NDB ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022
(Prepared in accordance with International Financial Reporting Standards)

SOUTH AFRICA
Expansion and Modernization of the Durban Container Terminal

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF GOVERNORS OF THE NEW DEVELOPMENT BANK

Opinion

We have audited the financial statements of the New Development Bank (the Bank), which comprise the statement of financial position as at December 31, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key audit matter

Measurement of Expected Credit Loss (ECL) of loans and advances

We identified the measurement of ECL for the Bank's loans and advances as a key audit matter due to the significance of these assets to the Bank's financial statements and the significant management judgement and estimation required in the measurement.

As disclosed in Note 4 to the financial statements, significant management judgement and estimation required in the measurement of ECL includes assessing whether the credit risk of an asset has significantly increased, using appropriate models and assumptions, determining the key inputs including probability of default (PD) and loss given default (LGD), selecting forward-looking scenarios and their probability weighting.

As at 31 December 2022, the Bank held loans and advances to customers of USD 14,538 million, less impairment allowance of USD 133 million as disclosed in Note 19 to the financial statements.

How our audit addressed the key audit matter

Our procedures in relation to management's measurement of ECL for loans and advances included:

- Understanding and evaluating key controls of the management over the measurement of ECL;
- Evaluating the appropriateness of the ECL model, and the critical assumptions and parameters used in the model, including PD, LGD and weighting of forward-looking scenarios;
- Evaluating the determination of the criteria for significant increase in credit risk by management and, on a sample basis, testing its application;
- On a sample basis, checking the weighted calculation of the ECL for the selected loans and advances.

Other Information

Management of the Bank is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and describe actions applicable in the jurisdiction.

Responsibilities of Management and the Board of Governors for the Financial Statements

Management of the Bank is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Board of Governors are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management of the Bank.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Governors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Governors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Governors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu CPA LLP

Deloitte Touche Tohmatsu
Certified Public Accountants LLP
Shanghai, People's Republic of China

May 30, 2023

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2022
EXPRESSED IN MILLIONS OF U.S. DOLLARS

	Notes	Year ended December 31, 2022	Year ended December 31, 2021
Interest income	7	569	271
Interest expense	7	(206)	(123)
Net interest income	7	363	148
Net fee income	8	11	8
Net gains/(losses) on financial instruments at fair value through profit or loss (FVTPL)	9	328	(46)
		702	110
Staff costs	10	(53)	(49)
Other operating expenses	11	(22)	(19)
Impairment losses under expected credit loss model, net of reversal	12	(125)	(2)
Foreign exchange (losses)/gains		(393)	60
Other expense		(2)	(11)
Operating profit for the year		107	89
Unwinding of interest on paid-in capital receivables		2	21
Profit for the year		109	110
Other comprehensive expense Items that may be reclassified subsequently to profit or loss:			
Fair value loss on debt instruments at fair value through other comprehensive income (FVTOCI)		(27)	(7)
Impairment loss for debt instruments at FVTOCI included in profit or loss		-*	1
Other comprehensive expense for the year		(27)	(6)
Total comprehensive income for the year		**82**	**104**

* Less than United States Dollar (USD) half of a million

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2022
EXPRESSED IN MILLIONS OF U.S. DOLLARS

	Notes	As at December 31, 2022	As at December 31, 2021
Assets			
Cash and cash equivalents	13	1,876	1,856
Due from banks other than cash and cash equivalents	14	4,023	4,916
Derivative financial assets	15	156	44
Financial assets at FVTPL	16	55	211
Debt instruments at FVTOCI	17	2,944	1,298
Debt instruments measured at amortised cost	18	2,579	2,258
Loans and advances	19	14,405	13,965
Paid-in capital receivables	20	269	335
Right-of-use assets		-*	-*
Property and equipment		1	1
Intangible assets		1	1
Other assets	21	42	3
Total assets		26,351	24,888
Liabilities			
Derivative financial liabilities	15	656	160
Financial liabilities designated at FVTPL	22	11,189	10,140
Note payables	23	3,041	3,296
Bond payables	24	551	499
Lease liabilities		-*	-*
Contract liabilities	25	47	46
Other liabilities	26	52	14
Total liabilities		15,536	14,155
Equity			
Paid-in capital	27	10,299	10,299
Reserves	28	(39)	(14)
Retained earnings		555	448
Total equity		10,815	10,733
Total equity and liabilities		**26,351**	**24,888**

* Less than USD half of a million

The annual financial statements on pages 56 to 117 were approved and authorised for issue by the Board of Governors on May 30, 2023 and signed on their behalf by:

Leslie Warren Maasdorp
Chief Financial Officer

Halima Nazeer
Director General, Finance, Budget and Accounting

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022 EXPRESSED IN MILLIONS OF U.S. DOLLARS

	Paid-in capital	Capital reserve	Revaluation reserve	Other reserves	Retained earnings	Total
As at January 1, 2022	10,299	-*	(5)	(9)	448	10,733
Operating profit for the year	-	-	-	-	107	107
Other comprehensive expense for the year	-	-	(27)	-	-	(27)
Unwinding of interest on paid-in capital receivables for the year	-	-	-	-	2	2
Total comprehensive (expense)/income for the year	-	-	(27)	-	109	82
Capital subscriptions	-	-	-	-	-	-
Special contribution from founding member	-	-*	-	-	-	-*
Impact of early payment on paid-in capital receivables (Note 20)	-	-	-	-*	-	-*
Reclassification of unwinding of interest arising from paid-in capital receivables	-	-	-	2	(2)	-
As at December 31, 2022	**10,299**	-*	**(32)**	**(7)**	**555**	**10,815**

	Paid-in capital	Capital reserve	Revaluation reserve	Other reserves	Retained earnings	Total
As at January 1, 2021	10,000	-*	1	(27)	359	10,333
Operating profit for the year	-	-	-	-	89	89
Other comprehensive expense for the year	-	-	(6)	-	-	(6)
Unwinding of interest on paid-in capital receivables for the year	-	-	-	-	21	21
Total comprehensive (expense)/income for the year	-	-	(6)	-	110	104
Capital subscriptions	299	-	-	-	-	299
Impact on discounting of paid-in capital receivables (Note 20)	-	-	-	(10)	-	(10)
Special contribution from founding member	-	-*	-	-	-	-*
Impact of early payment on paid-in capital receivables (Note 20)	-	-	-	7	-	7
Reclassification of unwinding of interest arising from paid-in capital receivables	-	-	-	21	(21)	-
As at December 31, 2021	**10,299**	-*	**(5)**	**(9)**	**448**	**10,733**

* Less than USD half of a million

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022 EXPRESSED IN MILLIONS OF U.S. DOLLARS

	Year ended December 31, 2022	Year ended December 31, 2021
OPERATING ACTIVITIES		
Profit for the year	109	110
Adjustments for:		
Interest expense	206	123
Interest income from debt instruments measured at amortised cost	(32)	(15)
Interest income from debt instruments at FVTOCI	(50)	(2)
Depreciation and amortisation	-*	1
Unrealised (gains)/losses on financial instruments	(319)	9
Realised (gains)/losses on derivatives	(27)	21
Realised losses from bond designated at FVTPL	18	16
Unwinding of interest on paid-in capital receivables	(2)	(21)
Impairment losses under expected credit loss model, net of reversal	125	2
Exchange losses on debt instruments at FVTOCI	11	-
Exchange losses/(gains) on debt instruments measured at amortised cost	-*	(1)
Exchange gains on note payables	(11)	(2)
Exchange losses/(gains) on lease liabilities	-*	-*
Debt issuance cost	2	11
Operating cash flows before changes in operating assets and liabilities	30	252
Net decrease in due from banks	895	1,847
Net increase in loans and advances	(536)	(7,349)
Net decrease in financial assets held under resale agreements	-	66
Net decrease in financial assets at FVTPL	200	400
Net increase in other assets	(39)	-*
Net increase in other liabilities and contract liabilities	8	14
Cash generated from/(used in) operations	558	(4,770)
Interest paid on bonds and borrowings	(141)	(79)
Interest paid on note payables	(10)	(14)
Interest paid on lease liabilities	-*	-*
Interest received on debt instruments measured at amortised cost	28	12
Interest received on debt instruments at FVTOCI	12	4
Proceeds from settlement on derivatives	9,159	1,952
Payment of settlement on derivatives	(9,107)	(2,003)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**499**	**(4,898)**

* Less than USD half of a million

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022 EXPRESSED IN MILLIONS OF U.S. DOLLARS

	Year ended December 31, 2022	Year ended December 31, 2021
INVESTING ACTIVITIES		
Purchase of debt instruments measured at amortised cost	(1,105)	(2,133)
Proceeds from redemption of debt instruments measured at amortised cost	788	641
Purchase of debt instruments at FVTOCI	(2,919)	(1,256)
Proceeds from redemption of debt instruments at FVTOCI	1,273	79
Purchase of financial assets at FVTPL	(42)	(212)
Proceeds from settlement on derivatives	16	15
Payment of settlement on derivatives	(15)	(18)
Purchase of property and equipment and intangible assets	-*	(1)
NET CASH USED IN INVESTING ACTIVITIES	(2,004)	(2,885)
FINANCING ACTIVITIES		
Paid-in capital received	68	1,867
Special contribution from founding member	-*	-*
Proceeds from issuance of bonds	2,131	5,533
Repayment from bonds	(367)	(464)
Proceeds from issuance of note payables	5,089	5,421
Repayments from note payables	(5,368)	(4,933)
Payment of issuance cost of bond	(2)	(11)
Payment of issuance cost on note payables	-*	-*
Proceeds from settlement on derivatives	134	405
Payment of settlement on derivatives	(160)	(372)
Repayments of lease liabilities	-*	-*
NET CASH FROM FINANCING ACTIVITIES	1,525	7,446
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	20	(337)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,856	2,193
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	1,876	1,856
Interest received	**354**	**299**
Interest paid	**(151)**	**(93)**

* Less than USD half of a million

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2022

1. GENERAL INFORMATION

The New Development Bank (the Bank) was established on the signing of the Agreement on the New Development Bank (the Agreement) on July 15, 2014 by the Government of the Federative Republic of Brazil (Brazil), the Russian Federation (Russia), the Republic of India (India), the People's Republic of China (China) and the Republic of South Africa (South Africa), collectively known as the "BRICS" countries or founding members. The Agreement took effect on July 3, 2015 according to the notification endorsed by Brazil in its capacity as depositary. The headquarters of the Bank is located in Shanghai, China. The Bank has established Africa Regional Centre in Johannesburg, Americas Regional Office in Sao Paulo with a sub-office in Brasilia, Eurasian Regional Centre in Moscow and Indian Regional Office in Gujarat International Finance Tec-City.

As at December 31, 2022, the Bank had seven member countries. More details of member countries' paid-in capital are disclosed in Note 27. Additionally, the Bank's Board of Governors admitted two prospective members that will officially become a member country once they deposit their instrument of accession.

The purpose of the Bank is to mobilise resources for infrastructure and sustainable development projects within BRICS and other emerging economies and developing countries, complementing the existing efforts of multilateral and regional financial institutions, for global growth and development.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing the annual financial statements, the Bank has consistently applied International Accounting Standards (IASs), International Financial Reporting Standards (IFRSs), amendments and the related Interpretations (IFRICs) (herein collectively referred to as IFRSs) issued by the International Accounting Standards Board (IASB) which are effective for the accounting year.

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Bank has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2022 for the preparation of the Bank's financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The application of the amendments to IFRSs in the current year has had no material impact on the Bank's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - CONTINUED

New and amendments to IFRSs in issue but not yet effective

The Bank has not early adopted the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1	Non-current Liabilities with Covenants[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after January 1, 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after January 1, 2024.

The Bank anticipates that the application of all above new and amendments to IFRSs will have no material impact on the financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Basis of preparation of financial statements

The annual financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, and in accordance with the IFRSs. These policies have been consistently applied throughout the year. For the purpose of preparation of the annual financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users.

The management of the Bank has, at the time of approving the annual financial statements, a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability, if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 *Impairment of Assets*.

More details about fair value hierarchy are provided in Note 6.

The preparation of the annual financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the annual financial statements and the reported amounts of revenues and expenses during the reporting years. It also requires management to exercise its judgement in the process of applying the Bank's policies. The areas involving a higher degree of judgement or complexity, or areas where judgements and estimates are significant to the financial statements, are disclosed in Note 4.

