

ASIAN INFRASTRUCTURE INVESTMENT BANK

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2017
(UNAUDITED)**

CONTENTS

CONDENSED INTERIM FINANCIAL STATEMENTS

Condensed Statement of Comprehensive Income	1
Condensed Statement of Financial Position.....	2
Condensed Statement of Changes in Equity.....	3
Condensed Statement of Cash Flows.....	4
Notes to Condensed Interim Financial Statements	5-8

ASIAN INFRASTRUCTURE INVESTMENT BANK
Condensed Statement of Comprehensive Income
For the six months ended June 30, 2017 (unaudited)

<i>In thousands of US Dollars</i>	Note	For the period from April 1, 2017 to June 30, 2017 (unaudited)	For the period from January 1, 2017 to June 30, 2017 (unaudited)	For the period from April 1, 2016 to June 30, 2016 (unaudited)	For the period from January 16, 2016 to June 30, 2016 (unaudited)
Interest income		32,643	52,320	5,759	8,957
Interest expense		-	-	-	-
Net interest income		32,643	52,320	5,759	8,957
Net fee and commission expense		(105)	(9)	-	-
Unrealized gain on investment at fair value through profit or loss	4	14,982	27,166	7,836	11,000
Impairment provision	5	(75)	(3,231)	-	-
General and administrative expenses		(10,560)	(22,987)	(7,062)	(10,577)
Net foreign exchange loss		(37)	(57)	(28)	(20)
Operating profit for the period		36,848	53,202	6,505	9,360
Accretion of paid-in capital receivables	6	33,434	79,864	39,692	71,416
Net profit for the period		70,282	133,066	46,197	80,776
Other comprehensive income		-	-	-	-
Total comprehensive income		70,282	133,066	46,197	80,776
Attributable to:					
Equity holders of the Bank		70,282	133,066	46,197	80,776

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

ASIAN INFRASTRUCTURE INVESTMENT BANK
Condensed Statement of Financial Position
As at June 30, 2017 (unaudited)

<i>In thousands of US Dollars</i>	Note	June 30, 2017 (unaudited)	December 31, 2016 (audited)
Assets			
Cash and cash equivalents		228,121	1,281,992
Term deposits		5,137,384	2,292,141
Investment at fair value through profit or loss	4	3,207,039	3,179,873
Funds deposited for co-financing arrangements		16,246	23,623
Loan investments, at amortized cost	5	448,353	9,553
Paid-in capital receivables	6	9,416,490	11,007,227
Intangible assets under construction		330	-
Other assets		1,396	958
Total assets		18,455,359	17,795,367
Liabilities			
Prepaid paid-in capital		3,460	-
Other liabilities		7,783	5,538
Total liabilities		11,243	5,538
Members' equity			
Paid-in capital	7	18,598,700	18,065,400
Reserve for accretion of paid-in capital receivables		(215,083)	(282,868)
Retained earnings		60,499	7,297
Total members' equity		18,444,116	17,789,829
Total liabilities and members' equity		18,455,359	17,795,367

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

ASIAN INFRASTRUCTURE INVESTMENT BANK
Condensed Statement of Changes in Equity
For the six months ended June 30, 2017 (unaudited)

<i>In thousands of US Dollars</i>	Note	Subscribed capital	Less: callable capital	Paid-in capital	Reserve for accretion of paid-in capital receivables	Retained earnings	Total equity
January 16, 2016		-	-	-	-	-	-
Capital subscription and contribution	7	85,905,800	(68,724,700)	17,181,100	-	-	17,181,100
Net profit for the period		-	-	-	-	80,776	80,776
Paid-in capital receivables - accretion effect		-	-	-	(427,483)	-	(427,483)
Transfer of accretion		-	-	-	71,416	(71,416)	-
June 30, 2016		85,905,800	(68,724,700)	17,181,100	(356,067)	9,360	16,834,393
January 1, 2017		90,327,000	(72,261,600)	18,065,400	(282,868)	7,297	17,789,829
Capital subscription and contribution	7	2,666,200	(2,132,900)	533,300	-	-	533,300
Net profit for the period		-	-	-	-	133,066	133,066
Paid-in capital receivables - accretion effect		-	-	-	(12,079)	-	(12,079)
Transfer of accretion	6	-	-	-	79,864	(79,864)	-
June 30, 2017		92,993,200	(74,394,500)	18,598,700	(215,083)	60,499	18,444,116

