<b>Assets</b>			
Cash and cash equivalents	C6	1,087,536	2,109,608
Term deposits	C6	11,252,155	11,748,908
Investments at fair value through profit or loss	C7	11,743,318	10,565,949
Loan investments, at amortized cost	C8	13,479,798	12,245,887
Bond investments, at amortized cost	C9	2,483,575	2,495,119
Paid-in capital receivables	C11	328,280	303,695
Derivative assets	C14	442,413	248,371
Investment in associate	C10	41,808	33,842
Property and equipment		4,025	4,330
Intangible assets		5,818	5,107
Other assets	C12	1,090,127	477,323
<b>Total assets</b>		<b>41,958,853</b>	<b>40,238,139</b>
<b>Liabilities</b>			
Borrowings	C13	20,065,527	19,267,851
Derivative liabilities	C14	1,180,527	563,604
Prepaid paid-in capital		1,200	1,200
Other liabilities	C15	498,431	239,566
<b>Total liabilities</b>		<b>21,745,685</b>	<b>20,072,221</b>
<b>Members' equity</b>			
Paid-in capital	C16	19,385,900	19,355,000
Reserves			
Accretion of paid-in capital receivables		(3,598)	(3,463)
Unrealized gain/(loss) on fair-valued borrowings arising from changes in own credit risk	C13	1,855	(61,622)
Retained earnings		829,011	876,003
<b>Total members' equity</b>		<b>20,213,168</b>	<b>20,165,918</b>
<b>Total liabilities and members' equity</b>		<b>41,958,853</b>	<b>40,238,139</b>

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

Asian Infrastructure Investment Bank  
Condensed Statement of Changes in Equity  
For the three months ended March 31, 2022

		Reserves						Total members' equity
<i>In thousands of US Dollars</i>	Note	Subscribed capital	Less: callable capital	Paid-in capital	Accretion of paid-in capital receivables	Unrealized (loss)/gain on fair-valued borrowings arising from changes in own credit risk	Retained earnings	
<b>Jan. 1, 2021</b>		<b>96,748,900</b>	<b>(77,399,100)</b>	<b>19,349,800</b>	<b>(8,198)</b>	<b>(23,703)</b>	<b>825,858</b>	<b>20,143,757</b>
Capital subscription and contribution		11,200	(8,960)	2,240	-	-	-	2,240
Net profit for the period		-	-	-	-	-	8,332	8,332
Other comprehensive income		-	-	-	-	(16,856)	-	(16,856)
Paid-in capital receivables - accretion effect		-	-	-	(6)	-	-	(6)
Transfer of accretion	C11	-	-	-	1,630	-	(1,630)	-
<b>March 31, 2021 (unaudited)</b>	C16	<b>96,760,100</b>	<b>(77,408,060)</b>	<b>19,352,040</b>	<b>(6,574)</b>	<b>(40,559)</b>	<b>832,560</b>	<b>20,137,467</b>
<b>Jan. 1, 2022</b>		<b>96,775,100</b>	<b>(77,420,100)</b>	<b>19,355,000</b>	<b>(3,463)</b>	<b>(61,622)</b>	<b>876,003</b>	<b>20,165,918</b>
Capital subscription and contribution		154,600	(123,700)	30,900	-	-	-	30,900
Net loss for the period		-	-	-	-	-	(46,312)	(46,312)
Other comprehensive income		-	-	-	-	63,477	-	63,477
Paid-in capital receivables - accretion effect		-	-	-	(815)	-	-	(815)
Transfer of accretion	C11	-	-	-	680	-	(680)	-
<b>March 31, 2022 (unaudited)</b>	C16	<b>96,929,700</b>	<b>(77,543,800)</b>	<b>19,385,900</b>	<b>(3,598)</b>	<b>1,855</b>	<b>829,011</b>	<b>20,213,168</b>

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

**Asian Infrastructure Investment Bank**  
**Condensed Statement of Cash Flows**  
**For the three months ended March 31, 2022**

<i>In thousands of US Dollars</i>		<b>For the three months ended March 31, 2022</b>	<b>For the three months ended March 31, 2021</b>
	<b>Note</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Cash flows from operating activities</b>			
Net (loss)/profit for the period		(46,312)	8,332
Adjustments for:			
Interest income from term deposits and certificates of deposit		(13,146)	(20,354)
Interest expense for borrowings		56,626	39,960
Issuance cost for borrowings	C5	1,363	3,921
Accretion of paid-in capital receivables	C11	(680)	(1,630)
Net gain on financial instruments measured at fair value through profit or loss		(123,255)	(65,105)
Share of (gain)/loss on investment in associate		(466)	45
Impairment provision	C4	104,779	4,674
Depreciation and amortization		591	479
Increase in loan investments	C8	(1,324,775)	(1,145,736)
Decrease/(Increase) in bond investments		24,111	(21,336)
Decrease in funds deposited for cofinancing arrangements		-	3,891
Net cash received from derivatives		27,184	11,835
Increase in other assets		(613,684)	(185,182)
Increase in other liabilities		253,809	33,880
<b>Net cash used in operating activities</b>		<b>(1,653,855)</b>	<b>(1,332,326)</b>
<b>Cash flows from investing activities</b>			
Investment purchases, net		(1,334,539)	(1,627,261)
Return of capital contributions	C7	15,489	5,060
Decrease/(Increase) in term deposits		500,000	(423,547)
Increase in investment in associate	C10	(7,500)	(7,500)
Interest received from term deposits		9,897	26,265
Increase in intangible assets and PPE		(116)	(125)
<b>Net cash used in investing activities</b>		<b>(816,769)</b>	<b>(2,027,108)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings, net	C13	1,509,393	3,502,289
Repayments of borrowings	C13	(33,156)	-
Interest payments on borrowings	C13	(33,865)	(9,137)
Capital contributions received	C11	6,180	49,606
<b>Net cash from financing activities</b>		<b>1,448,552</b>	<b>3,542,758</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(1,022,072)</b>	<b>183,324</b>
Cash and cash equivalents at beginning of period		2,109,608	2,702,461
<b>Cash and cash equivalents at end of period</b>	<b>C6</b>	<b>1,087,536</b>	<b>2,885,785</b>

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

**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 March 31, 2022, the Bank’s total approved membership is 105, of which 89 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.

**B Accounting Policies**

**B1 Basis of preparation**

These condensed interim financial statements for the three months ended March 31, 2022 have been prepared in accordance with International Financial Reporting Standard: IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the annual financial statements for the year ended Dec. 31, 2021.

The accounting policies adopted are consistent with those used in the Bank’s annual financial statements for the year ended Dec. 31, 2021.

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

**Asian Infrastructure Investment Bank**  
**Notes to the Condensed Financial Statements**  
**For the three months ended March 31, 2022**  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**B Accounting Policies**

**B2 New accounting pronouncements**

The new accounting pronouncements, amendments and interpretations issued during the three months ended March 31, 2022, do not have any significant impact on the operating results, financial position and comprehensive income of the Bank, based on the assessment of the Bank.

**B3 Comparatives**

The comparative date of the Condensed Statement of Financial Position is as at Dec. 31, 2021, 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, 2021 to March 31, 2021.



**Asian Infrastructure Investment Bank**  
**Notes to the Condensed Financial Statements**  
**For the three months ended March 31, 2022**  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**C Disclosure Notes**

**C1 Interest income and expense**

	<b>For the three months ended March 31, 2022</b>	<b>For the three months ended March 31, 2021</b>
<b>Interest income</b>		
Loan investments <sup>(1)</sup>	48,814	37,251
Cash, cash equivalents, and deposits	13,647	20,512
Bond investments	9,647	4,959
<b>Total interest income</b>	<b>72,108</b>	<b>62,722</b>
<b>Interest expense</b>		
Borrowings <sup>(2)</sup>	(56,612)	(41,139)
<b>Total interest expense</b>	<b>(56,612)</b>	<b>(41,139)</b>
<b>Net interest income</b>	<b>15,496</b>	<b>21,583</b>

<sup>(1)</sup> 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.

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

**C2 Net fee and commission income**

	<b>For the three months ended March 31, 2022</b>	<b>For the three months ended March 31, 2021</b>
Loan commitment fee and service fee	7,738	4,861
Special Funds administration fee (Note C20)	63	56
MCDF administration fee <sup>(1)</sup>	644	-
MCDF IP administration fee <sup>(2)</sup>	91	-
<b>Total fee and commission income</b>	<b>8,536</b>	<b>4,917</b>
Cofinancing service fee	(619)	(352)
<b>Total fee and commission expense</b>	<b>(619)</b>	<b>(352)</b>
<b>Net fee and commission income</b>	<b>7,917</b>	<b>4,565</b>

<sup>(1)</sup> According to the Governing Instrument of the Finance Facility of the Multilateral Cooperation Center for Development Finance ("Finance Facility") and the agreement on the terms and conditions of service as the Administrator of the MCDF Finance Facility, AIIB provides administrative and financial services to the MCDF Finance Facility, including the establishment and hosting of the MCDF Secretariat. Therefore, the Bank charges an administration fee for costs associated with the work carried out 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.

<sup>(2)</sup> In March 2022, the Bank received USD91 thousand of administration fee from the MCDF Finance Facility relating to costs associated with project implementation as part of AIIB's role as an implementing partner of the MCDF Finance Facility.