The principal accounting policies adopted are set out below and have been applied consistently to each year presented.

Revenue

The Bank recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Bank's performance as the Bank performs;
- the Bank's performance creates or enhances an asset that the customer controls as the Bank performs; or
- the Bank's performance does not create an asset with an alternative use to the Bank and the Bank has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Bank's obligation to transfer goods or services to a customer for which the Bank has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION
- CONTINUED

remaining goods or services promised under the contract, that best depict the Bank's performance in transferring control of goods or services.

Interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments at fair value through other comprehensive income.

For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Front-end fee

Front-end fees relating to the origination or acquisition of a financial asset are recognised as deferred income at the date of the first drawdown. They are subsequently amortised over the period of the contract when they satisfy the performance obligation.

Commitment fee

Commitment fees relating to the undrawn loan commitment are recognised over the commitment period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property and equipment are stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent expenditure incurred on property and equipment is included in the cost of the property and equipment if it is probable that economic benefits associated with the asset will flow to the Bank and the subsequent expenditure can be measured reliably. Costs relating to repairs and maintenance are recognised in profit or loss, in the period in which they incurred.

Depreciation is recognised so as to write-off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of property and equipment are as follows:

Classes	Estimated residual value rates	Useful lives
IT equipment	0%	5 years
Appliance	0%	5 years
Furniture	0%	5 years
Vehicle	20%	4-7 years
Others	0%	5 years

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis, over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as an intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

The estimated useful lives of this class of intangible assets are as follows:

IT software	5 years

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Bank assesses whether a contract is or contains a lease based on the definition under IFRS 16 *Leases* at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Bank allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION - CONTINUED

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

The Bank also applies the recognition exemption for lease of low-value assets. Leases of which the underlying lease asset is valued lower than USD 5,000 are considered as low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Bank; and
- an estimate of costs to be incurred by the Bank in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for short-term leases and leases of low value assets, the Bank recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Bank leases various buildings for its operations and presents right-of-use assets as a separate line item on the statement of financial position.

Lease liabilities

At the commencement date of a lease, the Bank recognises and measures the lease liability at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Bank under residual value guarantees;
- the exercise price of a purchase option if the Bank is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Bank exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Bank presents lease liabilities as a separate line item on the statement of financial position.

Lease modifications

The Bank accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Bank remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Bank accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Bank allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Impairment on property and equipment, right-of-use assets and intangible assets other than financial assets

At the end of the reporting period, the Bank reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating unites.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Bank compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated *pro rata* to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Bank's financial instruments mainly consist of cash and cash equivalents, due from banks other than cash and cash equivalents, financial assets at FVTPL, debt instruments at FVTOCI, debt instruments measured at amortised cost, loans and advances, paid-in capital receivables, certain other assets, financial liabilities designated at FVTPL, note payables, bond payables, certain other liabilities, and derivative financial assets/liabilities.

Financial assets and financial liabilities are recognised in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION
- CONTINUED

Revenue from Contracts with Customers. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Classification and subsequent measurement of financial instruments

Financial assets

The Bank classifies its financial assets under IFRS 9 *Financial Instruments* depending on the Bank's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets measured at amortised cost

The Bank classifies an asset measured at amortised cost when the following conditions have been met:

- The financial asset is held within a business model whose objective to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Bank applies the effective interest method to the amortised costs of a financial asset.

Financial assets classified as at FVTOCI

The Bank classifies debt instruments at FVTOCI if they are held within a business model whose objective is achieved by both selling and collecting contractual cash flows and the contractual terms of financial asset give rise on specified dates to cash flows that are SPPI.

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Bank may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Bank may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "net gains/losses on financial instruments at fair value through profit or loss" line item.

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings. Dividends from these investments in equity instruments are recognised in profit or loss when the Bank's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 *Business Combinations* applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition, it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designed and effective as a hedging instrument or a financial guarantee contract.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated at FVTPL upon initial recognition if:

- It eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL; or
- It forms part of a group of financial liabilities, which is managed and its performance is evaluated on a fair value basis in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Bank's key management personnel.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

The Bank applies the fair value measurement option to the bonds issued in 2019, 2020, 2021 and 2022 respectively to reduce the measurement or recognition inconsistency resulting from the economically related interest rate swap and cross currency swap with the same notional amount in total.

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION - CONTINUED

Financial liabilities measured at amortised cost

Other financial liabilities such as note payables and bond payables are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

The Bank enters into a variety of derivative financial instruments to manage its exposure to interest rate and currency risk, including interest rate swaps, cross currency swaps and forwards. Further details of derivative financial instruments are disclosed in Note 15.

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Impairment

The Bank performs impairment assessment under expected credit loss (ECL) model on financial assets and items which are subject to impairment assessment under IFRS 9, such as loans and advances, debt instruments measured at amortised cost, debt instruments at FVTOCI, due from banks other than cash and cash equivalents, paid-in capital receivables, loan commitments and certain other assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

ECL of a financial instrument should be measured in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Bank applies a three-stage approach to measuring ECL on financial assets measured at amortised cost, debt instruments at FVTOCI and loan commitments. Financial assets and loan commitments migrate through the following three stages based on the change in credit quality since initial recognition:

(i) Stage 1: 12-month ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events, occurring within the next 12 months, is recognised.

(ii) Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired, a lifetime ECL is recognised.

(iii) Stage 3: Lifetime ECL - credit-impaired

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. For financial assets that are credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of impairment allowance) rather than the gross carrying amount. The Bank identifies financial assets as being credit-impaired when one or more events that could have a detrimental impact on future cash flows of the financial asset have occurred.

More details about credit risk analysis are provided in Note 5.

The disclosure regarding significant increases in credit risk, definition of default and credit-impaired financial assets are detailed in Note 5.

Measurement of ECL

The measurement of ECL is a function of the probability of default (PD), loss given default (LGD) (i.e. the magnitude of the loss if there is a default) and the exposure at default (EAD). The assessment of the PD and LGD is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive, discounted at the effective interest rate determined at initial recognition.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the loan commitments draws down the loan, and the cash flows that the Bank expects to receive if the loan is drawn down.

Except for investments in debt instruments that are measured at FVTOCI and loan commitments, the Bank recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their net carrying amount. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the revaluation reserve without reducing the carrying amount of these debt instruments. Such amount represents the changes in the revaluation reserve in relation to accumulated loss allowance.

Write-off policy

The Bank writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of other assets, when the amounts are over 180 days past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Bank's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Derecognition/modification of financial instruments

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the financial asset derecognised and the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss. On derecognition of an investment in equity instrument which the Bank has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Bank applies the practical expedient, when the contractual terms of a financial asset are modified, the Bank assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Bank considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION - CONTINUED

Modification of financial liabilities

Except for changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform in which the Bank applies the practical expedient, when the contractual terms of a financial liability are modified, the Bank assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Bank considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent. For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Bank applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change 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 (ie the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Bank first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Bank then applies the applicable requirements in IFRS 9 on modification of a financial asset or a financial liability (see accounting policy above) to the additional changes to which the practical expedient does not apply.

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Bank has a legally enforcement right to offset the recognised amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

Net gains/losses on financial instruments at FVTPL

Net gains/losses on financial instruments at FVTPL represents non-trading derivatives held for risk management purposes used in economic hedge relationship but not qualifying for hedge accounting relationships, financial assets and financial liabilities designated as at FVTPL and also non-trading assets measured at FVTPL, as required by or elected under IFRS 9 *Financial Instruments*. The line item includes fair value changes, settlement of net interest payments, dividends and foreign exchange differences.

Employee benefits

In the accounting period in which employees provide services, the Bank recognises the salary and welfare costs incurred and estimated employee benefits, as a liability at the undiscounted amount of the benefits expected to be paid, with a corresponding charge to the profit or loss for the current period.

The amounts payable arising on the Bank's defined contribution scheme are recognised in the financial statements in the period in which the related service is provided. The Bank has no legal or constructive obligation to pay further contributions in the event that these plans do not hold sufficient assets to pay any employee the benefits relating to services rendered in any current and prior period.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Paid-in capital

In accordance with the Agreement, the Bank has authorised capital and subscribed capital that is further divided into paid-in shares and callable shares. The Bank's paid-in capital is denominated in USD.

Where shares have been issued on terms that provide the Bank rights to receive cash or another financial asset, on a specified future date, the Bank recognises the financial asset at the fair value of the amount of receivable.

Taxation

The Bank enjoys tax exemption within the territory of mainland China according to Article 9 of the Headquarters Agreement between the New Development Bank and the Government of the People's Republic of China regarding the Headquarters of the New Development Bank in Shanghai, the People's Republic of China.

The Bank shall be also immune from all taxation, restrictions and customs duties for the transfers, operations and transactions it carries out pursuant to the Agreement entered into force on July 3, 2015.

Cash and cash equivalents

Cash comprises of cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Bank's short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash, and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Foreign currencies

The financial statements of the Bank are presented in the currency of the primary economic environment in which the Bank operates, its functional currency, which is USD. In preparing the annual financial statements of the Bank, transactions in currencies other than the Bank's functional currency (USD) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated after initial recognition.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS APPLIED BY MANAGEMENT

In the application of the Bank's accounting policies, which are described in Note 3, the Bank is required to make estimates and judgements about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

Measurement of the ECL allowance for the financial assets measured at amortized cost, fair value through other comprehensive income and certain unrecognized financial instruments, such as loan commitments

The following significant judgement is required in applying the accounting requirements for measuring the ECL:

- Determining criteria for significant increase in credit risk and credit impairment;

Key sources of estimation uncertainty

Measurement of the ECL allowance for loans and advances and loan commitments

The measurement of the ECL allowance for the Bank's loans and advances and loan commitments requires the use of a model and certain assumptions. This involves:

- Choosing an appropriate model and determining appropriate assumptions for the measurement of ECL; and
- Establishing the number and weighting of forward-looking scenarios for each type of product.

Details of the model and certain assumptions used in measuring ECL are further disclosed in Note 5, which also presents sensitivities of the ECL.

Valuation of bonds designated at FVTPL

Certain of the financial liabilities are measured at FVTPL. The valuation models of the bonds designated at FVTPL are based on underlying observable market data and market accepted valuation techniques. The discount rate was calculated on the basis of zero-coupon yield curve and adjusted spread.

The Bank's analysis and method for determining the fair value of financial liabilities designated at fair value are provided in Note 6.

Discounting of paid-in capital receivables

The discounted cash flow model is used by the Bank to calculate the present value of paid-in capital receivables at initial recognition. In determining the discount rate of paid-in capital receivables, the Bank took into account various factors including the funding cost of similar instruments issued by similar institutions, instrument-specific risk profile. It was concluded by management of the Bank that USD LIBOR yield curve is the most appropriate discount rate that reflects the time value and the credit risk of the receivables in question.

5. FINANCIAL RISK MANAGEMENT

Overview

The Bank's operating activities expose it to a variety of financial risks. As a multilateral development bank, the Bank aims to safeguard its capital base by taking prudent approaches and following international practices in identifying, measuring, monitoring and mitigating financial risks.

The Bank has established various risk management policies approved by the Board of Directors in line with its Agreement which are designed to identify and analyse risks of particular categories, and to set up appropriate risk limits and controls. The Board of Directors sets out the risk management strategy and the risk tolerance level in different risk management policies.

The primary responsibility for risk management at an operational level rests with the management of the Bank. Management and various specialist committees are tasked with integrating the management of risk into the day-to-day activities of the Bank, by monitoring related risk parameters and tolerance through policies and procedures under the strategy approved by designated committees.

The Bank is exposed to a variety of financial risks namely: credit risk, liquidity risk and market risk which comprises exchange rate risk, interest rate risk and other price risk.

Credit risk

The Bank is committed to mobilising resources for infrastructure and sustainable development projects in BRICS and other emerging market economies and developing countries. The Bank will provide financial support through loans, guarantees, equity investment and other financial activities to fulfill this purpose. Any potential inability or unwillingness of borrowers or obligors to meet their financial obligation with the Bank stands as credit risk.

According to the nature of the Bank's business, the principal sources of credit risks are:

(i) credit risk in its sovereign operations;
(ii) credit risk in its non-sovereign operations; and
(iii) obligors credit risk in its treasury business.