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

ASIAN INFRASTRUCTURE INVESTMENT BANK
Condensed Statement of Cash Flows
For the six months ended June 30, 2017 (unaudited)

<i>In thousands of US Dollars</i>	Note	For the period from January 1, 2017 to June 30, 2017 (unaudited)	For the period from January 16, 2016 to June 30, 2016 (unaudited)
Cash flows from operating activities			
Net profit for the period		133,066	80,776
Adjustments for:			
Interest income from term deposits		(43,409)	(6,173)
Increase in accrued interest on funds deposited for co-financing arrangements		(113)	-
Accretion of paid-in capital receivables	6	(79,864)	(71,416)
Unrealized gain on investment at fair value through profit or loss	4	(27,166)	(11,000)
Impairment provision	5	3,231	-
Depreciation and amortization		28	-
Increase in loan disbursements	5	(443,875)	-
Decrease/(Increase) in other assets		8,870	(129)
Increase in other liabilities		2,112	2,357
Net cash used in operating activities		(447,120)	(5,585)
Cash flows from investing activities			
Investment purchases		-	(2,000,000)
Increase in term deposits, net of interest received		(2,801,836)	(1,450,000)
Intangible assets		(29)	-
Property improvements		(168)	-
Net cash used in investing activities		(2,802,033)	(3,450,000)
Cash flows from financing activities			
Capital contributions received		2,195,282	4,658,920
Net cash from financing activities		2,195,282	4,658,920
Net decrease/(increase) in cash and cash equivalents			
		(1,053,871)	1,203,335
Cash and cash equivalents at beginning of period		1,281,992	-
Cash and cash equivalents at end of period		228,121	1,203,335

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

ASIAN INFRASTRUCTURE INVESTMENT BANK
Notes to Condensed Interim Financial Statements
For the six months ended June 30, 2017 (unaudited)
(All amounts in thousands of US Dollars unless otherwise stated)

1 GENERAL INFORMATION

The Asian Infrastructure Investment Bank (the “Bank” or “AIIB”) is a multilateral development bank. In June 2015, representatives from 57 members signed the Articles of Agreement (the “AOA”), which is the international treaty under which the Bank was formed. The AOA entered into force on December 25, 2015. The Bank commenced operations on January 16, 2016. The principal office of the Bank is located in Beijing, the People’s Republic of China (“PRC”).

During the first six months of 2017, the Bank has approved 23 new membership applications. As at June 30, 2017, the Bank’s total approved membership is 80, of which 56 have completed the membership process and have become members of the Bank in accordance with the AOA.

The purpose of the Bank is to foster sustainable economic development, create wealth, and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors. It will also promote regional cooperation and partnership in addressing development challenges by working in close collaboration with other multilateral and bilateral development institutions.

The legal status, privileges, and immunities for the operation and functioning of the Bank in the PRC are agreed in the AOA and further defined by the Headquarters Agreement between the government of the PRC and the Bank, dated January 16, 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These condensed interim financial statements for the six months ended June 30, 2017 have been prepared in accordance with International Financial Reporting Standard: IAS 34 *Interim Financial Reporting*.

2.2 Financial statement preparation

These condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the Bank’s audited financial statements for the period from January 16, 2016 (date of commencement of operations) to December 31, 2016.

3 COMPARATIVES

These condensed interim financial statements have been prepared with a comparative period from January 16, 2016 to June 30, 2016.

