

**AIB Special Fund Window
under COVID-19 Crisis Recovery Facility**

**Auditor's Report and Financial Statements
for the period from May 7, 2020 (date of the establishment)
to Dec. 31, 2020**



Independent Auditor's Report

To the Board of Governors of the Asian Infrastructure Investment Bank (the "Bank" or "AIIB"):

Opinion

What we have audited

The financial statements of AIIB Special Fund Window under COVID-19 Crisis Recovery Facility (the "SFW") set out on pages 1 to 13, which comprise:

- the statement of comprehensive income for the period from May 7, 2020 (date of the establishment) to Dec. 31, 2020;
- the statement of financial position as at December 31, 2020;
- the statement of changes in contributors' resources for the period from May 7, 2020 (date of the establishment) to Dec. 31, 2020;
- the statement of cash flows for the period from May 7, 2020 (date of the establishment) to Dec. 31, 2020; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the SFW as at December 31, 2020, and its financial performance and its cash flows for the period from May 7, 2020 (date of the establishment) to Dec. 31, 2020 in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the SFW in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management 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 management determine 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, management is responsible for assessing the SFW'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 management either intend to liquidate the SFW or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the SFW's financial reporting process.

Auditor's Responsibilities 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. We report 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 scepticism 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 SFW's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of 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 SFW'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 SFW 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 those charged with governance 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.



PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, China, March 24, 2021

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AIB Special Fund Window under COVID-19 Crisis Recovery Facility
Statement of Comprehensive Income
For the period from May 7, 2020 (date of the establishment) to Dec. 31, 2020

<i>In thousands of US Dollars</i>	Note	For the period from May 7, 2020 to Dec. 31, 2020
Interest income		-
Disbursements	C1	(871)
General and administrative expenses	C2	(22)
Net loss and total comprehensive loss for the period		(893)
Attributable to:		
Contributors		(893)

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

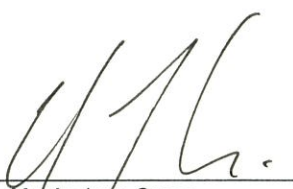
AllB Special Fund Window under COVID-19 Crisis Recovery Facility
Statement of Financial Position
As at Dec. 31, 2020

<i>In thousands of US Dollars</i>	Note	Dec. 31, 2020
Assets		
Cash and cash equivalents	C3	29,129
Total assets		
29,129		
Liabilities		
Payable and other liabilities		22
Total liabilities		
22		
Contributors' resources		
Contributions	C4	30,000
Accumulated losses		(893)
Total contributors' resources		
29,107		
Total liabilities and contributors' resources		
29,129		

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



Mr. Jin Liqun
 President of the Bank



Mr. Andrew Cross
 Chief Financial Officer of the Bank



Ms. Hui Fong Lee
 Controller of the Bank

AIB Special Fund Window under COVID-19 Crisis Recovery Facility
Statement of Changes in Contributors' Resources
For the period from May 7, 2020 (date of the establishment) to Dec. 31, 2020

<i>In thousands of US Dollars</i>	Note	Contributions	Accumulated losses	Total
May 7, 2020				
		-	-	-
Contributions	C4	30,000	-	30,000
Net loss for the period		-	(893)	(893)
Dec. 31, 2020				
		30,000	(893)	29,107

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

AIB Special Fund Window under COVID-19 Crisis Recovery Facility
Statement of Cash Flows
For the period from May 7, 2020 (date of the establishment) to Dec. 31, 2020

<i>In thousands of US Dollars</i>	Note	For the period from May 7, 2020 to Dec. 31, 2020
Cash flows from operating activities		
Net losses for the period		(893)
Increase in other liabilities		22
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Net cash used in operating activities		(871)
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Cash flows from financing activities		
Contributions received	C4	30,000
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Net cash from financing activities		30,000
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Net increase in cash and cash equivalents		29,129
Cash and cash equivalents at the beginning of the period		-
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Cash and cash equivalents at the end of the period		29,129
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The accompanying notes are an integral part of these financial statements.

AIIB Special Fund Window under COVID-19 Crisis Recovery Facility
Notes to the Financial Statements
For the period from May 7, 2020 (date of the establishment) to Dec. 31, 2020
(All amounts in thousands of US Dollars unless otherwise stated)

A General Information

On May 7, 2020, the AIIB Special Fund Window under COVID-19 Crisis Recovery Facility (“SFW”) 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”).

SFW is established as a special fund to support certain members of the Bank seeking financing under the Bank’s “COVID-19 Crisis Recovery Facility” (the “Facility”).

SFW is open to contributions by the Bank from its Project Preparation Special Fund (“PPSF”), all Bank members and others (the “Contributors”). 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 AIIB Special Fund Window under COVID-19 Crisis Recovery Facility and the Contribution Agreements when applicable.