**C Disclosure Notes**

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

	<b>For the three months ended March 31, 2022</b>	<b>For the three months ended March 31, 2021</b>
Money Market Funds (Note C6)	174	544
Investments at fair value through profit or loss (Note C7)	(120,256)	(8,149)
Borrowings (Note C13)	639,208	245,830
Derivatives:		
- Borrowings associated	(656,575)	(232,419)
- Loan investments associated	176,989	59,843
- Liquidity portfolio and bond investments associated	83,889	-
<b>Total</b>	<b>123,429</b>	<b>65,649</b>

**C4 Impairment provision**

	<b>For the three months ended March 31, 2022</b>	<b>For the three months ended March 31, 2021</b>
Impairment provision for		
- Loan investments (Note C8)	95,920	5,029
- Bond investments (Note C9)	8,859	(355)
<b>Total impairment provision</b>	<b>104,779</b>	<b>4,674</b>

**C5 General and administrative expenses**

	<b>For the three months ended March 31, 2022</b>	<b>For the three months ended March 31, 2021</b>
Staff costs	21,942	17,007
Professional service expenses	5,906	4,495
IT services	4,006	2,973
Facilities and administration expenses	3,623	3,374
Issuance cost for borrowings	1,363	3,921
Travelling expenses	479	241
Others	1,745	1,162
<b>Total general and administrative expenses</b>	<b>39,064</b>	<b>33,173</b>

Refer to Note C20 for details of key management remuneration.

Asian Infrastructure Investment Bank  
Notes to the Condensed Financial Statements  
For the three months ended March 31, 2022  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**C Disclosure Notes**

**C6 Cash, cash equivalents, and deposits with banks**

	<b>March 31, 2022</b>	<b>Dec. 31, 2021</b>
Cash		-
Deposits with banks		
- Demand deposits <sup>(1)</sup>	137,329	199,487
- Term deposits with initial maturity of three months or less	200,142	200,099
Money Market Funds <sup>(2)</sup>	750,065	1,710,022
<b>Total cash and cash equivalents</b>	<b>1,087,536</b>	<b>2,109,608</b>
Add: term deposits with initial maturity more than three months <sup>(3)</sup>	11,252,155	11,748,908
<b>Total cash, cash equivalents, and deposits with banks</b>	<b>12,339,691</b>	<b>13,858,516</b>

<sup>(1)</sup> USD50.31 million of demand deposits is segregated for the externally managed portfolios (Dec. 31, 2021: USD40.04 million).

<sup>(2)</sup> Money Market Funds

	<b>For the three months ended March 31, 2022</b>	<b>For the year ended Dec. 31, 2021</b>
As at beginning of period/year	1,710,022	1,900,091
Additions	6,375,000	26,020,000
Disposals	(7,335,131)	(26,211,432)
Fair value gain, net	174	1,363
<b>Total Money Market Funds</b>	<b>750,065</b>	<b>1,710,022</b>

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.

<sup>(3)</sup> Term deposits with initial maturity more than three months have maturities up to 24 months. As at March 31, 2022, USD11.45 billion of term deposits has remaining maturity within 12 months (Dec. 31, 2021: USD11.65 billion).

Asian Infrastructure Investment Bank  
Notes to the Condensed Financial Statements  
For the three months ended March 31, 2022  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**C Disclosure Notes**

**C7 Investments at fair value through profit or loss**

	<b>For the three months ended March 31, 2022</b>	<b>For the year ended Dec. 31, 2021</b>
As at beginning of period/year	10,565,949	6,652,155
Additions	1,313,114	3,922,183
Return of capital contributions	(15,489)	(13,335)
Net (loss)/gain of investments	(120,256)	4,946
<b>Total investments at fair value through profit or loss</b>	<b>11,743,318</b>	<b>10,565,949</b>

Analysis of investments at fair value through profit or loss:

	<b>March 31, 2022</b>	<b>Dec. 31, 2021</b>
External Managers Program (a)	4,058,157	4,104,144
Certificates of deposit (b)	3,474,545	3,143,959
Bond investments (c)	3,530,956	2,710,777
Investment operation fixed-income portfolio (d)	226,531	274,843
LP Funds and others (e)	398,085	277,809
Investment in Trust (f)	55,044	54,417
<b>Total investments at fair value through profit or loss</b>	<b>11,743,318</b>	<b>10,565,949</b>

The Bank has the following investments in certain unconsolidated structured entities:

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

<b>External Managers Program</b>	<b>March 31, 2022</b>	<b>Dec. 31, 2021</b>
Investment grade corporate and financial bonds	1,766,458	1,809,008
Sovereign, Supranational and Agency bonds	1,452,772	1,734,072
Treasury bills and notes	381,357	223,255
Term deposits and certificates of deposit	262,669	141,715
Commercial paper	83,136	83,121
Other investment securities	111,765	112,973
<b>Total</b>	<b>4,058,157</b>	<b>4,104,144</b>

**C Disclosure Notes**

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

- (b) The Bank invests in certificates of deposit which are actively managed within treasury portfolio and measured at fair value through profit or loss. The certificates of deposit are of high credit quality.
- (c) The Bank invests in bond securities which are actively managed. Therefore, the bond investments are measured at fair value through profit or loss. The bonds invested are of high credit quality. The Bank also invested in infrastructure asset-backed securities issued by the Special Purpose Vehicle sponsored by the associate that the Bank holds direct equity interests (Note C10).
- (d) The Bank has engaged external asset managers to invest in a fixed-income portfolio. The objective of this portfolio is to develop the climate bond markets in Asia, composing of labeled green bonds and unlabeled climate-aligned bonds. The investment strategy targets climate bond issuers who rate high on the evaluation of three dimensions related to the Paris Agreement: (a) climate mitigation, (b) climate adaptation and (c) contribution to the transition to a low carbon, climate resilient economy.
- (e) The Bank invests in limited partnership funds ("LP Funds"), which are managed by the general partners, who make all investment decision on behalf of the limited partners. The Bank, along with other investors, has entered into the LP Funds as a limited partner with a capital commitment which will be drawn down over the commitment period of the LP Funds, based on drawdown notices issued by the general partners. The LP Funds do not have an expected maturity date within twelve months.
- (f) The Bank has invested in the units of a Trust (the "Trust") which holds a portfolio of five operating roads and highways assets in India. The units of the Trust are listed on the National Stock Exchange of India Limited. The Trust is managed by an investment manager who make investment decisions on behalf of the Trust as per the Trust Deed and the Investment Management Agreement. The Trust does not have an expected maturity date within twelve months.

**C Disclosure Notes**

**C8 Loan investments, loan commitments and related ECL allowance**

<b>Loan investments</b>	<b>March 31, 2022</b>	<b>Dec. 31, 2021</b>
Gross carrying amount	13,746,563	12,421,788
ECL allowance	(266,765)	(175,901)
<b>Net carrying amount</b>	<b>13,479,798</b>	<b>12,245,887</b>

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 three 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 March 31, 2022, USD7,409 million of the total carrying amount of the Bank’s loans are variable spread loans (Dec. 31, 2021: USD6,436.65 million).

As at March 31, 2022, USD309.06 million of the total carrying amount matures within 12 months (Dec. 31, 2021: USD287.42 million).

The following table sets out overall information about the credit quality of loan investments and loan commitments issued for effective contracts as at March 31, 2022. The gross amounts of loans are net of the transaction costs and fees that are capitalized through the effective interest method, or EIR method.

	<b>March 31, 2022</b>	<b>Dec. 31, 2021</b>
Loan investments, gross carrying amount	13,746,563	12,421,788
Loan commitments	11,663,346	10,287,656
	25,409,909	22,709,444
Total ECL allowance (a)	(278,695)	(182,775)
	<b>25,131,214</b>	<b>22,526,669</b>

**C Disclosure Notes**

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

(a) As at March 31, 2022, the total ECL related to loan commitments is USD11.93 million (Dec. 31, 2021: USD6.87 million), and is presented as a provision in Note C15.

For the three months ended March 31, 2022, the impairment losses on loan investments and loan commitments were USD95.92 million (for the three months ended March 31, 2021: USD5.03 million), as disclosed in Note C4.

**C9 Bond investments at amortized cost**

<b>Bond investments</b>	<b>March 31, 2022</b>	<b>Dec. 31, 2021</b>
Externally managed fixed-income portfolio (a)	1,995,976	1,998,208
Investment operations Asian infrastructure-related bonds (b)	500,982	501,435
Gross carrying amount	2,496,958	2,499,643
ECL allowance	(13,383)	(4,524)
<b>Net carrying amount</b>	<b>2,483,575</b>	<b>2,495,119</b>

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

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

For the three months ended March 31, 2022, USD8.31 million investment loss was recognized as a result of disposal of certain bonds in the portfolios (for the three months ended March 31, 2021: USD0.51 million).

Bond investments at amortized cost are subject to credit losses estimated by applying an ECL model, assessed on a forward-looking basis.

As at March 31, 2022, USD22.96 million of the gross carrying amount matures within 12 months (Dec. 31, 2021: USD48.54 million).

**C Disclosure Notes**

**C10 Investment in associate**

On April 2, 2020, the Bank subscribed for a 30% economic interest in a private company incorporated in Singapore and limited by shares. The purpose of the investee is to acquire and securitize infrastructure loans. As at March 31, 2022, the undrawn capital commitment is USD12 million (Dec. 31, 2021: USD19.5 million).