A prudential credit risk limit structure facilitates the management of risks associated to the Bank's portfolio. Credit risk concentration limits are applied to exposures to single jurisdiction, sector, obligor and product.

The Bank mainly relies on external credit rating results from major international rating agencies (e.g. Moody's, S&P Global Rating and Fitch) to provide an initial assessment of the credit quality of sovereign and non-sovereign borrowers and treasury counterparties. In case where the loans are guaranteed by the governments of the individual countries, the credit risk is assessed based on the guarantor. In case a loan is not rated by any of the external credit ratings mentioned previously, the Bank uses either an alternative agency approved by the Finance Committee or an internal credit assessment taking into account specific project, borrower, sector, macro and country credit risks. The Risk Management Department of the Bank continuously monitors the overall credit risk of the Bank on a periodic basis.

A summary of rating grade that is being used by the Bank is as below:

- Senior investment grade: broadly corresponds with AAA to A- under the S&P Global Rating scale;
- Investment grade: broadly corresponds with BBB+ to BBB- under the S&P Global Rating scale;
- Sub-investment grade: broadly corresponds with BB+ to CCC- under the S&P Global Rating scale.

All ratings are derived from global rating agencies or the Bank's internal credit rating criteria.

ECL measurement

The Bank adopts a three-stage model for impairment based on changes in credit quality since initial recognition. The ECL calculation tool designed by Moody's is used for the year ended December 31, 2022 and 2021.

5. FINANCIAL RISK MANAGEMENT - CONTINUED

Significant increases in credit risk

In assessing whether a financial instrument has experienced a significant increase in credit risk, the Bank considers both qualitative and quantitative criteria including forward looking information available without undue cost or effort. In particular, the following information is considered in assessing whether there has been a significant increase in credit risk.

Quantitative criteria:

- Delay in interest or principal payment exceeds 30 days;
- Credit rating downgrade by three notches compared to the credit rating at initial recognition.

Qualitative criteria:

- History of arrears within 12 months;
- Adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its obligations;
- Material regulatory action against the borrower or counterparty that is expected to cause a significant change in the borrower's ability to meet its obligations.

Credit-impaired financial assets

The ECL is calculated on a 12-month basis for assets without a significant increase in credit risk since their initial recognition or on a lifetime basis for assets with a significant increase in credit risk. For financial assets that are credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost rather than the gross carrying amount from the beginning of the next reporting period. A financial asset is credit-impaired when one or more events that have a material detrimental impact on the estimated future cash flows of that financial asset have occurred. The following criteria is applied in assessing credit impaired financial asset for the Bank's portfolio.

Evidence that a financial asset is credit impaired includes observable data about the following events:

- Delay in interest or principal payment exceeds 90 days or in the case of sovereign lending by more than 180 days;
- Any breach of contract other than payment overdue, such as covenant breach;
- Significant financial difficulty of the issuer or the borrower;
- Borrower or counterparty is no longer considered a going concern;
- Failure to pay a final judgement or court order;
- Bankruptcy, liquidation or the appointment of a receiver or any similar official.

Definition of default

For internal credit risk management, the Bank considers occurrence of an event of default when internally and externally obtained information indicates that the debtor is unlikely to discharge its obligations, including to the Bank, in full (without taking into account any collaterals held by the Bank).

The management of the Bank considers that default has occurred when the financial asset is more than 90 days past due unless the Bank has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. For the sovereign loans, the management of the Bank considers that the default occurs when it is more than 180 days past due. It aligns with the definition of payment default for sovereign exposures used by major international rating agencies and other Multilateral Development Banks.

12-month ECL measurement

Estimation of 12-month ECL is calculated using the following formula for a given scenario:

$$12m\ ECL = \sum_{t=1}^{12m} PD_t \times LGD_t \times EAD_t \times DF_t$$

- Unconditional Point-in-time Probability of Default (PIT-PD) is derived based on Moody's model considering specific rating, country and industry information for sovereign and non-sovereign exposures, due from banks, debt instruments measured at amortised cost and debt instruments at FVTOCI. It is then conditioned on three future macro-economic scenarios (baseline, optimistic and pessimistic);

- LGD for the sovereign loans is set at a range of 10% - 45% and LGD is set at 45% for non-sovereign loans with senior unsecured claims and 75% for the non-sovereign loans with subordinated claim. LGD of 10% is adopted for sovereign debt instruments measured at amortised cost and sovereign debt instruments at FVTOCI. LGD of 45% is adopted for due from banks, non-sovereign debt instruments measured at amortised cost and non-sovereign debt instruments at FVTOCI.
- EAD includes the sum of loans disbursed, interest receivable and net projected disbursement schedule over the next 12 months for sovereign and non-sovereign loans and/or loan commitments. The EAD includes the sum of principal and interest receivable over the next 12 months for due from banks, debt instruments measured at amortised cost and debt instruments at FVTOCI; and
- Discount rate is equal to the effective interest rate.

Lifetime ECL measurement

Estimation of lifetime ECL is calculated using the following formula for a given scenario:

$$Lifetime\ ECL = \sum_{t=1}^{Lifetime} PD_t \times LGD_t \times EAD_t \times DF_t$$

- The process to determine the PIT-PD term structure is the same as 12-month ECL calculation for the first 5 years and PIT-PD is assumed to revert back to the long-run PD for the remaining years;
- LGD is the same as those used for the 12-month ECL calculation;
- EAD for any given year is based on the sum of loan disbursed, interest receivable and net projected disbursement schedule over the remaining loan contract period for sovereign and non-sovereign loans and/or loan commitments. The EAD is based on the sum of principal and interest receivable throughout the remaining life for due from banks, debt instruments measured at amortised cost and debt instruments at FVTOCI;
- Discount rate is equal to the effective interest rate; and
- Lifetime of the loan is the remaining loan contract period.

Forward-looking information incorporated in ECL

Macro scenario development

- Three macro scenarios: baseline, optimistic and pessimistic. Each scenario is forecasted for five years.
- Based on each member country's development and conditions, a range of forward-looking macro-economic information is considered.
- Choice of macro scenarios and probability weightings of each scenario is approved by the management.

$$Weighted\ Average\ ECL = \sum_{Scenarios} Weight_{Scenario} \times ECL_{Scenario}$$

The baseline, optimistic and pessimistic scenarios were given weightings of 50%, 25% and 25% respectively. The estimation is based on the best representative management judgment and use of forward looking information available without undue cost or effort, whereby, going forward the current path of macro-economic projections is judged to have an equal chance of being worse (pessimistic scenario) or better (optimistic scenario).

Significant event that has impact on ECL measurement

The Bank is closely monitoring the recent global macroeconomic developments and has incorporated the impact of relevant changes in PIT-PD considered when estimating expected credit losses in the current interim period. The financial position and performance of the Bank has been affected on account of an increase in expected credit losses as shown in the disclosures in Notes 19 and 26 respectively.

5. FINANCIAL RISK MANAGEMENT - CONTINUED

Sensitivity Analysis

The weights of the scenarios used, is another source of sensitivity. Should the Bank have changed the weightings to 45%, 25% and 30% respectively for baseline, optimistic and pessimistic scenarios, the amount of ECL would have been USD 177.0 million (December 31, 2021: USD 48.4 million) or increased by USD 5.6 million (December 31, 2021: USD 2.4 million).

The table below represents an analysis of the credit quality of loan facilities that are neither past due nor credit impaired, based on the external rating of the counterparties:

Credit exposure on loan facilities

As at December 31, 2022	Maximum facility	Effective facility	Utilised	Unutilised loan commitments
	USD million	USD million	USD million	USD million
Senior investment grade	7,242	6,843	4,153	2,690
Investment grade	7,044	6,831	4,277	2,554
Sub-investment grade	7,983	7,840	5,944	1,896
Total	22,269	21,514	14,374	7,140
Interest receivable			164	
Less: ECL allowance			(133)	
Net carrying amount as at December 31, 2022			**14,405**	

As at December 31, 2021	Maximum facility	Effective facility	Utilised	Unutilised loan commitments
	USD million	USD million	USD million	USD million
Senior investment grade	6,645	6,645	3,978	2,667
Investment grade	10,025	9,405	5,777	3,628
Sub-investment grade	5,073	5,073	4,182	891
Total	21,743	21,123	13,937	7,186
Interest receivable			63	
Less: ECL allowance			(35)	
Net carrying amount as at December 31, 2021			**13,965**	

Additional disclosures on the stage classification and ECL allowance of loans and advances and loan commitments are set out in Note 19 and Note 26, respectively.

Concentration risk

The following table breaks down the credit risk exposures relating to loans and commitments, in their carrying amounts, by country.

As at December 31, 2022	Effective facility	Utilised	Unutilised loan commitments
	USD million	USD million	USD million
Brazil	1,665	1,353	312
Russia	3,091	2,024	1,067
India	6,175	3,806	2,369
China	6,843	4,153	2,690
South Africa	3,740	3,038	702
Total	21,514	14,374	7,140
Interest receivable		164	
Less: ECL allowance		(133)	
Net carrying amount as at December 31, 2022		**14,405**	

As at December 31, 2021	Effective facility	Utilised	Unutilised loan commitments
	USD million	USD million	USD million
Brazil	1,600	1,595	5
Russia	3,530	2,068	1,462
India	5,738	3,519	2,219
China	6,482	3,868	2,614
South Africa	3,773	2,887	886
Total	21,123	13,937	7,186
Interest receivable		63	
Less: ECL allowance		(35)	
Net carrying amount as at December 31, 2021		**13,965**	

5. FINANCIAL RISK MANAGEMENT - CONTINUED

Credit exposure on deposits

The Bank had deposits with commercial banks that are subject to credit risk. These deposits are mainly placed with highly rated banks in mainland China, Hong Kong and Singapore. The credit ratings of banks are analysed as below:

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Cash and cash equivalents		
Senior investment grade	1,713	1,856
Investment grade	163	-*
Sub-investment grade	-*	-*
Due from banks other than cash and cash equivalents		
Senior investment grade	4,024	4,618
Investment grade	-	301
Total	5,900	6,775
Less: ECL allowance	(1)	(3)
Net carrying amount	**5,899**	**6,772**

* Less than USD half of a million

Credit exposure on debt instruments measured at amortised cost

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Senior investment grade	2,463	2,190
Investment grade	105	71
Sub-investment grade	14	-
Total	2,582	2,261
Less: ECL allowance	(3)	(3)
Net carrying amount	**2,579**	**2,258**

Credit exposure on debt instruments at FVTOCI

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Senior investment grade	2,944	1,298
Total	**2,944**	**1,298**

There has been no significant increase in credit risk since initial recognition associated with the amounts due from banks and debt instruments at FVTOCI up to December 31, 2022 and 2021. The credit exposure on cash and cash equivalents exclude cash on hand. Additional disclosures on the stage classification and ECL allowance of debt instruments at amortised cost is set out in Note 18.

Credit risk on derivatives

The Bank has entered into derivative contracts for the purpose of achieving an economic hedge of currency and interest rate risk associated with the bonds issued, time deposits, loans and advances, debt instruments measured at amortised cost and debt instruments at FVTOCI. The Bank operates with counterparties with high credit rating and enters into derivative contracts with them mainly through master agreements.

Liquidity risk

The Bank's liquidity risk arises mainly from the following two circumstances:

(i) Insufficient liquidity to settle obligations or to meet cash flow needs including, but not limited to, the inability to maintain normal lending operations and to support public or private projects in a timely manner.
(ii) Inability to liquidate an investment at a reasonable price within the required period of time.

The Bank utilises a set of risk measurement tools for identifying, monitoring, managing and controlling liquidity risk. The Bank maintains an appropriate mix of liquid assets as a source of liquidity for day-to-day operational needs, as well as for meeting emergency funding needs. The Bank also has the channel to borrow funds and issue debt securities or note payables in order to achieve its development mission and optimise liquidity. In addition, the Bank monitors liquidity risk through the liquidity risk ratios and indicators, as prescribed in the liquidity risk management policy of the Bank.

The following table presents the cash flows associated with the main financial assets and financial liabilities based on the remaining period at the end of reporting period to the contractual maturity date. The balances in the tables will not necessarily agree to the amounts presented on the statement of financial position as amounts incorporate cash flows on an undiscounted basis, therefore, the figures include both principal and associated future interest payments.