The resources of SFW shall be used, on a grant basis, to buy down the interest due under sovereign-backed loans extended under the Facility to, or guaranteed by, eligible Bank members for eligible projects as specified in the Rules and Regulations of SFW. The interest buy down rate will be set at 100 basis points, or to the extent that will bring interest rate down to zero if the pre buy-down interest rate is below 1 percentage. The interest buy down amount shall be paid directly by SFW to the Bank.

The Bank approved a transfer of USD30 million from PPSF to SFW. If the initial amount is not sufficient to meet the demand during the duration of the Facility, additional funding could be required upon the consultation of the contributors of SFW and the approval from the Bank.

These financial statements were signed by the President, the Chief Financial Officer, and the Controller of the Bank on March 24, 2021.

B Accounting Policies

B1 Basis of preparation

These financial statements for SFW have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). Based on the By-Laws of the AIIB, the financial year of the Bank begins on 1 January and ends on 31 December of each year. SFW follows the same financial year end as the Bank. For the year in which SFW is established, the financial year begins on the date of the establishment of SFW and ends on 31 December of that year.

SFW follows the Bank’s accounting policies and has adopted all of the IFRS standards and interpretations effective for the periods beginning on Jan. 1, 2020.

The financial statements have been prepared under the historical cost convention, except for those financial instruments measured at fair value.

AIB Special Fund Window under COVID-19 Crisis Recovery Facility
Notes to the Financial Statements
For the period from May 7, 2020 (date of the establishment) to Dec. 31, 2020
(All amounts in thousands of US Dollars unless otherwise stated)

B Accounting Policies

B1 Basis of preparation (Continued)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in its process of applying the accounting policies. The area involving a higher degree of judgment or complexity is the determination and recognition of buy-down interest amounts. The financial statements have been prepared on a going concern basis.

B2 New accounting pronouncements

The new accounting pronouncements, amendments and interpretations issued for the period ending Dec. 31, 2020 do not have any significant impact on the operating results, financial position and comprehensive income of SFW.

B3 Summary of significant accounting policies

B3.1 Functional currency and foreign currency transactions

The functional currency and the presentation currency of SFW are United States Dollar ("USD" or "US Dollar").

There were no foreign currency transactions for the period from May 7, 2020 to Dec. 31, 2020.

B3.2 Financial instruments

B3.2.1 Financial assets

SFW's financial assets are classified into three categories:

- (a) Amortized cost,
- (b) Fair value through other comprehensive income (FVOCI), or
- (c) Fair value through profit or loss (FVPL).

The basis of classification depends on the relevant business model and the contractual cash flow characteristics of the underlying financial asset.

B Accounting Policies

B3.2 Financial instruments (Continued)

B3.2.1 Financial assets (Continued)

(a) Classification of financial assets at amortized cost

SFW classifies its financial assets at amortized cost only if both of the following criteria are met:

- (i) The financial asset is held within a business model having the objective of collecting the contractual cash flows, and
- (ii) The contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

SFW applies the effective interest method to the amortized cost of a financial asset.

(b) Classification of financial assets at FVOCI

Financial assets at FVOCI comprise:

- (i) Financial assets having contractual cash flows which reflect solely payments of principal and interest on outstanding principal, and for which the objective of the related business model is achieved both by collecting contractual cash flows and selling financial assets, and
- (ii) Investments in equity instruments which are neither held for trading nor contingent consideration, and for which SFW has made an irrevocable election at initial recognition to recognize changes in fair value through other comprehensive income (OCI) rather than profit or loss.

For (i) above, interest is calculated using the effective interest method and recognized in profit or loss. Except for gains or losses from impairment and foreign exchange, the financial asset is measured at FVOCI. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified to profit or loss.

For (ii) above, the accumulated fair value changes in OCI will not be reclassified to profit or loss in the future. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

B Accounting Policies

B3.2 Financial instruments (Continued)

B3.2.1 Financial assets (Continued)

(c) Classification of financial assets at FVPL

SFW classifies the following financial assets at FVPL:

- (i) Financial assets that do not qualify for measurement at either amortized cost or FVOCI,
- (ii) Financial assets that are designated at initial recognition as FVPL irrevocably, when such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise,
- (iii) Investment in equity instruments that are held for trading, and

Investment in equity instruments for which SFW has not elected to recognize fair value gains or losses through OCI.

B3.2.2 Financial liabilities

SFW's financial liabilities are measured at amortized cost, using the effective interest method. The interest expenses are recognized in profit or loss.

B3.2.3 Contributors' resources

SFW recognizes contributions received from Contributors as equity on the basis that a contributor cannot choose to withdraw contributions from the Fund. Contributors are only entitled to a distribution of net assets on termination of SFW in proportion to the contributions made available by them to the Fund.

B3.2.4 Recognition and derecognition

SFW recognizes a financial asset or a financial liability in its Statement of Financial Position when, and only when, SFW becomes a party to the contractual provisions of the instrument.

A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade date accounting.

At initial recognition, SFW measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability.