For the three months ended March 31, 2022, the associate recognized a profit of USD1.5 million (for the year ended Dec. 31, 2021: loss of USD0.72 million). The Bank has recorded a net profit of USD0.5 million following the equity method (for the year ended Dec. 31, 2021: net loss of USD0.22 million).

	<b>For the three months ended March 31, 2022</b>	<b>For the year ended Dec. 31, 2021</b>
As at beginning of period/year	33,842	26,559
Additions	7,500	7,500
Share of gain/(loss) for the period/year	466	(217)
<b>Total investment in associate</b>	<b>41,808</b>	<b>33,842</b>

**C11 Paid-in capital receivables**

According to the AOA, payments for paid-in capital (refer to Note C16) are due in five installments, with the exception of members considered as less developed countries, who may pay in ten installments. Paid-in capital receivables represent amounts due from members in respect of paid-in capital. These amounts are initially recognized at fair value and subsequently measured at amortized cost. The fair value discount is accreted through income using the effective interest method. For the three months ended March 31, 2022, a total discount of USD0.82 million (for the three months ended March 31, 2021: USD0.01 million) has been debited to the reserve. An amount of USD0.68 million (for the three months ended March 31, 2021: USD1.63 million) has been accreted through income in the current period.

As at March 31, 2022, overdue contractual undiscounted paid-in capital receivables amounting to USD190.37 million (Dec. 31, 2021: USD149.96 million) (Note C16) are not considered impaired. Of this amount, USD0.19 million has been collected by the date of publication of the financial statements for the three months ended March 31, 2022.



**C Disclosure Notes**

**C11 Paid-in capital receivables (Continued)**

As at March 31, 2022, USD250.38 million (Dec. 31, 2021: USD241.00 million) of the paid-in capital balance is due within 12 months.

	For the three months ended March 31, 2022	For the year ended Dec. 31, 2021
As at beginning of period/year	303,695	436,074
Paid-in capital receivables originated	30,085	5,151
Contributions received	(6,180)	(142,073)
Transfer from prepaid paid-in capital to contribution	-	(240)
Accretion to profit or loss	680	4,783
<b>Total paid-in capital receivables</b>	<b>328,280</b>	<b>303,695</b>

**C12 Other assets**

	March 31, 2022	Dec. 31, 2021
Cash collateral receivable (Note C14)	1,043,530	464,950
Receivable for bond investments sold	39,050	3,613
Prepayments	5,821	6,503
Receivable for MCDF administration fee	644	1,381
Others	1,082	876
<b>Total other assets</b>	<b>1,090,127</b>	<b>477,323</b>

**C13 Borrowings**

	March 31, 2022	Dec. 31, 2021
<b>i) Borrowings carried at fair value</b>		
SEC-registered notes (a)	13,349,977	13,855,963
Global Medium-Term Notes (b)	4,474,534	3,533,466
Australian Dollar and New Zealand Dollar Bonds (c)	1,059,126	701,048
RMB Denominated Panda Bond (d)	481,480	476,956
<b>Total borrowings at fair value</b>	<b>19,365,117</b>	<b>18,567,433</b>
<b>ii) Borrowings carried at amortized cost</b>		
Global Medium-Term Notes (b)	700,410	700,418
<b>Total borrowings at amortized cost</b>	<b>700,410</b>	<b>700,418</b>
<b>Total borrowings</b>	<b>20,065,527</b>	<b>19,267,851</b>

(a) As at March 31, 2022, the Bank has issued a total of USD14 billion SEC-registered fixed rate global notes in the capital markets. These notes are listed on the London Stock Exchange's main market. The following table sets out the details of the SEC-registered notes.

Asian Infrastructure Investment Bank  
Notes to the Condensed Financial Statements  
For the three months ended March 31, 2022  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**C Disclosure Notes**

**C13 Borrowings (Continued)**

(in USD million)						
Date of issuance	Notional amount	Cash proceeds	Coupon (per annum)	Coupon payment	Maturity date	
May 16, 2019	2,500	2,492.95	2.25%	Semi-annual	May 16, 2024	
May 28, 2020	3,000	2,984.94	0.50%	Semi-annual	May 28, 2025	
Sep. 29, 2020	3,000	2,994.09	0.25%	Semi-annual	Sep. 29, 2023	
Jan. 27, 2021	3,000	2,987.16	0.50%	Semi-annual	Jan. 27, 2026	
Sep. 16, 2021	2,500	2,496.30	0.50%	Semi-annual	Oct. 30, 2024	
<b>Total</b>	<b>14,000</b>	<b>13,955.44</b>				

- (b) As of March 31, 2022, the Bank issued a total of USD5,121.17 million equivalent fixed rate notes, and a total of USD700.00 million floating rate notes under its Global Medium-Term Note ("GMTN") program through a combination of private and public placements, of which issued amount of USD263.12 million equivalent fixed rate notes have repaid. The following table sets out the details of the GMTN notes by denominated currency.

GMTNs in denominated currency	March 31, 2022	Dec. 31, 2021
GBP	2,070,561	1,320,040
USD	1,100,000	1,050,000
CNH	677,742	583,338
TRY	398,686	398,686
HKD	304,476	240,311
ZAR	165,598	165,598
IDR	138,355	138,355
Others	702,631	509,068
<b>Total</b>	<b>5,558,049</b>	<b>4,405,396</b>

- (c) As at March 31, 2022, the Bank has issued a total of USD1,111.08 million equivalent fixed rate notes under its Australian Dollar and New Zealand Dollar Debt Issuance program through a combination of private and public placements.
- (d) On June 15, 2020, the Bank issued Renminbi denominated bonds on China's interbank bond market ("RMB Denominated Panda Bond") in the aggregate amount of CNY3 billion, at a fixed interest rate of 2.4% p.a., payable annually, and a maturity date of June 15, 2023.

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

## C Disclosure Notes

### C13 Borrowings (Continued)

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

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

For the three months ended March 31, 2022, the fair value gain attributable to changes in the Bank's own credit risk included in the other comprehensive income amounted to USD63.48 million (for the three months ended March 31, 2021: fair value loss of USD16.86 million).

The following table sets out information about changes in liabilities arising from borrowing activities, including changes arising from cash flows and non-cash changes for the three months ended March 31, 2022 and the year ended Dec. 31, 2021.

	For the three months ended March 31, 2022	For the year ended Dec. 31, 2021
As at beginning of period/year	19,267,851	11,595,193
Changes arising from cash flows		
- Proceeds from borrowings, net	1,509,393	8,515,277
- Repayment of borrowings	(33,156)	(229,914)
- Interest payments	(33,865)	(154,179)
- Issuance cost for borrowings	1,363	7,035
Non-cash changes		
- Accrued interest	56,626	188,348
- Changes in fair values included in the other comprehensive income	(63,477)	37,919
- Changes in fair values included in profit or loss (Note C3)	(639,208)	(691,828)
<b>Total borrowings</b>	<b>20,065,527</b>	<b>19,267,851</b>

### C14 Derivatives

As at March 31, 2022, 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.

**C Disclosure Notes**

**C14 Derivatives (Continued)**

The following table sets out the contractual notional amounts and fair values of the derivatives as at March 31, 2022 and Dec. 31, 2021. The payments under each of the derivative contracts are subject to enforceable master netting arrangements.

	<b>As at March 31, 2022</b>		
	<b>Contractual notional amount</b>	<b>Fair value Assets</b>	<b>Liabilities</b>
<b>Derivatives</b>			
Interest rate swaps	23,147,956	83,777	664,979
Cross currency swaps	7,191,202	340,948	511,958
FX forward	1,655,556	17,688	3,590
<b>Total derivatives</b>	<b>31,994,714</b>	<b>442,413</b>	<b>1,180,527</b>

	<b>As at Dec. 31, 2021</b>		
	<b>Contractual notional amount</b>	<b>Fair value Assets</b>	<b>Liabilities</b>
<b>Derivatives</b>			
Interest rate swaps	17,128,174	82,288	274,394
Cross currency swaps	5,618,288	158,682	284,095
FX forward	1,352,775	7,401	5,115
<b>Total derivatives</b>	<b>24,099,237</b>	<b>248,371</b>	<b>563,604</b>

The table below presents the undiscounted cash flows in/(out) of the derivatives the Bank has entered into as at March 31, 2022 and Dec. 31, 2021.

	<b>As at March 31, 2022</b>					
	<b>Less than 1 month</b>	<b>1-3 months</b>	<b>3-12 months</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Derivatives</b>						
Interest rate swaps	34,990	(154,617)	(483,950)	2,655	85	(600,837)
Gross settling cross currency swaps - inflow	13,866	528,276	6,796,303	158,345	199	7,496,989
Gross settling cross currency swaps - outflow	(17,287)	(556,080)	(6,927,072)	(163,090)	-	(7,663,529)
Gross settling FX forward - inflow	476,586	653,397	530,391	-	-	1,660,374
Gross settling FX forward - outflow	(467,752)	(653,934)	(523,056)	-	-	(1,644,742)
<b>Total derivatives</b>	<b>40,403</b>	<b>(182,958)</b>	<b>(607,384)</b>	<b>(2,089)</b>	<b>284</b>	<b>(751,745)</b>

**C Disclosure Notes**

**C14 Derivatives (Continued)**

	As at Dec. 31, 2021					
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
<b>Derivatives</b>						
Interest rate swaps	5,852	(6,941)	17,643	(214,093)	1,025	(196,514)
Gross settling						
cross currency						
swaps - inflow	10,859	16,729	311,739	5,478,816	69,077	5,887,220
Gross settling						
cross currency						
swaps - outflow	(3,564)	(7,510)	(317,513)	(5,472,457)	(60,708)	(5,861,752)
Gross settling FX						
forward - inflow	339,733	624,346	388,696	-	-	1,352,775
Gross settling FX						
forward -						
outflow	(339,600)	(626,875)	(383,569)	-	-	(1,350,044)
<b>Total derivatives</b>	<b>13,280</b>	<b>(251)</b>	<b>16,996</b>	<b>(207,734)</b>	<b>9,394</b>	<b>(168,315)</b>

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 March 31, 2022, the Bank has received cash collateral of USD312.23 million (Note C15) (Dec. 31, 2021: USD165.76 million) from the swap counterparties, and has paid cash collateral of USD1,043.53 million (Note C12) (Dec. 31, 2021: USD464.95 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 March 31, 2022 and Dec. 31, 2021.