5. FINANCIAL RISK MANAGEMENT - CONTINUED

As at December 31, 2022	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity undefined	Total
	USD million	USD million	USD million	USD million	USD million	USD million	USD million	USD million
Non-derivatives								
Cash and cash equivalents	744	1,094	39	-	-	-	-	1,877
Due from banks other than cash and cash equivalents	-	904	981	2,070	103	-	-	4,058
Debt instruments measured at amortised cost	-	77	319	1,056	1,175	-	-	2,627
Loans and advances	-	-	320	537	4,615	19,448	-	24,920
Paid-in capital receivables	-	-	24	14	187	51	-	276
Other financial assets	-*	-	2	-	-	-	38	40
Financial liabilities designated at FVTPL	-	(33)	(28)	(2,451)	(9,581)	-	-	(12,093)
Bond payables	-	(1)	(5)	(17)	(576)	-	-	(599)
Note payables	-	(680)	(357)	(2,031)	-	-	-	(3,068)
Lease liabilities	-	-	-*	-*	-*	-	-	-*
Other financial liabilities	(5)	-	-	-	-	-	(10)	(15)
Sub-total	739	1,361	1,295	(822)	(4,077)	19,499	28	18,023
Derivatives								
Net setting derivatives								
Interest rate swap - cash inflow	-	9	11	176	273	-	-	469
Interest rate swap - cash outflow	-	(42)	(48)	(354)	(594)	-	-	(1,038)
Gross setting derivatives								
Cross currency swap - cash inflow	-	1	36	98	962	581	-	1,678
Cross currency swap - cash outflow	-	(2)	(26)	(30)	(934)	(682)	-	(1,674)
Foreign exchange forward - cash inflow	-	254	6	1,235	-	-	-	1,495
Foreign exchange forward - cash outflow	-	(239)	(6)	(1,213)	-	-	-	(1,458)
Sub-total	-	(19)	(27)	(88)	(293)	(101)	-	(528)
Net	**739**	**1,342**	**1,268**	**(910)**	**(4,370)**	**19,398**	**28**	**17,495**

* Less than USD half of a million

As at December 31, 2021	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	USD million	USD million	USD million	USD million	USD million	USD million	USD million
Non-derivatives							
Cash and cash equivalents	1,300	379	177	-	-	-	1,856
Due from banks other than cash and cash equivalents	-	721	401	3,399	422	-	4,943
Debt instruments measured at amortised cost	-	152	3	459	1,704	-	2,318
Loans and advances	-	-	138	233	3,002	16,353	19,726
Paid-in capital receivables	-	45	14	8	172	105	344
Other financial assets	-*	-	2	-	-	-	2
Financial liabilities designated at FVTPL	-	-*	(355)	(142)	(10,112)	-	(10,609)
Bond payables	-	-	-*	(1)	(503)	-	(504)
Note payables	-	(320)	(566)	(2,412)	-	-	(3,298)
Lease liabilities	-	-	-*	-*	-*	-	-*
Other financial liabilities	(6)	-	-	-	-	-	(6)
Sub-total	1,294	977	(186)	1,544	(5,315)	16,458	14,772
Derivatives							
Net setting derivatives							
Interest rate swap - cash inflow	-	-	10	31	3	-	44
Interest rate swap - cash outflow	-	(2)	(2)	(12)	(124)	-	(140)
Gross setting derivatives							
Cross currency swap - cash inflow	-	-*	5	9	890	579	1,483
Cross currency swap - cash outflow	-	(1)	(6)	(17)	(826)	(661)	(1,511)
Foreign exchange forward - cash inflow	-	1,267	228	226	127	-	1,848
Foreign exchange forward - cash outflow	-	(1,269)	(227)	(226)	(127)	-	(1,849)
Sub-total	-	(5)	8	11	(57)	(82)	(125)
Net	**1,294**	**972**	**(178)**	**1,555**	**(5,372)**	**16,376**	**14,647**

* Less than USD half of a million

5. FINANCIAL RISK MANAGEMENT - CONTINUED

Interest rate benchmark reform

As listed in Note 19 and Note 15 several of the Bank's LIBOR loans and advances and derivatives have been subject to the interest rate benchmark reform. The Bank is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

As at 31 December 2022, all LIBOR settings have been either ceased to be provided by any administrator or are no longer representative, except for US dollar settings (other than the 1-week and 2-month settings) which will be ceased immediately after 30 June 2023.

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Bank arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Bank's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This may give rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Liquidity risk

The additional uncertainty on various alternative rates which are typically published on overnight basis will require additional liquidity management. The Bank will manage the risks within the Bank's liquidity risk ratios and indicators, as prescribed in the liquidity risk management policy.

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Bank is working closely with all counterparties to avoid this from occurring.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Bank will monitor this risk against its risk management policy.

(ii) Progress towards implementation of alternative benchmark interest rates

As part of the Bank's risk management for transition, new contracts entered into by the Bank are linked to the relevant alternative benchmark rates or interest rates which are not subject to reform to the extent feasible. Otherwise, the Bank ensured the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

During the year ended December 31, 2022, certain loans agreements linked to USD LIBOR and CHF LIBOR have been transitioned to Secured Overnight Financing Rate (SOFR) and Swiss Average Rate Overnight (SARON) respectively. The Bank accounted for the changes using the practical expedient in IFRS 9 which allows the Bank to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate.

The Bank is planning to transition the rest of its USD LIBOR-linked loan agreements through introduction of, or amendments to, fallback clauses into the agreements which will change the basis for determining the interest cash flows from USD LIBOR to SOFR at an agreed point in time.

The following table shows the total amounts of outstanding contracts and the progress in completing the transition to alternative benchmark rates as at 31 December 2022. The amounts of loans and advances are shown at their carrying amounts and derivatives are shown at their notional amounts.

AS AT 31 DECEMBER 2022

Financial instruments prior to transition	Maturing in	Carrying amounts/ notional amounts USD million	Transition progress for financial instruments
Non-derivative financial assets			
Loans and advances linked to USD LIBOR	2035-2052	4,193	Expect to transition to SOFR in latest by June 30, 2023
Derivatives			
Pay 6-months USD LIBOR, receive USD fixed interest rate swaps	2023-2026	7,350	Expect to transition via International Swaps and Derivatives Association (ISDA) protocol*
Pay SOFR, receive 6-months USD LIBOR interest rate swaps	2023-2024	1,996	Expect to transition via ISDA protocol
Pay 3-months ZAR JIBAR/ 3-months SHIBOR, receive 6-months USD LIBOR cross currency swaps	2024-2026	625	Expect to transition via ISDA protocol
Pay 6-months SARON, receive 6-months USD LIBOR cross currency swaps	2029	516	Expect to transition via ISDA protocol
Pay USD fixed, receive 3-months USD LIBOR interest rate swaps	2023-2026	155	Expect to transition via ISDA protocol
Pay 6-months USD LIBOR, receive HKD/GBP fixed cross currency swaps	2024-2026	113	Expect to transition via ISDA protocol
Pay 3-months ZAR JIBAR, receive 3-months USD LIBOR cross currency swaps	2025	32	Expect to transition via ISDA protocol

* The Bank has adhered to ISDA IBOR Fallbacks Protocol for the IBOR fallback of its derivatives governed by ISDA.

5. FINANCIAL RISK MANAGEMENT - CONTINUED

Market risk

Market risk is the risk that market rates and prices on assets, liabilities and off-balance sheet positions change which result in profits and losses to the Bank. The Bank's market risk mainly consists of interest rate risk, exchange rate risk and other price risk arising from the current portfolio. The Treasury and Portfolio Management Department of the Bank makes investment and hedging decisions within the guidelines set in Board-approved polices.

Interest rate risk

Interest rate risk is defined as the risk of adverse impact on the Bank's financial position, including its income and economic value, due to interest rate movements. The Bank's lending and investment activities may expose the Bank to interest rate risk. In addition, changes in the macro-economic environment have a significant impact on the movement of interest rate curves for different currencies.

The Bank has limited tolerance towards interest rate risks. The primary strategy for interest rate risk management is to match the interest rate sensitivity of individual currencies on both sides of the statement of financial position. The tenor (for which the interest is fixed) indicates the extent to which a financial instrument is exposed to interest rate risk. Interest rate risk arises principally from the 1) sensitivity associated with the net spread between the rate the Bank earns on its assets and the cost of borrowings which funds those assets, and 2) the sensitivity of the income earned from funding a portion of the Bank's assets with equity. Certain loans and advances of the Bank are subject to either floating 6-month LIBOR or floating 3-month SHIBOR. Given the cessation of LIBOR in mid-2023, the Bank is in the process of migrating to the SOFR benchmark instead. Therefore, the portion of SOFR loans and associated instruments is increasing, with LIBOR-based instruments to be converted to SOFR benchmark by mid-2023. The Bank uses interest rate swaps to convert liabilities and certain financial instruments into SOFR or 3-month SHIBOR. At the same time, the Bank still holds 6-month LIBOR and 3-month LIBOR instruments that, as mentioned earlier, will be converted to SOFR due to LIBOR cessation during the first half of 2023.

Accordingly, interest rate risk management aims to minimise mis-matches of structure and maturities (re-pricing) of interest rate sensitive assets and liabilities by adopting a match-funding principle complemented by duration gap analysis, interest rate repricing gap analysis, economic value of equity analysis and scenario analysis. The Bank aims to maintain the duration up to the approved limits by generating a stable overall net interest margin that is not overly sensitive to sharp changes in market interest rates, but adequately responsive to general market trends. An adequate match-funding refers to the principles of funding that has broadly the same characteristics as the corresponding loans in terms of interest rate and currency. Such minimisation of mismatches protects the Bank's net interest margin from fluctuations in market interest rates. The Bank also undertakes derivative transactions to hedge interest rate risk.

The Bank measures its interest rate exposure by estimating the interest rate re-pricing profile which is used to analyse the impact of interest rate change on its net interest income due to the re-pricing mismatch between assets, liabilities and off-balance sheet positions over a range of re-pricing buckets. Interest bearing assets and liabilities including off-balance sheet positions are slotted into their respective re-pricing time bands according to their earliest interest re-pricing dates.

Interest rate sensitivity analysis

The objective of Net Interest Income (NII) sensitivity analysis is to utilise projected earnings simulations to forecast, measure and manage interest rate risk. NII analysis measures the sensitivity of net interest income earnings to changes in interest rates.

The sensitivity analysis is prepared assuming the interest bearing financial assets and liabilities outstanding at the end of each respective reporting periods were outstanding for the whole year.

When reporting to the management on the interest rate risk, in order to consider the possible change in interest rates, a 25 basis points increase or decrease in the relevant interest rates is adopted for sensitivity analysis, The impact of a change in interest rates on the last date of the reporting period is shown below.

	Impact on profit	
	Year ended December 31, 2022	Year ended December 31, 2021
	USD million	USD million
+ 25 basis points	14	18
- 25 basis points	(14)	(18)

Exchange rate risk

The Bank's exchange rate risk arises from the impact of exchange rate movements on net open positions. Accordingly, movements in currencies in which the Bank transacts, relative to its functional currency (USD), can affect the Bank's financial results. The Bank's main exposure to the exchange rate risk is associated with Renminbi (RMB) for the year ended December 31, 2022, and 2021. The RMB exposures are mainly hedged through swaps or forwards.

The Bank aims at reducing or limiting exposure to the exchange rate risk arising from its normal course of business, while maximising its capacity to assume the risks of extending credit to clients (or borrowers) within its approved risk limits. The Bank uses the net exchange position limit to contain the exchange rate risk exposure.

The Bank seeks to match the currency of its assets with the currency of the corresponding funding source. The Bank uses currency derivative contracts to align the currency composition of its equity and liabilities to its asset.

Exchange rate sensitivity analysis

The following table shows the impact of an appreciation or depreciation of USD against foreign currencies as at December 31, 2022 and 2021 assuming that all other variables remain constant. The sensitivity analysis includes outstanding foreign currency denominated monetary items in their net carrying amounts as at December 31, 2022 and 2021.

	Impact on profit	
	Year ended December 31, 2022	Year ended December 31, 2021
	USD million	USD million
10% appreciation	9	-*
10% depreciation	(9)	-*

* Less than USD half of a million

Other price risk

Other price risk is primarily related to the unfavorable changes in fund price and other financial instruments prices that cause financial losses. Quantitatively, other price risk the Bank facing is mainly the proportionate fluctuation in the Bank's profits due to the price fluctuation of the financial instrument. The Bank monitors the investment position on a regular basis.