B Accounting Policies

B3.2 Financial instruments (Continued)

B3.2.4 Recognition and derecognition (Continued)

Before evaluating whether, and to what extent, derecognition is appropriate, SFW determines whether the derecognition analysis should be applied to a part of a financial asset or a financial asset in its entirety. SFW derecognizes a financial asset 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 SFW neither transfers nor retains substantially all the risks and rewards of ownership and has not retained control of the transferred financial asset, SFW derecognizes the financial asset and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer.

B3.2.5 Impairment of financial instruments

Financial assets of SFW that are measured at amortized cost and FVOCI are subject to credit loss estimated through an expected credit loss ("ECL") model, assessed on a forward-looking basis.

B3.2.6 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and others commonly used by market participants. These valuation techniques include the use of observable and/or unobservable inputs.

B3.3 Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Deposits with an original maturity of three months or less are classified as cash and cash equivalents.

AIIB Special Fund Window under COVID-19 Crisis Recovery Facility
Notes to the Financial Statements
For the period from May 7, 2020 (date of the establishment) to Dec. 31, 2020
(All amounts in thousands of US Dollars unless otherwise stated)

B Accounting Policies

B3.4 Interest income

Interest is recorded on an accrual basis. All interest income is recognized within “interest income” in the Statement of Comprehensive Income.

B3.5 Administration fees and expenses

In accordance with the provisions of Section 4.5 of the Rules and Regulations of SFW, the Bank shall receive an administration fee equal to one percent of the amount of contributions, except for the amount transferred by the Bank from its PPSF. A proportionate amount of such administration fee shall be debited from each installment of the contribution paid in by the contributors and credited to the Bank’s ordinary resources.

Administration fees and expenses are recognized throughout the period to the satisfaction of the relevant services received.

B3.6 Current and noncurrent presentation

All assets and liabilities in the Statement of Financial Position are classified as current as at Dec. 31, 2020.

AIIB Special Fund Window under COVID-19 Crisis Recovery Facility
Notes to the Financial Statements
For the period from May 7, 2020 (date of the establishment) to Dec. 31, 2020
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C1 Disbursement

For the period from May 7, 2020 to Dec. 31, 2020, SFW paid an amount of USD0.87 million for the interest rate buy-down under eligible sovereign-backed financings.

C2 General and administrative expenses

The amount of USD0.02 million charged represents the audit fee for SFW for the period from May 7, 2020 to Dec. 31, 2020.

C3 Cash, cash equivalents, and deposits with banks

	Dec. 31, 2020
Cash	-
Deposits with banks	
- Demand deposits	29,129
Total cash and cash equivalents	29,129

C4 Contributions

**For the period from
May 7, 2020 to Dec. 31, 2020**

As at May 7, 2020	-
Contributions received from:	
AIIB Project Preparation Special Fund	30,000
As at Dec.31, 2020	30,000

On June 5, 2020, SFW has received contribution of USD30 million from AIIB PPSF as an initial amount to support the interest rate buy-downs for eligible sovereign-backed financings under the Bank's Facility.

C5 Fair value of financial assets and financial liabilities

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.

AIB Special Fund Window under COVID-19 Crisis Recovery Facility
Notes to the Financial Statements
For the period from May 7, 2020 (date of the establishment) to Dec. 31, 2020
(All amounts in thousands of US Dollars unless otherwise stated)

C Disclosure Notes

C6 Related party transactions

SFW's related parties are the Bank and the Contributors.

The Bank is entitled to charge SFW an administration fee of an amount equal to one percent of contributions received to SFW from the Contributors specified in Section 2.1 (b) of the Rules and Regulations of SFW, except the amounts transferred by the Bank from its PPSF.

The contributions received from PPSF is outlined in Note C4.

Refer to Note C1 for the payment to the Bank in respect of interest rate buy-down for eligible sovereign-backed financings for the period from May 7, 2020 to Dec. 31, 2020.

C7 Events after the end of the reporting period

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

AIIB Special Fund Window under COVID-19 Crisis Recovery Facility
Notes to the Financial Statements
For the period from May 7, 2020 (date of the establishment) to Dec. 31, 2020
(All amounts in thousands of US Dollars unless otherwise stated)

D Financial Risk Management

D1 Overview

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

The purpose of SFW is to reduce the burden of AIIB's lower-income members seeking financing under the Facility as members of the Bank that are classified as recipients of financing from the International Development Association and other members of the Bank, rather than to generate a return on its assets. Therefore, for the period ended Dec. 31, 2020, SFW is not exposed to significant financial risks, with the exception of credit risk associated with the financial institutions with which it deposits its cash resources.

D2 Credit risk

Credit risk management

SFW takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

In managing SFW's credit exposure to financial institutions, AIIB applies the same rules and principles as in managing its own ordinary resources. The credit ratings of the financial institution counterparties are single A minus or higher.

The carrying amount of cash and cash equivalents presented on the Statement of Financial Position represents SFW's maximum exposure to credit risk as at Dec. 31, 2020.