ASIAN INFRASTRUCTURE INVESTMENT BANK
Notes to Condensed Interim Financial Statements
For the six months ended June 30, 2017 (unaudited)
(All amounts in thousands of US Dollars unless otherwise stated)

4 INVESTMENT AT FAIR VALUE THROUGH PROFIT OR LOSS

	For the period from January 1, 2017 to June 30, 2017	For the period from January 16, 2016 to December 31, 2016
As at beginning of period	3,179,873	-
Investment	-	3,165,000
Unrealized fair value gain, net	27,166	14,873
	3,207,039	3,179,873

5 LOAN INVESTMENTS, AT AMORTIZED COST

	For the period from January 1, 2017 to June 30, 2017	For the period from January 16, 2016 to December 31, 2016
As at beginning of period	9,830	-
Disbursements	443,875	9,695
Repayments and prepayments	-	-
Movement in net deferral of related incremental direct costs	(1,844)	135
Loan investments, gross	451,861	9,830
12-month expected credit loss allowance (1)	(3,508)	(277)
Loan investments, net	448,353	9,553

(1) 12-month expected credit loss allowance is calculated covering outstanding exposures from loan investments, and undrawn commitments of those loan investments. As at June 30, 2017, undrawn commitments were USD 559,220 million.

6 PAID-IN CAPITAL RECEIVABLES

	For the period from January 1, 2017 to June 30, 2017	For the period from January 16, 2016 to December 31, 2016
As at beginning of period	11,007,227	-
Paid-in capital receivables originated	521,221	17,622,469
Contributions received	(2,191,822)	(6,775,305)
Accretion to the profit or loss	79,864	160,063
Carrying amount	9,416,490	11,007,227

As at June 30, 2017, there were no overdue paid-in capital receivables (December 31, 2016: contractual undiscounted paid-in capital receivable overdue of USD 433.80 million).

ASIAN INFRASTRUCTURE INVESTMENT BANK
Notes to Condensed Interim Financial Statements
For the six months ended June 30, 2017 (unaudited)
(All amounts in thousands of US Dollars unless otherwise stated)

7 SHARE CAPITAL

	June 30, 2017	December 31, 2016
Authorized capital	100,000,000	100,000,000
- Allocated		
- Subscribed	92,993,200	90,327,000
- Unsubscribed	5,215,400	7,824,400
- Unallocated	1,791,400	1,848,600
Total authorized capital	<u>100,000,000</u>	<u>100,000,000</u>
Subscribed capital	92,993,200	90,327,000
Less: callable capital	<u>(74,394,500)</u>	<u>(72,261,600)</u>
Paid-in capital	<u>18,598,700</u>	<u>18,065,400</u>
Paid-in capital comprises		
- Amounts received	8,967,127	6,775,305
- Amounts due but not yet received	-	433,795
- Amounts not yet due	9,631,573	10,856,300
Total paid-in capital	<u>18,598,700</u>	<u>18,065,400</u>

8 FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below summarizes the carrying amounts and fair values of those financial assets and financial liabilities not measured on the condensed statement of financial position at their fair values as at June 30, 2017:

	Carrying amount	Fair value
Financial assets		
Cash and cash equivalents	228,121	228,121
Term deposits	5,137,384	5,137,284
Funds deposited for co-financing arrangements	16,246	16,246
Loan investments	448,353	448,353
Paid-in capital receivables	9,416,490	9,331,649
Financial liabilities		
Other liabilities	7,783	7,783

As at June 30, 2017, the Bank's balance of all the financial assets and liabilities not measured at fair value approximates their fair values due to short maturity, except for term deposits and paid-in capital receivables.

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

The Bank's financial asset measured at fair value on the condensed interim financial statements is as follows. This fair value was calculated using Level 2 inputs.

June 30, 2017	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value through profit or loss	-	3,207,039	-	3,207,039
Total	-	3,207,039	-	3,207,039
December 31, 2016	Level 1	Level 2	Level 3	Total
Assets				
Investments at fair value through profit or loss	-	3,179,873	-	3,179,873
Total	-	3,179,873	-	3,179,873

The Bank has no financial liabilities measured at fair value on the condensed interim financial statements as at June 30, 2017 and December 31, 2016.