Capital management

The Bank monitors its capital adequacy level within a Capital Management Framework (CMF), which seeks to ensure that the Bank's capital is sufficient to cover the risks associated with its business. The CMF consists of the following pillars: Limitation on Operations, Equity-to-Loan Ratio, Equity-to-Asset Ratio and Capital Utilisation Ratio.

The Bank sets early warning indicators for the pillars (95% for Limitation on Operations, 30% for Equity-to-Loan Ratio, 30% for Equity-to-Asset Ratio and 85% for Capital Utilisation Ratio) and monitors the capital adequacy level on an on-going basis. Once any of the early warning indicators are reached, contingency actions should be triggered to bring the capital adequacy level within the Bank's comfort levels.

The Bank has a capital structure in order to meet the capital management objective in a capital efficient manner. The initial subscribed capital has been equally distributed amongst the founding members and the payment of the amount initially subscribed to the paid-in capital stock of the Bank has been paid in full.

According to Article 7d of the Agreement, an increase of the authorised and subscribed capital stock of the Bank, as well as the proportion between the paid-in shares and the callable shares may be decided by the Board of Governors at such time and under such terms and conditions as it may deem advisable, by a special majority of the Board of Governors. In such case, each member shall have a reasonable opportunity to subscribe, under the conditions established in Article 8 and under such other conditions as the Board of Governors shall decide. No member, however, shall be obligated to subscribe to any part of such increased capital. The Board of Governors shall, at intervals of not more than 5 years, review the capital stock of the Bank as per Article 7e of the Agreement.

6. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The Bank's financial instruments that are measured subsequent to initial recognition at fair value mainly included financial liabilities designated at FVTPL, derivatives, financial assets at FVTPL, and debt instruments at FVTOCI as at December 31, 2022.

The Risk Management Department of the Bank is responsible for the fair value measurement. Analysis of fair value disclosures uses a hierarchy that reflects the significant inputs used in measuring the fair value. For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. The fair value hierarchy is as below:

- Level 1: Quoted prices (unadjusted) in active markets for the financial assets or the liabilities that the Bank can access at the measurement date.
- Level 2: Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable inputs for the asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair values are based on relevant information available at the reporting date and involve judgement.

Fair value of the Bank's financial instruments that are measured at fair value on a recurring basis

The Bank is of the opinion that there is no active market related to its bonds issued and certain debt instruments at FVTOCI in view of the low trading volume and frequency.

The fair value estimates are based on the following methodologies and assumptions:

- The fair values of derivative assets and liabilities, including foreign exchange forwards, interest rate swaps and cross currency swaps are obtained from discounted cash flow models and other valuation techniques that are commonly used by market participants using observable inputs as appropriate in the market and published by reputable agencies like Bloomberg.
- The fair value of the financial liabilities designated at FVTPL is measured using market accepted valuation techniques. The techniques serve the purpose of tracking the value impact in respect of both interest rate and foreign exchange rate movement.
- The fair value of money market fund is based on the net asset value that is determined with reference to observable prices of underlying investment portfolio and adjustments of related expenses.
- The fair value of private equity fund is based on the shares of the net asset values of the fund, determined with reference to fair value of the underlying investments by using valuation techniques, including valuation methods such as discounted cash flow model.
- The fair value of debt instruments at FVTOCI is based on quoted price in an active or inactive market or independent valuation services.

The following table presents the valuation techniques and inputs used for the financial instrument in Level 3.

Financial instruments	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Private equity fund	Shares of the net value of the fund, determined with reference to the fair value of the underlying investments, calculated based on valuation techniques including discounted cash flow model.	Discount rate	The higher the discount rate, the lower the fair value.

	Level 1	Level 2	Level 3	Total
	USD million	USD million	USD million	USD million
As at December 31, 2022				
Financial assets				
Financial assets at FVTPL	-	-	55	55
Debt instruments at FVTOCI	881	2,063	-	2,944
Derivative financial assets	-	156	-	156
Total financial assets measured at fair value	881	2,219	55	3,155
Financial liabilities				
Derivative financial liabilities	-	656	-	656
Financial liabilities designated at FVTPL	-	11,189	-	11,189
Total financial liabilities measured at fair value	**-**	**11,845**	**-**	**11,845**

	Level 1	Level 2	Level 3	Total
	USD million	USD million	USD million	USD million
As at December 31, 2021				
Financial assets				
Financial assets at FVTPL	-	200	11	211
Debt instruments at FVTOCI	576	722	-	1,298
Derivative financial assets	-	44	-	44
Total financial assets measured at fair value	576	966	11	1,553
Financial liabilities				
Derivative financial liabilities	-	160	-	160
Financial liabilities designated at FVTPL	-	10,140	-	10,140
Total financial liabilities measured at fair value	**-**	**10,300**	**-**	**10,300**

There were no transfers between Level 1 and Level 2 for the year ended December 31, 2022 and the year ended December 31, 2021.

There was no third-party credit enhancement in the fair value measurement for financial liabilities designated at FVTPL as at December 31, 2022 and 2021.

RECONCILIATION OF LEVEL 3 FAIR VALUE MEASUREMENTS OF FINANCIAL ASSETS AT FVTPL

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
As at beginning of the year	11	-
Purchased	42	11
Unrealised changes in fair value recognised in profit or loss	2	(1)
Transfer from level 2	-	1
As at end of the year	**55**	**11**

6. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES - CONTINUED

Fair value of the Bank's financial instruments that are not measured at fair value on a recurring basis

The table below shows the carrying amount and expected fair value of loans and advances and debt instruments measured at amortised cost, which is not presented on the Bank's statement of financial position at their fair values. The fair value of loans and advances is determined in accordance with discounted cash flow method. The main parameters used in discounted cash flow method for financial instruments held by the Bank that are not measured on a recurring basis include loan interest rates, foreign exchange rates and counterparty credit spreads.

	As at December 31, 2022		As at December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	USD million	USD million	USD million	USD million
Financial assets				
Debt instruments measured at amortised cost	2,579	2,458	2,258	2,238
Loans and advances	14,405	15,456	13,965	14,312

AS AT DECEMBER 31, 2022

	Level 1	Level 2	Level 3	Total
	USD million	USD million	USD million	USD million
Financial assets				
Debt instruments measured at amortised cost	1,305	1,153	-	2,458
Loans and advances	-	-	15,456	15,456

AS AT DECEMBER 31, 2021

	Level 1	Level 2	Level 3	Total
	USD million	USD million	USD million	USD million
Financial assets				
Debt instruments measured at amortised cost	1,091	1,147	-	2,238
Loans and advances	-	-	14,312	14,312

The fair value of the debt instruments measured at amortised cost is obtained from active market quotes or independent valuation services. The fair value of the loans and advances above has been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of respective counterparties.

Except for the above, the Bank considered that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the Bank's statement of financial position, approximate their fair values.

7. NET INTEREST INCOME

	Year ended December 31, 2022	Year ended December 31, 2021
	USD million	USD million
Interest income calculated using the effective interest rate method		
- Banks	97	67
- Loans and advances	390	186
- Debt instruments measured at amortised cost	32	15
- Financial assets held under resale agreements	-*	1
- Debt instruments at FVTOCI	50	2
Total interest income	569	271
Interest expense calculated using the effective interest rate method		
- Note payables	(45)	(9)
- Bond payables	(10)	-*
Interest expense on financial liabilities at FVTPL	(151)	(114)
Interest expense on lease liabilities	-*	-*
Total interest expense	(206)	(123)
Net interest income	**363**	**148**

* Less than USD half of a million

8. NET FEE INCOME

	Year ended December 31, 2022	Year ended December 31, 2021
	USD million	USD million
Front-end fee recognised	3	3
Commitment fee	8	5
Total	**11**	**8**

* Less than USD half of a million

9. NET GAINS/(LOSSES) ON FINANCIAL INSTRUMENTS AT FVTPL

	Year ended December 31, 2022	Year ended December 31, 2021
	USD million	USD million
Derivatives	(357)	(66)
Bonds	683	21
Money market funds	-*	-*
Others	2	(1)
Total	**328**	**(46)**

The realised gains arising from derivative financial instruments for the year ended December 31, 2022 were USD 27 million (year ended December 31, 2021: realised losses of USD 21 million) and the realised losses arising from the bond redemption for the year ended December 31, 2022 were USD 18 million (year ended December 31, 2021: realised losses of USD 16 million).

Others mainly represent unrealised gains on investments in private equity fund.

* Less than USD half of a million

10. STAFF COSTS

	Year ended December 31, 2022	Year ended December 31, 2021
	USD million	USD million
Salaries and allowances	40	37
Other benefits	13	12
Total	**53**	**49**

The Bank provides other benefits, based on their eligibility and applicability, to its staff members during their employment with the Bank. These include medical insurance, life insurance, accidental death and dismemberment insurance, Staff Retirement Plan (SRP) and Post Retirement Plan (PRP).

The charge recognised for the year ended December 31, 2022 for the SRP and PRP was USD 8 million (year ended December 31, 2021: USD 8 million) and USD 1 million (year ended December 31, 2021: USD 1 million) respectively and is included in “Other benefits”. There are two retirement plans in operation. Both SRP and PRP are defined contribution schemes and are operated through trust funds. For SRP, both the Bank and staff contribute. For PRP, only the Bank contributes.

The Bank did not incur any salary expenses and other employee benefits for members of the Board of Governors and the Board of Directors except the President of the Bank for the year ended December 31, 2022 and 2021. According to Article 11 of the Agreement, the Board of Governors shall determine the salary and terms of the service contract of the President of the Bank.

11. OTHER OPERATING EXPENSES

	Year ended December 31, 2022	Year ended December 31, 2021
	USD million	USD million
Office expenses	7	5
IT expenses	7	6
Professional fees	5	6
Travel expenses	2	-*
Auditor's remuneration	1	1
Lease rentals in respect of short-term leases/low value assets	-*	-*
Hospitality expenses	-*	-*
Depreciation and amortisation	-*	1
Others	-*	-*
Total	**22**	**19**

* Less than USD half of a million

12. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended December 31, 2022	Year ended December 31, 2021
	USD million	USD million
Impairment losses recognised/(reversed) on:		
- Due from banks other than cash and cash equivalents	(2)	(1)
- Debt instruments at FVTOCI	-*	1
- Debt instruments measured at amortised cost	-*	2
- Loans and advances	98	4
- Loan commitments	29	(4)
Total	**125**	**2**

* Less than USD half of a million

13. CASH AND CASH EQUIVALENTS

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Cash on hand	-*	-*
Demand deposit	744	1,300
Time deposit with original maturity within three months	1,132	556
Total	**1,876**	**1,856**

* Less than USD half of a million

14. DUE FROM BANKS OTHER THAN CASH AND CASH EQUIVALENTS

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Commercial banks	5,156	5,475
Less: ECL allowance	(1)	(3)
	5,155	5,472
Less: Time deposit with original maturity within three months	(1,132)	(556)
Total	**4,023**	**4,916**

RECONCILIATION OF PROVISION FOR DUE FROM BANKS:

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
ECL allowance of due from banks as at beginning of the year	3	4
Additions	1	2
Derecognition	(3)	(3)
Change in risk parameters	-*	-*
ECL allowance of due from banks as at end of the year	**1**	**3**

* Less than USD half of a million

For the year ended December 31, 2022, the additions to the ECL allowance of USD 1 million (December 31, 2021: USD 2 million) was due to increase or origination of due from banks with gross carrying amount of USD 4,744 million (December 31, 2021: USD 4,824 million).

For the year ended December 31, 2022, the derecognition to the ECL allowance of USD 3 million (December 31, 2021: USD 3 million) was due to decrease of due from banks with gross carrying amount of USD 5,062 million (December 31, 2021: USD 6,208 million).

15. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

During the year ended December 31, 2022, the Bank entered into derivative contracts in connection with the Renminbi (RMB) bond (Series 1) issued in January 2022, RMB bond (Series 2) issued in May 2022 and RMB bond (Series 3) issued in October 2022, that were paired with swaps of which the total notional amounts in RMB 3 billion, RMB 7 billion and RMB 3 billion, to convert the issuance proceeds into the interest rate structure sought by the Bank.