As at March 31, 2022, the Bank makes use of derivatives with notional amount of USD26,308.62 million to hedge the borrowings with carrying amount of USD19,365.12 million. The Bank enters into derivatives with notional amount of USD1,582.52 million to hedge loans with carrying amount of USD1,400.38 million. The Bank makes use of derivatives with notional amount of USD206.0 million to hedge the Investment Operation fixed-income portfolio with carrying amount of USD226.62 million. Derivatives with notional amount of USD3,897.57 million are used to hedge financial instruments in Treasury Liquidity portfolio. The Bank's risk exposures have been well managed; therefore, the respective profit and loss are effectively hedged on a net basis.

**Asian Infrastructure Investment Bank**  
**Notes to the Condensed Financial Statements**  
**For the three months ended March 31, 2022**  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**C Disclosure Notes**

**C15 Other liabilities**

	<b>March 31, 2022</b>	<b>Dec. 31, 2021</b>
Cash collateral payable (Note C14)	312,230	165,760
Payable for bond investments purchased	109,789	-
Deferred interest (Note C20)	29,708	29,719
Accrued expenses	22,278	23,023
Provision—ECL allowance (Note C8)	11,930	6,874
Staff costs payable	9,351	8,644
Loan interest received in advance	2,654	-
Deferred administration fee (Note C20)	488	550
Payable for fund investments	-	4,990
Others	3	6
<b>Total other liabilities</b>	<b>498,431</b>	<b>239,566</b>

**C16 Share capital**

	<b>March 31, 2022</b>	<b>Dec. 31, 2021</b>
Authorized capital	100,000,000	100,000,000
– Allocated		
- Subscribed	96,929,700	96,775,100
- Unsubscribed	1,651,800	1,806,400
– Unallocated	1,418,500	1,418,500
<b>Total authorized capital</b>	<b>100,000,000</b>	<b>100,000,000</b>
Subscribed capital	96,929,700	96,775,100
Less: callable capital	(77,543,800)	(77,420,100)
<b>Paid-in capital</b>	<b>19,385,900</b>	<b>19,355,000</b>
Paid-in capital comprises:		
– amounts received	19,054,022	19,047,842
– amounts due but not yet received	190,368	149,962
– amounts not yet due	141,510	157,196
<b>Total paid-in capital</b>	<b>19,385,900</b>	<b>19,355,000</b>

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 three months ended March 31, 2022**  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**C Disclosure Notes**

**C16 Share capital (Continued)**

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

<b>Members</b>	<b>Total shares</b>	<b>Subscribed capital</b>	<b>Callable capital</b>	<b>Paid-in capital</b>
Afghanistan	866	86,600	69,300	17,300
Algeria	50	5,000	4,000	1,000
Argentina	50	5,000	4,000	1,000
Australia	36,912	3,691,200	2,953,000	738,200
Austria	5,008	500,800	400,600	100,200
Azerbaijan	2,541	254,100	203,300	50,800
Bahrain	1,036	103,600	82,900	20,700
Bangladesh	6,605	660,500	528,400	132,100
Belarus	641	64,100	51,300	12,800
Belgium	2,846	284,600	227,700	56,900
Benin	50	5,000	4,000	1,000
Brazil	50	5,000	4,000	1,000
Brunei Darussalam	524	52,400	41,900	10,500
Cambodia	623	62,300	49,800	12,500
Canada	9,954	995,400	796,300	199,100
Chile	100	10,000	8,000	2,000
China	297,804	29,780,400	23,824,300	5,956,100
Cook Islands	5	500	400	100
Côte d'Ivoire	50	5,000	4,000	1,000
Croatia	50	5,000	4,000	1,000
Cyprus	200	20,000	16,000	4,000
Denmark	3,695	369,500	295,600	73,900
Ecuador	50	5,000	4,000	1,000
Egypt	6,505	650,500	520,400	130,100
Ethiopia	458	45,800	36,600	9,200
Fiji	125	12,500	10,000	2,500
Finland	3,103	310,300	248,200	62,100
France	33,756	3,375,600	2,700,500	675,100
Georgia	539	53,900	43,100	10,800
Germany	44,842	4,484,200	3,587,400	896,800
Ghana	50	5,000	4,000	1,000
Greece	100	10,000	8,000	2,000
Guinea	50	5,000	4,000	1,000
Hong Kong, China	7,651	765,100	612,100	153,000
Hungary	1,000	100,000	80,000	20,000
Iceland	176	17,600	14,100	3,500
India	83,673	8,367,300	6,693,800	1,673,500
Indonesia	33,607	3,360,700	2,688,600	672,100
Iran	15,808	1,580,800	1,264,600	316,200
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
Kazakhstan	7,293	729,300	583,400	145,900

**Asian Infrastructure Investment Bank**  
**Notes to the Condensed Financial Statements**  
**For the three months ended March 31, 2022**  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**C Disclosure Notes**

**C16 Share capital (Continued)**

<b>Members</b>	<b>Total shares</b>	<b>Subscribed capital</b>	<b>Callable capital</b>	<b>Paid-in capital</b>
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
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
Myanmar	2,645	264,500	211,600	52,900
Nepal	809	80,900	64,700	16,200
Netherlands	10,313	1,031,300	825,000	206,300
New Zealand	4,615	461,500	369,200	92,300
Norway	5,506	550,600	440,500	110,100
Oman	2,592	259,200	207,400	51,800
Pakistan	10,341	1,034,100	827,300	206,800
Peru	1,546	154,600	123,700	30,900
Philippines	9,791	979,100	783,300	195,800
Poland	8,318	831,800	665,400	166,400
Portugal	650	65,000	52,000	13,000
Qatar	6,044	604,400	483,500	120,900
Romania	1,530	153,000	122,400	30,600
Russia	65,362	6,536,200	5,229,000	1,307,200
Rwanda	50	5,000	4,000	1,000
Samoa	21	2,100	1,700	400
Saudi Arabia	25,446	2,544,600	2,035,700	508,900
Serbia	50	5,000	4,000	1,000
Singapore	2,500	250,000	200,000	50,000
Spain	17,615	1,761,500	1,409,200	352,300
Sri Lanka	2,690	269,000	215,200	53,800
Sudan	590	59,000	47,200	11,800
Sweden	6,300	630,000	504,000	126,000
Switzerland	7,064	706,400	565,100	141,300
Tajikistan	309	30,900	24,700	6,200
Thailand	14,275	1,427,500	1,142,000	285,500
Timor-Leste	160	16,000	12,800	3,200
Tonga	12	1,200	1,000	200
Turkey	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
<b>Total</b>	<b>969,297</b>	<b>96,929,700</b>	<b>77,543,800</b>	<b>19,385,900</b>



**C Disclosure Notes**

**C17 Reserves**

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

**C18 Distribution**

Retained earnings as at March 31, 2022 are USD829.01 million (Dec. 31, 2021: USD876.00 million). For the three months ended March 31, 2022, USD0.68 million (for the three months ended March 31, 2021: USD1.63 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.

**C19 Unconsolidated structured entities**

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

The 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 objective of the Special Fund Window under COVID-19 Crisis Recovery Facility ("Special Fund Window") was to reduce the burden of AIIB's lower-income members seeking financing under the COVID-19 Crisis Recovery Facility ("Facility"). It was funded by the amounts transferred by the Bank from its Project Preparation Special Fund. On March 23, 2022, AIIB Board of Directors approved the renaming of the Special Fund Window under the COVID-19 Crisis Recovery Facility as the Special Fund Window for Less Developed Members and the revision of the applicable Rules and Regulations. With this approval, Special Fund Window will serve a broadened scope with new contributions once new contributions are received. The Special Fund Window will provide 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.

**C Disclosure Notes**

**C19 Unconsolidated structured entities (Continued)**

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 March 31, 2022, the Project Preparation Special Fund has aggregate contributions received amounting to USD128 million (Dec. 31, 2021: 128 million). For the three months ended March 31, 2022, fees recognized as income amounted to USD0.06 million (for the three months ended March 31, 2021: USD0.06 million) (Note C2). As at March 31, 2022, deferred administration fees recognized as other liabilities amounted to USD0.49 million (Dec. 31, 2021: USD0.55 million) (Note C15).

As at March 31, 2022, interest rate buy-down for eligible sovereign-backed loans from Special Fund Window amounted to USD29.71 million (Dec. 31, 2021: USD29.72 million) (Note C15).

