

AIIB PROJECT PREPERATION SPECIAL FUND

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2018
(UNAUDITED)**

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CONDENSED INTERIM FINANCIAL STATEMENTS

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AIIB PROJECT PREPERATION SPECIAL FUND
Condensed Statement of Comprehensive Income
For the three months ended March 31, 2018 (unaudited)

| <i>In thousands of US Dollars</i> | For the period from January 1, 2018 to March 31, 2018 (unaudited) | For the period from January 1, 2017 to March 31, 2017 (unaudited) |
|---|--|--|
| Interest income | 208 | 50 |
| General and administrative expenses | (17) | (17) |
| Grants | (200) | - |
| Net profit/(losses) and total comprehensive income/(losses) for the period | (9) | 33 |
| Attributable to: | | |
| Contributors | (9) | 33 |

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

AIB PROJECT PREPERATION SPECIAL FUND
Condensed Statement of Financial Position
As at March 31, 2018 (unaudited)

| <i>In thousands of US Dollars</i> | Note | March 31, 2018 (unaudited) | December 31, 2017 (audited) |
|--|-------------|---------------------------------------|--|
| Assets | | | |
| Cash and cash equivalents | | 42,490 | 38,075 |
| Term deposits | | 7,968 | - |
| Other assets | | 318 | 210 |
| Total assets | | 50,776 | 38,285 |
| Liabilities | | | |
| Other liabilities | | 26 | 26 |
| Total liabilities | | 26 | 26 |
| Contributors' resources | | | |
| Contributions | C1 | 50,500 | 38,000 |
| Accumulated gains | | 250 | 259 |
| Total contributors' resources | | 50,750 | 38,259 |
| Total liabilities and contributors' resources | | 50,776 | 38,285 |

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

AIB PROJECT PREPERATION SPECIAL FUND
Condensed Statement of Changes in Contributors' Resources
For the three months ended March 31, 2018 (unaudited)

| <i>In thousands of US Dollars</i> | Note | Contributions | Accumulated gains/(losses) | Total |
|-----------------------------------|-------------|----------------------|-----------------------------------|---------------|
| January 1, 2017 | | 10,000 | (126) | 9,874 |
| Contributions | | 20,000 | - | 20,000 |
| Net profit for the period | | - | 33 | 33 |
| March 31, 2017 | | 30,000 | (93) | 29,907 |
| January 1, 2018 | | 38,000 | 259 | 38,259 |
| Contributions | C1 | 12,500 | - | 12,500 |
| Net losses for the period | | - | (9) | (9) |
| March 31, 2018 | | 50,500 | 250 | 50,750 |

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

AIIB PROJECT PREPERATION SPECIAL FUND
Condensed Statements of Cash Flows
For the three months ended March 31, 2018 (unaudited)

| <i>In thousands of US Dollars</i> | Note | For the period from January 1, 2018 to March 31, 2018 (unaudited) | For the period from January 1, 2017 to March 31, 2017 (unaudited) |
|---|-------------|--|--|
| Cash flows from operating activities | | | |
| Net profit/(losses) for the period | | (9) | 33 |
| Adjustments for: | | | |
| Interest income from term deposits | | (25) | - |
| Increase in other assets | | (108) | (183) |
| <hr/> | | | |
| Net cash used in operating activities | | (142) | (150) |
| <hr/> | | | |
| Cash flows from investing activities | | | |
| Increase in term deposits | | (7,943) | - |
| <hr/> | | | |
| Net cash used in investing activities | | (7,943) | - |
| <hr/> | | | |
| Cash flows from financing activities | | | |
| Contribution received | C1 | 12,500 | 20,000 |
| <hr/> | | | |
| Net cash from financing activities | | 12,500 | 20,000 |
| <hr/> | | | |
| Net increase in cash and cash equivalents | | 4,415 | 19,850 |
| Cash and cash equivalents at the beginning of the period | | 38,075 | 9,900 |
| <hr/> | | | |
| Cash and cash equivalents at the end of the period | | 42,490 | 29,750 |
| <hr/> | | | |

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

AIB PROJECT PREPERATION SPECIAL FUND
Notes to Condensed interim financial statements
For the three months ended March 31, 2018 (unaudited)

A GENERAL INFORMATION

On June 24, 2016, the AIIB Project Preparation Special Fund (the “Special Fund”) was established as a special fund of the Asian Infrastructure Investment Bank (the “Bank” or “AIIB”) in accordance with Article 17.1 of the Bank’s Articles of Agreement (the “AOA”).

The Special Fund is established as a multi-donor fund, which is open to contributions by all Bank members and others (the “Contributors”). The purpose of the Special Fund is to support and facilitate the preparation of projects to be financed by the Bank. The resources from the Contributors are accepted, held, managed, administered, used, committed, expended or otherwise disposed of by the Bank in accordance with the AOA, the Rules and Regulations of the Special Fund and the Contribution Agreements.

The People’s Republic of China, the Republic of Korea and the United Kingdom of Great Britain and Northern Ireland through the Contribution Agreements with the Bank, concluded on June 25, 2016, December 22, 2016 and December 16, 2017, have committed contributions in the amount of USD50 million, USD8 million and USD50 million, respectively.

As at March 31, 2018, the Bank has received a total of USD50.5 million as payments to the Special Fund: USD30 million from People’s Republic of China, USD8 million from Republic of Korea and USD12.5 million from United Kingdom of Great Britain and Northern Ireland.

B ACCOUNTING POLICIES

B1 Basis of preparation

These condensed interim financial statements for the three months ended March 31, 2018 have been prepared in accordance with International Financial Reporting Standard: IAS 34 *Interim Financial Reporting*.

B2 Financial statement preparation

These condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the Special Fund’s audited financial statements for the year ended December 31, 2017.

B3 Comparatives

These condensed interim financial statements have been prepared with a comparative period from January 1, 2017 to March 31, 2017. Certain comparative figures have been adjusted to conform with changes in disclosures in current period.

AIIB PROJECT PREPERATION SPECIAL FUND
Notes to Condensed interim financial statements
For the three months ended March 31, 2018 (unaudited)

C DISCLOSURE NOTES

C1 Contributions

| | Period from January 1, 2018 to March 31, 2018 | Year ended December 31, 2017 |
|---|--|---|
| As at January 1, 2018/2017 | 38,000 | 10,000 |
| Contributions received from: | | |
| People's Republic of China | - | 20,000 |
| Republic of Korea | - | 8,000 |
| United Kingdom of Great Britain and Northern Ireland | 12,500 | - |
| As at March 31, 2018/ December 31, 2017 | 50,500 | 38,000 |

C2 Approved projects

As at March 31, 2018, the Special Funds Committee of the Bank has approved two projects which include USD1 million grants to Nepal to prepare for an urban infrastructure investment project and USD0.7 million grants to Sri Lanka to prepare for a solid waste management project. Grant agreements have been signed for both projects between the Bank and the governments of beneficiary countries.

As at March 31, 2018, USD0.2 million has been disbursed by the Special Fund to Sri Lanka for the solid waste management project.

D FAIR VALUE

The carrying amounts of financial assets and liabilities presented on the Statement of Financial Position approximate their fair values, due to the short-term in nature.