Similarly, the Bank also entered into derivative contracts for the Euro Medium Term Note, including Series 11, 12 both issued in May 2022 and Series 13, issued in September 2022, that were paired with swaps of which the total notional amounts are USD 50 million, USD 50 million and Australian Dollar (AUD) 73 million respectively, to convert the issuance proceeds into the currency and/or interest rate structure sought by the Bank.

Besides, the Bank has entered into derivative contracts in connection with loans and advances, debt instruments measured at amortised cost, debt instruments at FVTOCI and due from banks that were paired with swaps to convert the notional amounts into the currency and/or interest rate structure sought by the Bank. The Bank has also entered into forward contracts in connection with loans and advances and due from banks other than cash and cash equivalents to convert the notional amounts into the currency structure sought by the Bank.

Notwithstanding the purpose for achieving an economic hedge, the Bank opted not to apply hedge accounting to any derivative contracts entered into for the year ended December 31, 2022 and 2021.

As at December 31, 2022	Notional USD	Fair Value Asset	Fair Value Liability
	USD million	USD million	USD million
Interest Rate Swap	14,129	58	612
Forward Contract	1,494	38	2
Cross Currency Swap	1,381	60	42
Total	**17,004**	**156**	**656**

As at December 31, 2021	Notional USD	Fair Value Asset	Fair Value Liability
	USD million	USD million	USD million
Interest Rate Swap	10,227	31	124
Forward Contract	1,620	2	4
Cross Currency Swap	1,308	11	32
Total	**13,155**	**44**	**160**

15. DERIVATIVE FINANCIAL ASSETS/LIABILITIES - CONTINUED

Interest Rate Swap: As at December 31, 2022, fixed rates received ranged from 0.353% to 3.334% (December 31, 2021: 0.353% to 3.320%), and floating reference rates paid were 3-month SHIBOR, 6-month USD LIBOR or SOFR (December 31, 2021: 3-month SHIBOR or 6-month USD LIBOR). Besides, fixed rates paid ranged from 0.2635% to 0.8570% (December 31, 2021: 0.2635% to 0.8570%), and floating reference rate received was 3-month USD LIBOR (December 31, 2021: 3-month USD LIBOR).

Cross Currency Swap: As at December 31, 2022 and 2021, the Bank's cross currency swap is related to swap contracts with exchange of RMB, South African Rand (ZAR), Swiss Franc (CHF), Russian Rubles (RUB), Hong Kong Dollar (HKD), Great Britain Pound (GBP) or AUD to USD. As at December 31, 2022, fixed rates received ranged from 0.56% to 4.12% (December 31, 2021: 0.56% to 1.88%), and floating reference rates paid were 6-month USD LIBOR, 3-month ZAR JIBAR, 3-month SHIBOR or SARON (December 31, 2021: 6-month USD LIBOR, 6-month CHF LIBOR, 3-month ZAR JIBAR or 3-month SHIBOR). Besides, fixed rate paid ranged from 2.98% to 5.945% (December 31, 2021: 2.98% to 5.945%), and floating reference rates received were 6-month USD LIBOR or 3-month USD LIBOR (December 31, 2021: 6-month USD LIBOR or 3-month USD LIBOR).

Forward contract: As at December 31, 2022, the exchange rates of forward contracts with exchange of RMB to USD were ranged from USD 1: RMB 6.3490 to USD 1: RMB 6.5125 (December 31, 2021: USD 1: RMB 6.4283 to USD 1: RMB 6.5317). As at December 31, 2022, the exchange rates of forward contracts with exchange of European Monetary Unit (EUR) to USD were ranged from USD 1: EUR 1.0069 to USD 1: EUR 1.1092 (December 31, 2021: USD 1: EUR 0.8808 to USD 1: EUR 0.8872). As at December 31, 2022, the exchange rates of forward contracts with exchange of ZAR to USD were ranged from USD 1: ZAR 16.6478 and USD 1: ZAR 17.07761 (December 31, 2021: Nil).

The Bank has entered certain derivative transactions that are covered by the ISDA Master Agreement signed with various banks. These derivative instruments are not offset in the statement of financial position as the ISDA Master Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Bank currently has no legally enforcement right to set off the recognised amounts.

The Bank or counterparties require 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. 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 December 31, 2022, the Bank has paid cash collateral of USD 38 million (Note 21) (December 31, 2021: Nil) to the swap counterparties, and has received cash collateral of USD 10 million (Note 26) (December 31, 2021: Nil) from the swap counterparties.

16. FINANCIAL ASSETS AT FVTPL

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Mandatorily measured at FVTPL:		
- Money market fund	-	200
- Private equity fund	55	11
Total	**55**	**211**

17. DEBT INSTRUMENTS AT FVTOCI

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Government bonds	190	98
Bank bonds	2,482	918
Corporate bonds	272	282
Total	**2,944**	**1,298**

RECONCILIATION OF PROVISION FOR DEBT INSTRUMENTS AT FVTOCI

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
ECL allowance of debt instruments at FVTOCI as at beginning of the year	1	-*
Additions	1	1
Derecognition	(1)	-*
Change in risk parameters	-*	-*
ECL allowance of debt instruments at FVTOCI as at end of the year	**1**	**1**

* Less than USD half of a million

For the year ended December 31, 2022, the additions to the ECL allowance of USD 1 million (December 31, 2021: USD 1 million) was due to increase or purchase of debt instruments at FVTOCI with gross carrying amount of USD 2,529 million (December 31, 2021: USD 1,249 million).

For the year ended December 31, 2022, the derecognition to the ECL allowance of USD 1 million (December 31, 2021: USD half of a million) was due to redemption of debt instruments at FVTOCI with gross carrying amount of USD 856 million (December 31, 2021: USD 74 million).

18. DEBT INSTRUMENTS MEASURED AT AMORTISED COST

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Government bonds	100	100
Bank bonds	2,165	1,842
Corporate bonds	317	319
Less: ECL allowance	(3)	(3)
Net carrying amount	**2,579**	**2,258**

RECONCILIATION OF PROVISION FOR DEBT INSTRUMENTS MEASURED AT AMORTISED COST:

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
ECL allowance of debt instruments measured at amortised cost as at beginning of the year	3	1
Additions	1	3
Derecognition	(1)	(1)
Change in risk parameters	-*	-*
Transfer to lifetime ECL - not credit-impaired	-*	-*
ECL allowance of debt instruments measured at amortised cost as at end of the year	**3**	**3**

* Less than USD half of a million

For the year ended December 31, 2022, the additions to the ECL allowance of USD 1 million (December 31, 2021: USD 3 million) was due to increase or purchase of debt instruments measured at amortised cost with gross carrying amount of USD 915 million (December 31, 2021: USD 2,134 million).

For the year ended December 31, 2022, the derecognition to the ECL allowance of USD 1 million (December 31, 2021 USD 1 million) was due to redemption of debt instruments measured at amortised cost with gross carrying amount of USD 594 million (December 31, 2021: USD 638 million).

19. LOANS AND ADVANCES

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Principal	14,374	13,937
Interest receivable	164	63
Gross carrying amount	14,538	14,000
Less: ECL allowance	(133)	(35)
Net carrying amount	**14,405**	**13,965**

As at December 31, 2022, the net carrying amount of loans and advances denominated in RMB, CHF, ZAR or EUR amounted to USD 5,118 million (December 31, 2021: USD 5,158 million).

As at December 31, 2022, the floating reference rates of the Bank's loans and advances were SOFR, SARON, 6-month USD LIBOR, 6-month EURIBOR, 3-month SHIBOR or 3-month ZAR JIBAR (December 31, 2021: 6-month USD LIBOR, 6-month CHF LIBOR, 6-month EURIBOR, 3-month SHIBOR or 3-month ZAR JIBAR).

RECONCILIATION OF PROVISION FOR LOANS AND ADVANCES

	12 month ECL	Lifetime ECL - not credit-impaired	Total
	USD million	USD million	USD million
ECL allowance of loans as at January 1, 2022	18	17	35
Additions	1	3	4
Derecognition	(5)	-*	(5)
Change in risk parameters	(8)	107	99
Transfer to lifetime ECL – not credit-impaired	(2)	2	-
Transfer to 12 month ECL	17	(17)	-
ECL allowance of loans as at December 31, 2022	**21**	**112**	**133**

	12 month ECL	Lifetime ECL - not credit-impaired	Total
	USD million	USD million	USD million
ECL allowance of loans as at January 1, 2021	18	13	31
Additions	10	1	11
Derecognition	(5)	-*	(5)
Change in risk parameters	(5)	3	(2)
ECL allowance of loans as at December 31, 2021	**18**	**17**	**35**

* Less than USD half of a million

19. LOANS AND ADVANCES - CONTINUED

For the year ended December 31, 2022, the additions to the ECL allowance of USD 4 million (December 31, 2021: USD 11 million) was due to increase or origination of loans and advances with gross carrying amount of USD 1,285 million (December 31, 2021: USD 7,666 million).

For the year ended December 31, 2022, the derecognition to the ECL allowance of USD 5 million (December 31, 2021: 5 million) was due to repayment of loans and advances with gross carrying amount of USD 394 million (December 31, 2021: USD 338 million).

For the year ended December 31, 2022, the change in risk parameters to the ECL allowance of USD 99 million (for the year ended December 31, 2021: USD 2 million) was mainly due to change in the PD, LGD and EAD as a result of transfer of stages of loans and advances to the lifetime ECL - not credit-impaired. The additions to the ECL allowance of USD 107 million (for the year ended December 31, 2021: USD 3 million) were made under lifetime ECL - not credit-impaired, in relation to loans and advances with gross carrying amount of USD 2,033 million (December 31, 2021: USD 302 million).

As at December 31, 2022	12 month ECL	Lifetime ECL - not credit-impaired	Total
	USD million	USD million	USD million
Gross carrying amount	12,505	2,033	14,538

As at December 31, 2021	12 month ECL	Lifetime ECL - not credit-impaired	Total
	USD million	USD million	USD million
Gross carrying amount	13,679	321	14,000

20. PAID-IN CAPITAL RECEIVABLES

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Balance as at the beginning of year (Note 1 below)	344	1,912
Add: Paid-in capital receivables originated during the year (Note 2 below)	-	299
Less: Installment received during the year	(68)	(1,867)
Total nominal amounts of receivable at the end of the year (Note 4 below)	276	344
Less: Interest on paid-in capital receivables to be unwound in the future year (Note 3 below)	(7)	(9)
Balance as at the end of the year	**269**	**335**

Note 1: The Bank established the rights to receive the initial subscribed paid-in capital of founding members of 100,000 shares, which total USD 10 billion upon the effective date of the Agreement. Each founding member shall initially and equally subscribe to 20,000 shares that correspond to paid-in capital. The payment of the amount initially subscribed to the paid-in capital stock of the Bank shall be made in seven installments. The first installment of paid-in capital shall be paid by each member within six months of the Agreement coming in force and the second installment shall become due 18 months from the date the Agreement came into force. The remaining five installments shall each become due successively one year from the date on which the preceding installment becomes due.

Note 2: The Bank established the rights to receive the initial subscribed paid-in capital of the Bangladesh and the United Arab Emirates of 1,884 shares and 1,112 shares respectively, which total USD 188 million and USD 111 million upon the effective date of the Board of Governors' Resolutions of admission of the Bangladesh as a Borrowing Member and the United Arab Emirates as a Non-Borrowing Member of the New Development Bank (the Resolutions). The payment of the amount of Bangladesh and the United Arab Emirates initially subscribed to the paid-in capital stock of the Bank shall be made in seven installments, respectively. The first installment of paid-in capital of Bangladesh and the United Arab Emirates shall be paid within six months of the Resolutions coming in force respectively and the second installment shall become due 18 months from the date the Resolutions came into force. The remaining five installments shall each become due successively one year from the date on which the preceding installment becomes due.

Note 3: The discounting method is applied to derive the interest to be unwound over the installment period. The balance includes an initial discount of USD 632 million (December 31, 2021: USD 632 million) less USD 589 million of accumulated unwinding interest already unwound on the paid-in capital receivables (December 31, 2021: USD 587 million) and USD 36 million of accumulated early payment impact on discounting which was credited to reserves as an equity transaction by the end of December 31, 2022 (December 31, 2021: USD 36 million).