AIIB became the Technical Partner of Global Infrastructure Facility on June 23, 2021 after executing the Financial Procedures Agreement; and the Implementing Partner of the MCDF Finance Facility on Aug. 9, 2021 after executing the Implementing Partner Agreement. Resources from the Global Infrastructure Facility and MCDF Finance Facility are administrated in two separate special funds (i.e., the GIF Special Fund and the MCDF Special Fund, respectively).

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 three months ended March 31, 2022**  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**C Disclosure Notes**

**C20 Related party transactions**

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

Major outstanding balances with related parties are as follows:

	<b>March 31, 2022</b>			<b>Dec. 31, 2021</b>		
	PRC related entities	Key management personnel	Other related parties	PRC related entities	Key management personnel	Other related parties
Loan investments	801,044	-	-	807,291	-	-
LP Fund	51,013	-	-	47,626	-	-
Equity and bond investment in associate	-	-	97,490	-	-	94,293
Staff loan	-	-	-	-	-	-
Other liabilities	-	-	30,195	-	-	30,269

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

	<b>For the three months ended March 31, 2022</b>			<b>For the three months ended March 31, 2021</b>		
	PRC related entities	Key management personnel	Other related parties	PRC related entities	Key management personnel	Other related parties
Income from loan investments	5,473	-	-	7,567	-	-
Net gain/(loss) on LP Fund	937	-	-	(312)	-	-
Net gain/(loss) on equity and bond investment in associate	-	-	684	-	-	(45)
Income from staff loan	-	-	-	-	-	-
Income from Special Funds (Administration Fee)	-	-	63	-	-	56

**C Disclosure Notes**

**C20 Related party transactions (Continued)**

**Shareholder with significant influence**

The Bank considers PRC as the member that has a significant influence over the Bank's financial and operating policies through its ability to exercise its voting powers in the Board. As of March 31, 2022, the Government of the PRC (the "Government") owned approximately 30.72% of the paid-in capital of the Bank (Dec 31, 2021: approximately 30.77%).

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

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

Significant transactions with the PRC related entities are as follows:

**(1) Loan investments**

The Bank approved loan facilities to nonsovereign borrowers that are ultimately controlled by State-owned Entities with a total effective amount of USD284.29 million as at March 31, 2022. The Bank entered into the agreement with the borrowers in the ordinary course of business under normal commercial terms and at market rates.

The Bank approved sovereign-backed facilities to PRC with a total effective amount of USD1,313.58 million equivalent as of March 31, 2022. AIIB's standard interest rate for sovereign-backed loans has been applied.

**(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 March 31, 2022, the fair value of the Bank's interest in the Fund is USD51.01 million (Dec 31, 2021: USD47.63 million).

**C Disclosure Notes**

**C20 Related party transactions (Continued)**

Transactions with other related parties are as follows:

**(1) Equity and bond investment in associate**

In April 2020, the Bank subscribed for USD54 million in an associate. The terms of the preference shares provide the Bank with 30% voting power over the financial and operating decisions of the investee's governing body (Note C10). As at March 31, 2022, the Bank holds USD55.49 million of infrastructure asset-backed securities issued by the associate (Note C7).

**(2) Other liabilities**

As at March 31, 2022, other liabilities relate to the Project Preparation Special Fund deferred administration fee of USD0.49 million (Dec. 31, 2021: USD0.55 million) and the interest rate buy-down of USD29.71 million from Special Fund Window (Dec. 31, 2021: USD29.72 million) (Note C19).

**Key management personnel**

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

During the three months ended March 31, 2022 and the year ended Dec. 31, 2021, other than loans granted to key management personnel as disclosed above, the Bank has no other material transactions with key management personnel.

The compensation of key management personnel during the period comprises short-term employee benefits of USD1.08 million (for the three months ended March 31, 2021: USD0.9 million) and defined contribution plans of USD0.22 million (for the three months ended March 31, 2021: USD0.18 million).

**C Disclosure Notes**

**C20 Related party transactions (Continued)**

**Use of office building**

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

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

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

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

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

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

**Asian Infrastructure Investment Bank**  
**Notes to the Condensed Financial Statements**  
**For the three months ended March 31, 2022**  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**C Disclosure Notes**

**C21 Segment reporting**

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

The following table presents the Bank's loan revenue by borrowers' geographic region for the three months ended March 31, 2022, and March 31, 2021.

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

Region	For the three months ended March 31, 2022			For the three months ended March 31, 2021		
	Sovereign -backed loans	Nonsovereign -backed loans	Total	Sovereign -backed loans	Nonsovereign -backed loans	Total
Central Asia	661	721	1,382	504	53	557
Eastern Asia	4,287	1,573	5,860	4,228	1,245	5,473
Southeastern Asia	7,390	2,124	9,514	4,782	2,035	6,817
Southern Asia	14,828	4,113	18,941	9,782	2,987	12,769
Western Asia	8,674	4,982	13,656	6,159	3,480	9,639
Oceania	172	-	172	150	-	150
Other Regional	-	4,357	4,357	-	4,924	4,924
Total Regional	36,012	17,870	53,882	25,605	14,724	40,329
Total Non- Regional	689	1,981	2,670	196	1,587	1,783
<b>Total</b>	<b>36,701</b>	<b>19,851</b>	<b>56,552</b>	<b>25,801</b>	<b>16,311</b>	<b>42,112</b>

**C22 Events after the end of the reporting period**

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

## **D Financial Risk Management**

### **Overview**

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

For further information, please refer to the accompanying notes D Financial Risk Management included in the Bank's financial statements for the year ended Dec. 31, 2021.

### **Market risk**

#### ***IBOR reform***

In Aug. 2020, International Accounting Standards Board ("IASB") issued Interest Rate Benchmark Reform ("IBOR Reform") — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), which were mandatorily effective for annual reporting period beginning on Jan. 1, 2021 (Note D IBOR reform).

The "Phase 2" amendments address issues that arise upon replacing the existing interest rate benchmark with the alternative interest rates and introduces additional disclosure requirements. "Phase 2" Amendments provide key relief that for instruments measured using amortized cost measurement, the amendments provide a practical expedient to account for these changes in the basis for determining contractual cash flows as a result of interest rate benchmark reform. Under the practical expedient, entities will account for these changes by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9 without the recognition of an immediate gain or loss. This practical expedient applies only to such a change and only to the extent that it is necessary as a direct consequence of interest rate benchmark reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

AIIB is exposed to interest rate benchmarks such as interbank offered rates across various modalities. The majority of loan investments issued by the Bank are subject to floating base rate while AIIB also issues bonds in various currencies and swapped bond proceeds into floating rate based liabilities.



## D Financial Risk Management

### Market risk (continued)

#### *IBOR reform (continued)*

The interest rate swaps and cross currency swaps, taken against all new bond issuances, have been in reference to SOFR since 2021. In addition, local currency loans may be funded through cross-currency swaps from US dollars into the local currency.

In March 2021, the UK Financial Conduct Authority (“FCA”) announced the dates that panel bank submissions for all LIBOR settings will cease, after which representative LIBOR rates will no longer be available:

- immediately after Dec. 31, 2021, in the case of all Sterling, EURO, Swiss Franc and Japanese Yen settings, and the 1-week and 2-month US Dollar settings; and
- immediately after June 30, 2023, in the case of the remaining US Dollar settings.

The reform aims to achieve a smooth transition to alternative benchmark rates, however it continues to face numerous uncertainties. A disorderly transition would present systemic risks and idiosyncratic risks for market participants and could have negative implications for borrowers.

The Bank's principal exposures that are affected by IBOR Reform have been identified as loan investments and derivatives as referred to in Note C8 and C14, respectively.

AIIB has established IBOR transition governance and an active working group to execute the transition plan. AIIB is engaging with existing sovereign and nonsovereign borrowers to transition existing contracts. In Dec. 2020, AIIB's Board of Directors approved amendments to the General Conditions for Sovereign-backed Loans, which allow for standardized transition language. The revised General Conditions will be applied to all future sovereign loans and will also be introduced across the existing sovereign-backed loan portfolio by means of amendment agreements (in the form of omnibus amendments that will cover all of the current loan portfolio of a particular borrower with the Bank). In Oct. 2021, AIIB's Board of Directors approved two sets of amendments to the General Conditions for Sovereign-backed Loans. The revised General Conditions will be applied to all future sovereign loans in both SOFR or LIBOR (the remaining set of Fixed Spread Loan) basis from Jan. 2022 and will enable borrowers to convert variable reference rates to fixed reference rates, if they so choose. The ability to convert will allow borrowers paying a fixed or variable spread over a floating reference rate (i.e., SOFR) to convert the floating reference rate to a fixed rate. Thereafter, the borrower(s) would pay the respective fixed or variable spread over the newly set fixed base rate for a period determined by the borrower. The ability to convert the underlying reference rate to a fixed rate can benefit sovereign-backed borrowers who prefer to avoid exposure to SOFR rates. Borrowers may also have other reasons to elect the newly offered conversion to fixed underlying rate. The Bank will continue to collaborate with peer institutions and market participants to mitigate potential financial and operational risks, to determine details of new products and set the Bank's asset liability management strategy.

Asian Infrastructure Investment Bank  
Notes to the Condensed Financial Statements  
For the three months ended March 31, 2022  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**D Financial Risk Management**

**Market risk (Continued)**

***IBOR reform (Continued)***

The following table contains details of main financial instruments that the Bank holds at March 31, 2022 which reference USD LIBOR and have not yet transitioned to SOFR:

	<b>Carrying amount/ Notional amount as at March 31, 2022</b>	<b>Carrying amount/ Notional amount as at Dec. 31, 2021</b>
<b><i>Non-derivative assets and liabilities at carrying amount</i></b>		
Loan investments, at amortized cost	5,823,410	10,602,702
Bond investments, at amortized cost	16,545	16,472
Investments at fair value through profit or loss		
- Bond investments – Liquidity portfolio	420,395	399,350
- Bond investments – Investment operations portfolio	55,682	60,450
<b>Non-derivative assets</b>	<b>6,316,032</b>	<b>11,078,974</b>
<b><i>Derivatives at notional amount</i></b>		
Interest rate swaps	7,030,000	11,880,000
Cross currency swaps	3,484,770	4,527,250
<b>Derivatives</b>	<b>10,514,770</b>	<b>16,407,250</b>
<b>Loan commitment</b>	<b>5,480,182</b>	<b>9,461,028</b>

The Bank has sent transition notifications to its sovereign borrowers informing them of their legacy loans required to transition and the timings. During the same period, the Bank will execute basis swaps to transform a portion of its LIBOR liabilities from pay LIBOR to pay SOFR, to maintain, approximately, a matched balance of LIBOR liabilities and LIBOR assets. After June 2022, the Bank will still have Fixed Spread Loans as sovereign-backed loans on a LIBOR reference rate (matched by respective LIBOR liabilities, as stated) and those loans will transition to SOFR in the second half of 2023 following a transition notification sent to the borrowers, as established in the Bank's General Conditions. Nonsovereign loans on a LIBOR reference rate will be transitioned to SOFR by signing agreements over the course of 2022 and the first half of 2023. As for the remaining swaps on LIBOR, they will follow the ISDA protocol and remain on LIBOR until its cessation in June 2023. For bond investments in the liquidity portfolio and investment operations portfolio, the transition to SOFR will proceed according to the fallback provisions of each position.

**Asian Infrastructure Investment Bank**  
**Notes to the Condensed Financial Statements**  
**For the three months ended March 31, 2022**  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**D Financial Risk Management**

**Credit risk**

***Credit quality analysis***

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

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

	<b>March 31, 2022</b>			<b>Dec. 31, 2021</b>		
	<b>Gross Carrying amount</b>	<b>Commitments</b>	<b>ECL</b>	<b>Gross Carrying amount</b>	<b>Commitments</b>	<b>ECL</b>
Sovereign-backed loans	11,844,518	11,190,443	(110,310)	10,544,607	9,795,320	(113,779)
Nonsovereign-backed loans	1,902,045	472,903	(168,385)	1,877,181	492,336	(68,996)
Loan investments	13,746,563	11,663,346	(278,695)	12,421,788	10,287,656	(182,775)
Bond investments	2,496,958	-	(13,383)	2,499,643	-	(4,524)
<b>Total</b>	<b>16,243,521</b>	<b>11,663,346</b>	<b>(292,078)</b>	<b>14,921,431</b>	<b>10,287,656</b>	<b>(187,299)</b>

Asian Infrastructure Investment Bank  
Notes to the Condensed Financial Statements  
For the three months ended March 31, 2022  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**D Financial Risk Management**

**Credit risk (Continued)**

***Credit quality analysis (Continued)***

(i) Concentration of credit risk

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

	March 31, 2022			Dec. 31, 2021		
Region	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
<b>Sovereign-backed loans</b>						
Central Asia	1,745,749	50,004	1,795,753	1,447,964	-	1,447,964
Eastern Asia	1,422,332	-	1,422,332	1,290,129	-	1,290,129
Southeastern Asia	4,347,224	40,132	4,387,356	3,596,100	40,157	3,636,257
Southern Asia	9,888,844	835,145	10,723,989	8,746,320	836,995	9,583,315
Western Asia	3,179,519	860,245	4,039,764	2,846,359	865,106	3,711,465
Oceania	20,014	50,042	70,056	19,965	49,918	69,883
Total Regional	20,603,682	1,835,568	22,439,250	17,946,837	1,792,176	19,739,013
Total Non-Regional	595,711	-	595,711	600,914	-	600,914
<b>Subtotal</b>	<b>21,199,393</b>	<b>1,835,568</b>	<b>23,034,961</b>	<b>18,547,751</b>	<b>1,792,176</b>	<b>20,339,927</b>

	March 31, 2022			Dec. 31, 2021		
Region	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
<b>ECL allowance</b>						
Central Asia	710	8,868	9,578	1,746	-	1,746
Eastern Asia	296	-	296	650	-	650
Southeastern Asia	464	10,666	11,130	789	9,302	10,091
Southern Asia	4,107	69,622	73,729	8,951	72,060	81,011
Western Asia	1,958	12,582	14,540	3,593	15,337	18,930
Oceania	55	754	809	123	959	1,082
Total Regional	7,590	102,492	110,082	15,852	97,658	113,510
Total Non-Regional	228	-	228	269	-	269
<b>Subtotal</b>	<b>7,818</b>	<b>102,492</b>	<b>110,310</b>	<b>16,121</b>	<b>97,658</b>	<b>113,779</b>

Asian Infrastructure Investment Bank  
Notes to the Condensed Financial Statements  
For the three months ended March 31, 2022  
(All amounts in thousands of US Dollars unless otherwise stated)

**D Financial Risk Management**

**Credit risk (Continued)**

**Credit quality analysis (Continued)**

(i) Concentration of credit risk (Continued)

	March 31, 2022				Dec. 31, 2021			
Region	Stage 1	Stage 2	Stage 3 <sup>(1)</sup>	Total	Stage 1	Stage 2	Stage 3	Total
<b>Nonsovereign-backed loans</b>								
Central Asia	132,191	-	-	132,191	131,865	-	-	131,865
Eastern Asia	318,158	-	-	318,158	316,880	-	-	316,880
Southeastern Asia	298,817	-	75,552	374,369	315,312	-	75,525	390,837
Southern Asia	434,660	46,586	-	481,246	442,838	46,072	-	488,910
Western Asia	336,365	258,096	-	594,461	269,634	270,316	-	539,950
Other Regional	-	300,791	-	300,791	321,443	-	-	321,443
Total Regional	1,520,191	605,473	75,552	2,201,216	1,797,972	316,388	75,525	2,189,885
Total Non-Regional	173,732	-	-	173,732	179,632	-	-	179,632
<b>Subtotal</b>	<b>1,693,923</b>	<b>605,473</b>	<b>75,552</b>	<b>2,374,948</b>	<b>1,977,604</b>	<b>316,388</b>	<b>75,525</b>	<b>2,369,517</b>
<b>Total</b>	<b>22,893,316</b>	<b>2,441,041</b>	<b>75,552</b>	<b>25,409,909</b>	<b>20,525,355</b>	<b>2,108,564</b>	<b>75,525</b>	<b>22,709,444</b>

	March 31, 2022				Dec. 31, 2021			
Region	Stage 1	Stage 2	Stage 3 <sup>(1)</sup>	Total	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowance</b>								
Central Asia	230	-	-	230	286	-	-	286
Eastern Asia	92	-	-	92	216	-	-	216
Southeastern Asia	425	-	46,158	46,583	1,164	-	44,018	45,182
Southern Asia	311	3,946	-	4,257	604	5,245	-	5,849
Western Asia	1,004	6,722	-	7,726	1,755	13,777	-	15,532
Other Regional	-	108,471	-	108,471	374	-	-	374
Total Regional	2,062	119,139	46,158	167,359	4,399	19,022	44,018	67,439
Total Non-Regional	1,026	-	-	1,026	1,557	-	-	1,557
<b>Subtotal</b>	<b>3,088</b>	<b>119,139</b>	<b>46,158</b>	<b>168,385</b>	<b>5,956</b>	<b>19,022</b>	<b>44,018</b>	<b>68,996</b>
<b>Total</b>	<b>10,906</b>	<b>221,631</b>	<b>46,158</b>	<b>278,695</b>	<b>22,077</b>	<b>116,680</b>	<b>44,018</b>	<b>182,775</b>

<sup>(1)</sup> A nonsovereign-backed loan was assessed as "credit impaired" and downgraded to Stage 3. As at March 31, 2022, USD46 million of ECL allowance has been provided for the loan.