Note 4: As at December 31, 2022, there was no overdue instalments of paid-in capital receivables. The total paid-in capital receivables that will become due within one-year amounted to an undiscounted value of USD 37 million, and that will become due over one-year amounted to an undiscounted value of USD 239 million.

21. OTHER ASSETS

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Swap related collateral	38	-
Others (Note 1 below)	2	1
Commitment fee receivables	2	2
Other receivables	-*	-*
Total	**42**	**3**

* Less than USD half of a million

Note 1: Others mainly include prepayment.

22. FINANCIAL LIABILITIES DESIGNATED AT FVTPL

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Bond - Principal	11,744	10,012
- Interest payable	98	80
- Fair value adjustment	(653)	48
Total	**11,189**	**10,140**

In February 2019, the Bank issued a RMB 3 billion (USD 448 million equivalent) new panda bond consisting of two tranches, RMB 2 billion for a three-year tenor with the maturity date on February 26, 2022 at an annual fixed coupon rate of 3.00% and RMB 1 billion for a five-year tenor with the maturity date on February 26, 2024 at an annual fixed coupon rate of 3.32%. Tranche 1 of the bond with par value of RMB 2 billion has been fully repaid on February 26, 2022.

In April 2020, the Bank issued a three-year coronavirus combating bond with par value of RMB 5 billion (USD 704 million equivalent) with the maturity date on April 3, 2023. The interest is paid by the Bank annually with fixed coupon rate of 2.43%.

In June 2020, the Bank issued a three-year Euro Medium Term Note (series 1) with par value of USD 1.5 billion at a discount with the maturity date on June 23, 2023. The interest is paid by the Bank annually with fixed coupon rate of 0.625%.

In July 2020, the Bank issued a five-year RMB bond (series 2) with par value of RMB 2 billion (USD 284 million equivalent) with the maturity date on July 7, 2025. The interest is paid by the Bank annually with fixed coupon rate of 3%.

In September 2020, the Bank issued a five-year Euro Medium Term Note (series 2) with par value of USD 2 billion at a discount with the maturity date on September 29, 2025. The interest is paid by the Bank annually with fixed coupon rate of 0.625%.

In December 2020, the Bank issued a two-year note with par value of USD 50 million under the Euro Medium Term Note Programme as a private placement, with the maturity date on December 23, 2022. The interest is paid by the Bank annually with fixed coupon rate of 0.435%. The note has been fully repaid on December 23, 2022.

In March 2021, the Bank issued a three-year RMB bond with par value of RMB 5 billion (USD 767 million equivalent) with the maturity date on March 25, 2024. The interest is paid by the Bank annually with fixed coupon rate of 3.22%.

In April 2021, the Bank issued a five-year Euro Medium Term Note (series 4) with par value of USD 1.5 billion at a discount with the maturity date on April 27, 2026. The interest is paid by the Bank annually with fixed coupon rate of 1.125%.

In July 2021, the Bank issued four notes with par value of USD 50 million, USD 50 million, GBP 35 million and HKD 500 million under the Euro Medium Term Note Programme as private placements, with the maturity date on July 5, 2023, July 6, 2023, July 15, 2024 and July 2, 2026 respectively. The interests are paid by the Bank annually with fixed coupon rate of 0.38%, 0.36%, 0.56% and 1% respectively.

In July 2021, the Bank issued a three-year Euro Medium Term Note (series 9) with par value of USD 2.25 billion at a discount with the maturity date on July 22, 2024. The interest is paid by the Bank annually with fixed coupon rate of 0.625%.

In September 2021, the Bank issued a five-year RMB bond with par value of RMB 2 billion (USD 310 million equivalent) with the maturity date on September 17, 2026. The interest is paid by the Bank annually with fixed coupon rate of 3.02%.

In January 2022, the Bank issued a three-year RMB bond (series 1) with par value of RMB 3 billion (USD 472 million equivalent) with the maturity date on January 27, 2025. The interest is paid by the Bank annually with fixed coupon rate of 2.45%.

In May 2022, the Bank issued a three-year RMB bond (series 2) with par value of RMB 7 billion (USD 1,048 million equivalent) with the maturity date on May 20, 2025. The interest is paid by the Bank annually with fixed coupon rate of 2.70%.

In May 2022, the Bank issued two two-year Euro Medium Term Notes (series 10 and 11) with par value of USD 50 million each with the maturity date on May 6, 2024 and May 17, 2024. The interest is paid by the Bank annually with fixed coupon rate of 3.205% and 3.210% respectively.

In September 2022, the Bank issued a two-year AUD note (series 12) with par value of AUD 73 million (USD 51 million equivalent) under the Euro Medium Term Note Programme as a private placement with the maturity date of September 1, 2024. The interest is paid by the Bank annually with fixed coupon rate of 4.12%.

In October 2022, the Bank issued a three-year RMB bond (series 3) with par value of RMB 3 billion (USD 410 million equivalent) with the maturity date on October 26, 2025. The interest is paid by the Bank annually with fixed coupon rate of 2.53%.

There has been no change in fair value of the bond attributable to changes in the Bank's credit risk for the year ended December 31, 2022 and the year ended December 31, 2021. The contractual principal amount to be paid at maturity in original currency are RMB 28 billion (December 31, 2021: RMB 17 billion) for RMB denominated bonds, USD 7 billion, GBP 35 million, HKD 500 million and AUD 73 million (December 31, 2021: USD 7 billion, GBP 35 million and HKD 500 million) for USD, GBP, HKD and AUD denominated notes respectively.

23. NOTE PAYABLES

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Note payables	3,041	3,296
Total	**3,041**	**3,296**

Notes payables includes various zero-coupon note issuances with maturity within 1 year.

24. BOND PAYABLES

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Bond payables	551	499
Total	**551**	**499**

In December 2021, the Bank issued a three-year note with par value of USD 500 million at a discount under the Euro Medium Term Note Programme with the maturity date on December 9, 2024. The interest is paid by the Bank quarterly with a floating rate of SOFR compounded index plus 28 basis points.

In October 2022, the Bank issued a three-year note with par value of USD 50 million at a discount under the Euro Medium Term Note Programme with the maturity date on October 18, 2025. The interest is paid by the Bank quarterly with a floating rate of SOFR compounded index plus 90 basis points.

25. CONTRACT LIABILITIES

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Deferred income (Note 1 below)	47	46
Total	**47**	**46**

Note 1: The deferred income disclosed above relates to the unsatisfied performance obligations of front end fees as at December 31, 2022 and 2021. Revenue recognised for the year ended December 31, 2022 that was included in the contract liabilities balance at beginning of the period is USD 3 million (year ended December 31, 2021: USD 2 million).

26. OTHER LIABILITIES

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Impairment provision of loan commitments	33	4
Swap related collateral	10	-
Annual leave provision	4	4
Accrued expenses	4	6
Employee benefits payable	1	-*
Total	**52**	**14**

* Less than USD half of a million

RECONCILIATION OF PROVISION FOR LOAN COMMITMENTS

	12 month ECL	Lifetime ECL - not credit-impaired	Total
	USD million	USD million	USD million
ECL allowance of loan commitments as at January 1, 2022	1	3	4
Additions	3	6	9
Derecognition	-*	-*	-*
Change in risk parameters	1	19	20
Transfer to lifetime ECL – not credit-impaired	-*	-*	-
ECL allowance of loan commitments as at December 31, 2022	**5**	**28**	**33**

	12 month ECL	Lifetime ECL - not credit-impaired	Total
	USD million	USD million	USD million
ECL allowance of loan commitments as at January 1, 2021	4	4	8
Additions	-*	-	-*
Derecognition	(2)	-	(2)
Change in risk parameters	(1)	(1)	(2)
ECL allowance of loan commitments as at December 31, 2021	**1**	**3**	**4**

* Less than USD half of a million

For the year ended December 31, 2022, the additions to the ECL allowance of USD 9 million (December 31, 2021: less than USD half of a million) was due to origination of loan commitments that is expected to be drawn down within 12 months from December 31, 2022 and/or over the remaining loan contract period of USD 858 million (December 31, 2021: USD 731 million).

For the year ended December 31, 2022, the derecognition to the ECL allowance of less than USD half of a million (December 31, 2021: 2 million) was due to expiry or full utilisation of loan commitments of USD 469 million (December 31, 2021: USD 1,405 million).

For the year ended December 31, 2022, the change in risk parameters to the ECL allowance of USD 20 million (December 31, 2021: USD 2 million) was due to change in the PD, LGD and EAD mainly as a result of transfer of stages of loan commitments to the lifetime ECL - not credit-impaired.

27. PAID-IN CAPITAL

A statement of capital subscriptions showing the amount of paid-in and callable shares subscribed to by each member according to the Agreement and the Resolution, is set out in the following table. There is no amendment to the terms of subscription payment in the Agreement and the Resolution as at December 31, 2022. The voting power of each member shall be equal to the number of its subscribed shares in the capital stock of the Bank according to the Agreement and the Resolution.

	As at December 31, 2022		As at December 31, 2021	
	Number of shares	Amount in USD million	Number of shares	Amount in USD million
Authorised shared capital	1,000,000	100,000	1,000,000	100,000
Less: unsubscribed by members	(485,020)	(48,502)	(485,020)	(48,502)
Total subscribed capital	514,980	51,498	514,980	51,498
Less: callable capital	(411,984)	(41,199)	(411,984)	(41,199)
Total paid in capital	**102,996**	**10,299**	**102,996**	**10,299**

A statement of capital subscriptions showing the amount of paid-in and callable shares subscribed to by each member is set out in the following table:

As at December 31, 2022	Total shares	Total capital	Callable capital	Paid-in capital	Paid-in capital[1] received	Paid-in capital outstanding
	Numbers	USD million	USD million	USD million	USD million	USD million
Brazil	100,000	10,000	8,000	2,000	2,000	-
Russia	100,000	10,000	8,000	2,000	2,000	-
India	100,000	10,000	8,000	2,000	2,000	-
China	100,000	10,000	8,000	2,000	2,000	-
South Africa	100,000	10,000	8,000	2,000	2,000	-
Bangladesh	9,420	942	754	188	14	174
United Arab Emirates	5,560	556	445	111	9	102
Total	**514,980**	**51,498**	**41,199**	**10,299**	**10,023**	**276**

As at December 31, 2022	Total shares	Total capital	Callable capital	Paid-in capital	Paid-in capital[1] received	Paid-in capital outstanding
	Numbers	USD million	USD million	USD million	USD million	USD million
Brazil	100,000	10,000	8,000	2,000	1,973	27
Russia	100,000	10,000	8,000	2,000	2,000	-
India	100,000	10,000	8,000	2,000	2,000	-
China	100,000	10,000	8,000	2,000	2,000	-
South Africa	100,000	10,000	8,000	2,000	1,982	18
Bangladesh	9,420	942	754	188	-	188
United Arab Emirates	5,560	556	445	111	-	111
Total	**514,980**	**51,498**	**41,199**	**10,299**	**9,955**	**344**

[1] Pursuant to Article 9 and attachment 2 of the Agreement each founding members' paid in capital stock is received in seven installments. Besides, the Bangladesh's and United Arab Emirates' paid in capital stock is also received in seven installments according to annexure of the Resolutions.

28. RESERVES

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Capital reserve (Note 1 below)	-*	-*
Revaluation reserve	(32)	(5)
Other reserves (Note 2 below)	(7)	(9)
Total	**(39)**	**(14)**

* Less than USD half of a million

Note 1: As at December 31, 2022, the Bank has received cash contributions amounting to USD 0.30 million (December 31, 2021: USD 0.20 million) from Russian Federation for the reimbursement of relevant payments for the Eurasian Regional Centre. The Bank recognises such cash contributions from Russian Federation as capital reserve on the basis that the contribution agreement does not include a contractual obligation of the Bank to repay cash or another financial asset, and there are no other features that would meet the definition of a financial liability.

Note 2: Other reserves mainly represent the difference on the present value of paid-in receivables and the nominal amounts of subscribed paid-in capital arisen from the installment payments of the subscribed paid-in capital, which is regarded as an equity transaction. The subsequent unwinding of interest on paid-in capital receivables is reclassified from retained earnings to other reserves immediately following the unwinding treatment in the relevant accounting period.

29. RECONCILIATION OF ASSETS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

Assets and liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Bank's statement of cash flows as cash flows from financing activities. The table below details changes in the Bank's assets and liabilities arising from financing activities, including both cash and non-cash changes.