Asian Infrastructure Investment Bank  
Notes to the Condensed Financial Statements  
For the three months ended March 31, 2022  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**D Financial Risk Management**

**Credit risk (Continued)**

**Credit quality analysis (Continued)**

(i) Concentration of credit risk (Continued)

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

	March 31, 2022			Dec. 31, 2021		
Sector	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
<b>Sovereign-backed loans</b>						
Economic resilience	5,319,125	50,041	5,369,166	5,323,942	49,918	5,373,860
Energy	3,024,192	900,690	3,924,882	2,895,645	899,253	3,794,898
Finance	600,326	-	600,326	600,401	-	600,401
Finance/Liquidity	1,342,683	230,138	1,572,821	1,193,058	179,682	1,372,740
Public health	3,287,987	-	3,287,987	2,055,526	-	2,055,526
Transport	3,932,141	374,968	4,307,109	3,040,298	383,880	3,424,178
Urban	1,164,095	199,831	1,363,926	910,072	199,610	1,109,682
Water	2,321,850	-	2,321,850	2,322,048	-	2,322,048
Others	206,994	79,900	286,894	206,761	79,833	286,594
<b>Subtotal</b>	<b>21,199,393</b>	<b>1,835,568</b>	<b>23,034,961</b>	<b>18,547,751</b>	<b>1,792,176</b>	<b>20,339,927</b>

	March 31, 2022			Dec. 31, 2021		
Sector	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
<b>ECL allowance</b>						
Economic resilience	4,200	756	4,956	9,466	959	10,425
Energy	778	27,555	28,333	1,608	30,346	31,954
Finance	522	-	522	945	-	945
Finance/Liquidity	903	26,393	27,296	1,734	26,461	28,195
Public health	361	-	361	525	-	525
Transport	570	18,208	18,778	1,192	19,466	20,658
Urban	185	20,998	21,183	259	14,360	14,619
Water	293	-	293	383	-	383
Others	6	8,582	8,588	9	6,066	6,075
<b>Subtotal</b>	<b>7,818</b>	<b>102,492</b>	<b>110,310</b>	<b>16,121</b>	<b>97,658</b>	<b>113,779</b>

Asian Infrastructure Investment Bank  
Notes to the Condensed Financial Statements  
For the three months ended March 31, 2022  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**D Financial Risk Management**

**Credit risk (Continued)**

***Credit quality analysis (Continued)***

(i) Concentration of credit risk (Continued)

Sector	March 31, 2022				Dec. 31, 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Nonsovereign-backed loans</b>								
Energy	701,006	182,803	-	883,809	634,737	189,635	-	824,372
Finance/Liquidity	200,074	300,791	-	500,865	522,873	-	-	522,873
Finance	396,902	-	-	396,902	402,682	-	-	402,682
Information and communication technology	133,979	121,879	75,552	331,410	149,303	126,753	75,525	351,581
Public health	99,269	-	-	99,269	99,143	-	-	99,143
Transport	52,340	-	-	52,340	56,869	-	-	56,869
Urban	110,353	-	-	110,353	111,997	-	-	111,997
<b>Subtotal</b>	<b>1,693,923</b>	<b>605,473</b>	<b>75,552</b>	<b>2,374,948</b>	<b>1,977,604</b>	<b>316,388</b>	<b>75,525</b>	<b>2,369,517</b>
<b>Total</b>	<b>22,893,316</b>	<b>2,441,041</b>	<b>75,552</b>	<b>25,409,909</b>	<b>20,525,355</b>	<b>2,108,564</b>	<b>75,525</b>	<b>22,709,444</b>

Sector	March 31, 2022				Dec. 31, 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowance</b>								
Energy	936	7,876	-	8,812	1,726	12,231	-	13,957
Finance/Liquidity	682	108,471	-	109,153	2,087	-	-	2,087
Finance	848	-	-	848	1,093	-	-	1,093
Information and communication technology	54	2,792	46,158	49,004	95	6,791	44,018	50,904
Public health	47	-	-	47	117	-	-	117
Transport	195	-	-	195	420	-	-	420
Urban	326	-	-	326	418	-	-	418
<b>Subtotal</b>	<b>3,088</b>	<b>119,139</b>	<b>46,158</b>	<b>168,385</b>	<b>5,956</b>	<b>19,022</b>	<b>44,018</b>	<b>68,996</b>
<b>Total</b>	<b>10,906</b>	<b>221,631</b>	<b>46,158</b>	<b>278,695</b>	<b>22,077</b>	<b>116,680</b>	<b>44,018</b>	<b>182,775</b>

Asian Infrastructure Investment Bank  
Notes to the Condensed Financial Statements  
For the three months ended March 31, 2022  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**D Financial Risk Management**

**Credit risk (Continued)**

***Credit quality analysis (Continued)***

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

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

<b>Sovereign-backed loans</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total</b>
<b>Gross carrying amount of loans and exposure of loan commitments as at Jan. 1, 2022</b>	18,547,751	1,792,176	20,339,927
New loans and commitments originated	2,749,730	-	2,749,730
Repayments	(16,652)	(8,036)	(24,688)
Cancellation	(3,803)	-	(3,803)
Movement in net transaction costs, fees, and related income through EIR method	2,964	1,424	4,388
Foreign exchange movements	(30,593)	-	(30,593)
Transfer to stage 1	-	-	-
Transfer to stage 2	(50,004)	50,004	-
<b>As at March 31, 2022</b>	<b>21,199,393</b>	<b>1,835,568</b>	<b>23,034,961</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total</b>
<b>ECL allowance as at Jan. 1, 2022</b>	16,121	97,658	113,779
Additions	113	-	113
Change in risk parameters <sup>(1)</sup>	(8,322)	(4,034)	(12,356)
Change from lifetime (stage 2) to 12-month (stage 1) ECL	-	-	-
Change from 12-month (stage 1) to lifetime (stage 2) ECL	(94)	8,868	8,774
<b>As at March 31, 2022</b>	<b>7,818</b>	<b>102,492</b>	<b>110,310</b>



Asian Infrastructure Investment Bank  
Notes to the Condensed Financial Statements  
For the three months ended March 31, 2022  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**D Financial Risk Management**

**Credit risk (Continued)**

**Credit quality analysis (Continued)**

**Nonsovereign-backed loans**

	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount of loans and exposure of loan commitments as at Jan. 1, 2022</b>	1,977,604	316,388	75,525	2,369,517
New loans and commitments originated	75,000	-	-	75,000
Repayment of loans	(7,657)	(9,492)	-	(17,149)
Movement in net transaction costs, fees, and related income through EIR method	(2,456)	(2,214)	27	(4,643)
Foreign exchange movements	(32,777)	-	-	(32,777)
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(300,791)	300,791	-	-
Transfer to stage 3	-	-	-	-
Derecognition	(15,000)	-	-	(15,000)
<b>As at March 31, 2022</b>	<b>1,693,923</b>	<b>605,473</b>	<b>75,552</b>	<b>2,374,948</b>
	Stage 1	Stage 2	Stage 3	Total
<b>ECL allowance as at Jan. 1, 2022</b>	5,956	19,022	44,018	68,996
Additions	35	108,471	-	108,506
Change in risk parameters <sup>(1)</sup>	(2,520)	(8,354)	2,140	(8,734)
Change from lifetime (stage 2) to 12-month (stage 1) ECL	-	-	-	-
Change from 12-month (stage 1) to lifetime (stage 2) ECL	(374)	-	-	(374)
Change from 12-month (stage 1) to lifetime (stage 3) ECL	-	-	-	-
Reverse of provisions for derecognized loan	(9)	-	-	(9)
<b>As at March 31, 2022</b>	<b>3,088</b>	<b>119,139</b>	<b>46,158</b>	<b>168,385</b>
<b>Total gross carrying amount of loans and exposure of loan commitments as at March 31, 2022</b>	<b>22,893,316</b>	<b>2,441,041</b>	<b>75,552</b>	<b>25,409,909</b>
<b>Total ECL allowance as at March 31, 2022</b>	<b>10,906</b>	<b>221,631</b>	<b>46,158</b>	<b>278,695</b>

<sup>(1)</sup> The change in the loss allowance is due to change in the PD, LGD and exposure at default used to calculate the expected credit loss for the loans.

Asian Infrastructure Investment Bank  
Notes to the Condensed Financial Statements  
For the three months ended March 31, 2022  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**D Financial Risk Management**

**Credit risk (Continued)**

***Credit quality analysis (Continued)***

**Sovereign-backed loans**

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total</b>
<b>Gross carrying amount of loans and exposure of loan commitments as at Jan. 1, 2021</b>	13,329,978	1,569,127	14,899,105
New loans and commitments originated	5,602,528	-	5,602,528
Repayments	(22,162)	(2,674)	(24,836)
Movement in net transaction costs, fees, and related income through EIR method	(4,816)	78	(4,738)
Cancellation	(48,413)	(3,955)	(52,368)
Foreign exchange movements	(79,764)	-	(79,764)
Transfer to stage 1	-	-	-
Transfer to stage 2	(229,600)	229,600	-
<b>As at Dec. 31, 2021</b>	<b>18,547,751</b>	<b>1,792,176</b>	<b>20,339,927</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total</b>
<b>ECL allowance as at Jan. 1, 2021</b>	31,155	81,408	112,563
Additions	13,785	-	13,785
Change in risk parameters <sup>(1)</sup>	(17,673)	(11,169)	(28,842)
Change from lifetime (stage 2) to 12-month (stage 1) ECL	-	-	-
Change from 12-month (stage 1) to lifetime (stage 2) ECL	(11,146)	27,419	16,273
<b>As at Dec. 31, 2021</b>	<b>16,121</b>	<b>97,658</b>	<b>113,779</b>

Asian Infrastructure Investment Bank  
Notes to the Condensed Financial Statements  
For the three months ended March 31, 2022  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**D Financial Risk Management**