			Non-cash movements			
	As at January 1, 2022	Net financing cash outflows/ (inflows)	Unwinding of interest	Impact of early payment	Fair value changes and others[1]	As at December 31, 2022
	USD million	USD million	USD million	USD million	USD million	USD million
Derivative financial assets	28	5	-	-	12	45
Paid-in capital receivables	335	(68)	2	-*	-	269
Total assets from financing activities	**363**	**(63)**	**2**	**-***	**12**	**314**

			Non-cash movements					
	As at January 1, 2022	Net financing cash inflows/ (outflows)	Interest accrued movements	Fair value changes and others[1]	Foreign exchange movements	Debt issuance costs	Operating cash outflows[2]	As at December 31, 2022
	USD million	USD million	USD million	USD million	USD million	USD million	USD million	USD million
Derivative financial liabilities	127	(21)	-	523	-	-	-	629
Financial liabilities designated at FVTPL	10,140	1,714	151	(683)	-	-	(133)	11,189
Bond payables	499	50	10	-	-	-	(8)	551
Note payables	3,296	(279)	45	-	(11)	-	(10)	3,041
Lease liabilities	-*	-*	-*	-*	-*	-	-*	-*
Other liabilities	-	(2)	-	-	-	2	-	-
Total liabilities from financing activities	**14,062**	**1,462**	**206**	**(160)**	**(11)**	**2**	**(151)**	**15,410**

* Less than USD half of a million

[1] USD 12 million represents fair value changes and realised gains of derivative financial assets hedging transactions which are financing in nature economically. USD 523 million represents fair value changes and realised gains of derivative financial liabilities hedging transactions which are financing in nature economically.

[2] USD 133 million and USD 8 million represent interest payments for the interest portion of bonds which are recorded in the Bank's statement of cash flows as net cash used in operating activities. USD 10 million represents an interest payment for the interest portion of note payables which is recorded in the Bank's statement of cash flows as net cash used in operating activities.

	As at January 1, 2021	Net financing cash inflows	Non-cash movements				Fair value changes and others[3]	As at December 31, 2021
			Unwinding of interest	Impact of early payment	Capital subscriptions	Impact of discounting		
	USD million	USD million	USD million	USD million	USD million	USD million	USD million	USD million
Derivative financial assets	27	(6)	-	-	-	-	7	28
Paid-in capital receivables	1,885	(1,867)	21	7	299	(10)	-	335
Total assets from Financing activities	**1,912**	**(1,873)**	**21**	**7**	**299**	**(10)**	**7**	**363**

	As at January 1, 2021	Net financing cash inflows/ (outflows)	Non-cash movements				Operating cash outflows[4]	As at December 31, 2021
			Interest accrued movements	Fair value changes and others[3]	Foreign exchange movements	Debt issuance costs		
	USD million	USD million	USD million	USD million	USD million	USD million	USD million	USD million
Derivative financial liabilities	19	27	-	81	-	-	-	127
Financial liabilities designated at FVTPL	5,556	4,570	114	(21)	-	-	(79)	10,140
Bond payables	-	499	-*	-	-	-	-	499
Note payables	2,815	488	9	-*	(2)	-	(14)	3,296
Lease liabilities	-*	-*	-*	-*	-*	-	-*	-*
Other liabilities	-	(11)	-	-	-*	11	-	-
Total liabilities from Financing activities	**8,390**	**5,573**	**123**	**60**	**(2)**	**11**	**(93)**	**14,062**

* Less than USD half of a million
[3] USD 7 million represents fair value changes and realised gains of derivative financial assets hedging transactions which are financing in nature economically. USD 81 million represents fair value changes and realised gains of derivative financial liabilities hedging transactions which are financing in nature economically.
[4] USD 79 million represents an interest payment for the interest portion of bond which is recorded in the Bank's statement of cash flows as net cash used in operating activities.
USD 14 million represents an interest payment for the interest portion of note payables which is recorded in the Bank's statement of cash flows as net cash used in operating activities.

30. FINANCIAL INSTRUMENTS

CATEGORIES OF FINANCIAL INSTRUMENTS

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Financial assets		
Financial assets at FVTPL	211	255
Debt instruments at FVTOCI	2,944	1,298
Financial assets measured at amortised cost	23,192	23,332
Total	**26,347**	**24,885**
Financial liabilities		
Financial liabilities at FVTPL	11,845	10,300
Financial liabilities measured at amortised cost	3,607	3,801
Total	**15,452**	**14,101**

31. COMMITMENTS

1) Capital commitments

As at December 31, 2022 and 2021, the Bank had no irrevocable capital expenditures commitment.

2) Credit Commitments

	As at December 31, 2022	As at December 31, 2021
	USD million	USD million
Letters of effectiveness signed	7,140	7,186
Letters of effectiveness yet to be signed	755	620
Total	**7,895**	**7,806**

Credit commitments represent general facility limits granted to borrowers. These credit facilities may be drawn on demand in the form of loans and advances upon the signing of the letter of effectiveness when the conditions precedent for the first drawdown have been complied with by borrowers.

32. RELATED PARTY DISCLOSURE

In the ordinary course of business, the Bank may grant loans to a government or through a government credit guarantee arrangement, the Bank is, in accordance with IAS 24 Related Party Disclosures, exempted from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments and debt instruments at FVTOCI, with:

- A government that has control or joint control of, or significant influence over, the Bank; and
- Another entity that is a related party because the same government has control or joint control of, or significant influence over, both the Bank and the other entity.

The name and relationship with founding member governments are disclosed below. As December 31, 2022 and 2021, no transactions, individually or collectively with governments are considered significant to the Bank.

(1) Name and relationship

Name of related parties	Relationship
The Federative Republic of Brazil	The Bank's shareholder
The Russian Federation	The Bank's shareholder
The Republic of India	The Bank's shareholder
The People's Republic of China	The Bank's shareholder
The Republic of South Africa	The Bank's shareholder
The People's Republic of Bangladesh	The Bank's shareholder
The United Arab Emirates	The Bank's shareholder

According to the Agreement between the Bank and the Government of the People's Republic of China, the Headquarters of the Bank, permanent premises and other relevant facilities to support the Bank's operations shall be provided by the Government of the People's Republic of China, for free.

The permanent premise of the Bank is located at 1,600 Guozhan Road, Shanghai Expo Park, Pudong New District, Shanghai.

According to the Agreement between the Government of the Russian Federation and the Bank on the Hosting of the New Development Bank Eurasian Regional Centre (ERC) in the Russian Federation, the Government of the Russian Federation has agreed to transfer special purpose contribution to the Bank for reimbursement of rent payment of ERC office premises and the cost of purchasing of furniture, equipment, and other facilities for the operation of ERC. Details of the cash contribution received from the Russian Federation as at December 31, 2022 and 2021 are set out in Note 28.

Details of the paid-in capital receivables as at December 31, 2022 and 2021 are set out in Note 20, and unwinding of interest on paid-in capital receivables for the year ended December 31, 2022 and the year ended December 31, 2021 are set out in the statement of profit or loss and other comprehensive income.

32. RELATED PARTY DISCLOSURE - CONTINUED

(2) Details of Key Management Personnel (KMP) of the Bank

KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including the President and Vice Presidents.

The following persons were KMP of the Bank during the year ended December 31, 2022 and 2021:

FOR THE YEAR ENDED DECEMBER 31, 2022

Name	Countries	Positions
Marcos Prado Troyjo	Brazil	President
Anil Kishora	India	Vice President; Chief Risk Officer
Vladimir Kazbekov	Russia	Vice President; Chief Operating Officer
Qiangwu Zhou	China	Vice President; Chief Administrative Officer
Leslie Warren Maasdorp	South Africa	Vice President; Chief Financial Officer

FOR THE YEAR ENDED DECEMBER 31, 2021

Name	Countries	Positions
Marcos Prado Troyjo	Brazil	President
Vladimir Kazbekov	Russia	Vice President; Chief Operating Officer (with effect from July 7, 2021) Vice President; Chief Administrative Officer (up to July 6, 2021)
Anil Kishora	India	Vice President; Chief Risk Officer
Qiangwu Zhou	China	Vice President; Chief Administrative Officer (with effect from July 7, 2021)
Xian Zhu	China	Vice President; Chief Operating Officer (up to July 6, 2021)
Leslie Warren Maasdorp	South Africa	Vice President; Chief Financial Officer

(3) During the year, the remuneration of KMP were as follows:

	Year ended December 31, 2022	Year ended December 31, 2021
	USD million	USD million
Salary and allowance	3	3
Staff Retirement Plan	-*	-*
Post-Retirement Insurance Plan	-*	-*
Other short-term benefits	-*	1
Total	**3**	**4**

* Less than USD half of a million

33. SEGMENT INFORMATION

For the year ended December 31, 2022 and 2021, the Bank has a single reportable segment and evaluates the financial performance of the Bank as a whole.

34. UNCONSOLIDATED STRUCTURED ENTITY

The Board of Governors approved the establishment of the NDB Project Preparation Fund (NDB-PPF) on January 20, 2017. The NDB-PPF, established and administered by the Bank based on Article 3 of the Agreement, is an unconsolidated structured entity for accounting purposes. The objective of the NDB-PPF is to help NDB achieve its purpose of promoting infrastructure and sustainable development by supporting the preparation of bankable projects to facilitate borrowing member countries to raise funds for such projects from NDB and other financial institutions. The Bank is entrusted with the administration of the NDB-PPF to fulfill its purpose. The NDB-PPF does not expose the Bank to any loss, nor does it generate significant variable interest to the extent that consolidation is required. Accordingly, the NDB-PPF is an unconsolidated structured entity for accounting purposes.

Consistent with Article 18c of the Agreement, the ordinary capital resources of the Bank and the resources of the NDB-PPF shall at all times and in all respects be held, used, committed, invested or otherwise disposed of entirely separate from each other. The NDB-PPF will be open to contributions from all its member countries. Non-member countries and international organisations/funds may also contribute to the NDB-PPF with the Board of Director's approval authorised by the Board of Governors.

As at December 31, 2022, the NDB-PPF had received contributions amounting to USD 8 million (December 31, 2021 USD 7 million). The Bank has not earned any income from NDB-PPF for the year ended December 31, 2022 and 2021.

35. SUBSEQUENT EVENTS

On February 23, 2023, second instalment of paid-in capital of USD 24 million was received ahead of schedule from Bangladesh.

On March 1, 2023, second instalment of paid-in capital of USD 14 million received ahead of schedule from United Arab Emirates.

On February 20, 2023, the Arab Republic of Egypt became a member of the Bank and the Board of Governors' resolution of admission of the Arab Republic of Egypt as a Borrowing Member of the New Development Bank became effective.

On March 15, 2023, the Bank issued a one-year note with par value of USD 500 million under the Euro Medium Term Note Programme with the maturity date on March 15, 2024. The interest is paid by the Bank annually with fixed coupon rate of 5.869%.

Dilma Vana Rousseff was appointed as the President on March 24, 2023, replacing Marcos Prado Troyjo, who was appointed as the President on July 7, 2020.

On April 26, 2023, the Bank issued a three-year note with par value of USD 1.25 billion at a discount under the Euro Medium Term Note Programme with the maturity date on April 26, 2026. The interest is paid by the Bank annually with fixed coupon rate of 5.125%.

On May 18, 2023, the Bank issued a five-year note with par value of USD 200 million under the Euro Medium Term Note Programme with the maturity date on May 18, 2028. The interest is paid by the Bank quarterly with a floating rate of SOFR compounded index plus 115 basis points.

On May 22, 2023, the Bank issued a three-year note with par value of HKD 750 million under the Euro Medium Term Note Programme with the maturity date on May 22, 2026. The interest is paid by the Bank annually with fixed coupon rate of 4.10%.

On May 22, 2023, the Bank issued a three-year note with par value of USD 110 million under the Euro Medium Term Note Programme with the maturity date on May 22, 2026. The interest is paid by the Bank quarterly with a floating rate of SOFR compounded index plus 100 basis points.

On May 30, 2023, the Bank issued a three-year RMB bond with par value of RMB 8.5 billion with the maturity date on May 30, 2026. The interest is paid by the Bank annually with fixed coupon rate of 2.86%.

36. APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements were approved by the Board of Governors and authorised for issuance on May 30, 2023.