**Credit risk (Continued)**

***Credit quality analysis (Continued)***

**Nonsovereign-backed loans**

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross carrying amount of loans and exposure of loan commitments as at Jan. 1, 2021</b>	1,150,828	354,301	-	1,505,129
New loans and commitments originated	910,779	-	-	910,779
Repayments	(28,289)	(12,720)	-	(41,009)
Movement in net transaction costs, fees, and related income through EIR method	3,328	275	-	3,603
Cancelled commitment	(1,190)	(757)	-	(1,947)
Foreign exchange movements	(7,038)	-	-	(7,038)
Transfer to stage 1	24,711	(24,711)	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	(75,525)	-	75,525	-
<b>As at Dec. 31, 2021</b>	<b>1,977,604</b>	<b>316,388</b>	<b>75,525</b>	<b>2,369,517</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>ECL allowance as at Jan. 1, 2021</b>	6,922	40,804	-	47,726
Additions	2,708	-	-	2,708
Change in risk parameters <sup>(1)</sup>	(1,323)	(19,224)	-	(20,547)
Change from lifetime (stage 2) to 12-month (stage 1) ECL	173	(2,558)	-	(2,385)
Change from 12-month (stage 1) to lifetime (stage 2) ECL	-	-	-	-
Change from 12-month (stage 1) to lifetime (stage 3) ECL	(2,524)	-	44,018	41,494
<b>As at Dec. 31, 2021</b>	<b>5,956</b>	<b>19,022</b>	<b>44,018</b>	<b>68,996</b>
<b>Total gross carrying amount of loans and exposure of loan commitments as at Dec. 31, 2021</b>	<b>20,525,355</b>	<b>2,108,564</b>	<b>75,525</b>	<b>22,709,444</b>
<b>Total ECL allowance as at Dec. 31, 2021</b>	<b>22,077</b>	<b>116,680</b>	<b>44,018</b>	<b>182,775</b>

Asian Infrastructure Investment Bank  
Notes to the Condensed Financial Statements  
For the three months ended March 31, 2022  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**D Financial Risk Management**

**Credit risk (Continued)**

**Credit quality analysis (Continued)**

<b>Bond investments</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Bond investments as at Jan. 1, 2022</b>				
2022	2,401,627	98,016	-	2,499,643
New bond investments	36,784	-	-	36,784
Accrual and amortization	(1,946)	(39)	-	(1,985)
Transfer to stage 1	35,678	(35,678)	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3 <sup>(1)</sup>	(1,968)	(13,778)	15,746	-
Derecognition	(26,838)	(10,646)	-	(37,484)
<b>As at March 31, 2022</b>	<b>2,443,337</b>	<b>37,875</b>	<b>15,746</b>	<b>2,496,958</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>ECL allowance as at Jan. 1, 2022</b>				
2022	699	3,825	-	4,524
Additions	33	-	-	33
Change in risk parameters	(296)	(572)	-	(868)
Change from lifetime (stage 2) to 12-month (stage 1) ECL	106	(830)	-	(724)
Change from 12-month (stage 1) to lifetime (stage 2) ECL	-	-	-	-
Change from 12-month (stage 1) to lifetime (stage 3) ECL <sup>(1)</sup>	(12)	(1,167)	12,173	10,994
Reversal of provisions for derecognized bonds	(79)	(497)	-	(576)
<b>As at March 31, 2022</b>	<b>451</b>	<b>759</b>	<b>12,173</b>	<b>13,383</b>

(1) The Bank held bonds from five issuers that were assessed as "credit impaired" and downgraded to Stage 3. As at March 31, 2022, USD12.17 million of ECL allowance has been provided for the bonds.

Asian Infrastructure Investment Bank  
Notes to the Condensed Financial Statements  
For the three months ended March 31, 2022  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**D Financial Risk Management**

**Credit risk (Continued)**

**Credit quality analysis (Continued)**

<b>Bond investments</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total</b>
<b>Bond investments as at Jan. 1, 2021</b>	411,316	61,510	472,826
New bond investments	4,408,642	-	4,408,642
Accrual and amortization	3,584	57	3,641
Transfer to stage 1	10,271	(10,271)	-
Transfer to stage 2	(63,021)	63,021	-
Derecognition	(2,369,165)	(16,301)	(2,385,466)
<b>As at Dec. 31, 2021</b>	<b>2,401,627</b>	<b>98,016</b>	<b>2,499,643</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total</b>
<b>ECL allowance as at Jan. 1, 2021</b>	1,190	2,609	3,799
Additions	1,024	-	1,024
Change in risk parameters	(88)	(646)	(734)
Change from lifetime (stage 2) to 12-month (stage 1) ECL	13	(36)	(23)
Change from 12-month (stage 1) to lifetime (stage 2) ECL	(960)	1,916	956
Reversal of provisions for derecognized bonds	(480)	(18)	(498)
<b>As at Dec. 31, 2021</b>	<b>699</b>	<b>3,825</b>	<b>4,524</b>

## **E Fair Value Disclosures**

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

The Bank does not have any financial assets or financial liabilities subject to nonrecurring fair value measurements for the three months ended March 31, 2022 (for the three months ended March 31, 2021: 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.

Asian Infrastructure Investment Bank  
Notes to the Condensed Financial Statements  
For the three months ended March 31, 2022  
*(All amounts in thousands of US Dollars unless otherwise stated)*

**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:

	<b>March 31, 2022</b>		<b>Dec. 31, 2021</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b><i>Financial assets</i></b>				
- Term deposits	11,252,155	11,252,155	11,748,908	11,748,290
- Loan investments, at amortized cost	13,479,798	13,285,815	12,245,887	12,062,608
- Bond investments, at amortized cost	2,483,575	2,228,449	2,495,119	2,478,349
- Paid-in capital receivables	328,280	326,680	303,695	305,387
<b>Total financial assets</b>	<b>27,543,808</b>	<b>27,093,099</b>	<b>26,793,609</b>	<b>26,594,634</b>
<b><i>Financial liabilities</i></b>				
- Borrowings	700,410	699,859	700,418	701,514
<b>Total financial liabilities</b>	<b>700,410</b>	<b>699,859</b>	<b>700,418</b>	<b>701,514</b>

As at March 31, 2022, other than those disclosed above, the Bank's balances of financial instruments not measured at fair value but with short-term maturity approximate their fair values.

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

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

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

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

Asian Infrastructure Investment Bank  
Notes to the Condensed Financial Statements  
For the three months ended March 31, 2022  
*(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**

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 March 31, 2022**

	Level 1	Level 2	Level 3	Total
<b><i>Financial assets and financial liabilities</i></b>				
Investments at fair value through profit or loss				
- External Managers Program	3,600,587	457,570	-	4,058,157
- Investment in Trust	-	-	55,044	55,044
- LP Funds and others	-	-	398,085	398,085
- Bond investments	3,475,274	55,682	-	3,530,956
- Certificates of deposit	-	3,474,545	-	3,474,545
- Investment operation fixed-income portfolio	226,631	-	-	226,631
Money Market Funds	-	750,065	-	750,065
Derivative assets	-	442,413	-	442,413
<b>Total financial assets</b>	<b>7,302,492</b>	<b>5,180,275</b>	<b>453,129</b>	<b>12,935,896</b>
Borrowings	-	(19,365,117)	-	(19,365,117)
Derivative liabilities	-	(1,180,527)	-	(1,180,527)
<b>Total financial liabilities</b>	<b>-</b>	<b>(20,545,644)</b>	<b>-</b>	<b>(20,545,644)</b>

**As at Dec 31, 2021**

	Level 1	Level 2	Level 3	Total
<b><i>Financial assets and financial liabilities</i></b>				
Investments at fair value through profit or loss				
- External Managers Program	3,766,335	337,809	-	4,104,144
- Investment in Trust	-	-	54,417	54,417
- LP Funds and others	-	-	277,809	277,809
- Bond investments	2,650,327	60,450	-	2,710,777
- Certificates of deposit	-	3,143,959	-	3,143,959
- Investment operation fixed-income portfolio	274,843	-	-	274,843
Money Market Funds	-	1,710,022	-	1,710,022
Derivative assets	-	248,371	-	248,371
<b>Total financial assets</b>	<b>6,691,505</b>	<b>5,500,611</b>	<b>332,226</b>	<b>12,524,342</b>
Borrowings	-	(18,567,433)	-	(18,567,433)
Derivative liabilities	-	(563,604)	-	(563,604)
<b>Total financial liabilities</b>	<b>-</b>	<b>(19,131,037)</b>	<b>-</b>	<b>(19,131,037)</b>



**Asian Infrastructure Investment Bank**  
**Notes to the Condensed Financial Statements**  
**For the three months ended March 31, 2022**  
*(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 provides a reconciliation of the fair values of the Bank's Level 3 financial assets for the three months ended March 31, 2022 and Dec. 31, 2021.

	<b>Investment in Trust</b>	<b>LP Funds and others</b>	<b>Total</b>
As at Jan. 1, 2022	54,417	277,809	332,226
Additions	-	126,390	126,390
Return of capital contributions	(284)	(15,205)	(15,489)
Fair value gain, net	911	9,091	10,002
<b>As at March 31, 2022</b>	<b>55,044</b>	<b>398,085</b>	<b>453,129</b>

	<b>Investment in Trust</b>	<b>LP Funds and others</b>	<b>Total</b>
As at Jan. 1, 2021	54,859	107,561	162,420
Additions	-	166,726	166,726
Return of capital contributions	(559)	(12,776)	(13,335)
Fair value gain, net	117	16,298	16,415
<b>As at Dec. 31, 2021</b>	<b>54,417</b>	<b>277,809</b>	<b>332,226</b>

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 three months ended March 31, 2022, the realized gains arising from the Bank's Level 3 financial assets amounting to USD2.7 million (March 31, 2021: USD0.7 million).

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

There has been no transfer among Level 1, Level 2 and Level 3 during the three months ended March 31, 2022 (for the year ended Dec. 31, 2021: none).