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MEMORANDUM

TO: DOCUMENT CONTROL

FROM: Paul M. Dudek, Chief
Office of International Corporate Finance
Division of Corporation Finance

RE: INTERNATIONAL BANK RECORD DATA

FORM TYPE: ADB

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6 June 2006

Condensed Quarterly Financial Statements

1. Attached for the consideration of the Board are Management's Discussion and Analysis and Condensed Quarterly Financial Statements as of 31 March 2006.
2. In the absence of any request for discussion and in the absence of a sufficient number of abstentions or objections (which should be communicated to The Secretary by the close of business on 27 June 2006), the Condensed Quarterly Financial Statements will be deemed to have been approved, to be so recorded in the minutes of a subsequent meeting of the Board. Any notified abstentions or objections will also be recorded in the minutes.

For Inquiries: P. Y. Chiu, Controller's Department
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The attached document has a restricted distribution until it has been approved by the Board of Directors. Following such approval, the document will be available to the public.

**Management's Discussion & Analysis
and
Condensed Quarterly Financial Statements**

31 March 2006
(Unaudited)

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Management's Discussion and Analysis

1. Overview

The Asian Development Bank (ADB) is an international development finance institution whose vision is an Asia and Pacific region free of poverty. In pursuing its objectives, ADB provides different forms of financial assistance to its developing member countries (DMCs). The main instruments are loans, technical assistance, grants, guarantees, and equity investments, which are met through various funding resources. Such funding resources are ADB's ordinary capital resources (OCR) and Special Funds resources to fund operations solely under ADB's administration; and various trust funds, which are externally funded and administered by ADB on behalf of donors. The Charter requires that each funding resource be kept separate from the other. These trust funds are not included in the quarterly financial statements and in this management's discussion and analysis.

2. Ordinary capital resources

ADB's OCR come from three distinct sources: borrowings from capital markets; paid-in capital provided by shareholders; and accumulated retained income (reserves), which provides a buffer for risk arising from its operations.

2.1. Basis of financial reporting

Statutory reporting. ADB prepares its financial statements in accordance with generally accepted accounting principles applied in the United States. Effective 1 January 2001, ADB complied with Financial Accounting Standard (FAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," along with its related amendments (collectively referred to as "FAS 133"). FAS 133 allows hedge accounting only if qualifying criteria are met. An assessment of those criteria indicated that most of ADB's derivative transactions are highly effective in hedging the underlying transactions and are appropriate for reducing funding costs. However, applying FAS 133 hedge criteria would not entirely reflect ADB's risk management and hedging strategies. ADB elected not to adopt hedge accounting and reports all derivative instruments in the balance sheet at fair value while recognizing changes in the fair value of derivative instruments in the period as part of net income.

ADB early adopted the provisions of FAS 155 "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140", which allow fair valuing any hybrid financial instruments that contain embedded derivatives requiring bifurcation under the FAS 133. Hence, certain structured notes of the borrowings portfolio are reported at fair value with changes in fair value reported in net income.

This document should be read in conjunction with ADB Annual Report issued for the year ended 31 December 2005. ADB undertakes no obligation to update any forward-looking statements made in such documents.

Supplemental Reporting. ADB manages its balance sheet by selectively using derivatives to minimize the interest rate and currency risks associated with its financial assets and liabilities. Derivative instruments are used to enhance asset/liability management of individual positions and overall portfolios and to reduce borrowing costs. As certain financial instruments (including all derivatives, hybrid financial instruments, and certain investments) are recorded at their fair value while loans, certain borrowings, and certain investments are recorded at carry value, applying FAS 133 does not fully reflect the overall economic value of ADB's financial position. Therefore, to better reflect ADB's financial position and risk management, two supplemental financial statements are included: current value and pre-FAS 133. Applications of consistent approach on these statements allow better analysis for management information and decision making.

Table 1 presents selected financial data on three bases: statutory basis, pre-FAS 133 basis, and current value basis.

Table 1: Selected Financial Data
In million of U.S. dollars except ratio

	Statutory Basis		
	31 March 2006	31 March 2005	31 December 2005
Net Income	39	(104)	109
Average Earning Assets	36,268	36,612	36,092
Annual Return on Average Earning Assets	1.08%	0.47%	0.30%
Return on Loans	4.82%	4.14%	4.35%
Return on Investments	4.06%	2.45%	2.96%
Cost of Borrowings	4.85%	4.42%	5.04%
Equity-to-Loan Ratio	49.31%	51.71%	49.36%
	Pre-FAS 133 Basis		
	31 March 2006	31 March 2005	31 December 2005
Net Income	118	91	416
Average Earning Assets	36,201	36,574	36,076
Annual Return on Average Earning Assets	1.30%	1.00%	1.15%
Return on Loans	4.80%	4.14%	4.35%
Return on Investments	3.51%	2.49%	2.99%
Cost of Borrowings	4.22%	3.58%	3.75%
Equity-to-Loan Ratio	49.28%	51.40%	49.48%
	Current Value Basis		
	31 March 2006	31 March 2005	31 December 2005
Net Income	(61)	(115)	94
Average Earning Assets	37,658	38,480	37,948
Annual Return on Average Earning Assets	0.76%	0.39%	0.23%
Return on Loans	3.08%	1.63%	(1.18)%
Return on Investments	3.37%	0.76%	(1.11)%
Cost of Borrowings	3.23%	1.45%	(1.34)%
Equity-to-Loan Ratio	49.92%	51.28%	49.72%

2.2. Discussion and analysis of current value

The Condensed Current Value Balance Sheets in Table 2 present ADB's estimates of the economic value of its financial assets and liabilities, taking into consideration the changes in interest rates, exchange rates, and credit risks. Table 3 shows the Condensed Current Value Income Statements reconciled from the reported basis for the period ended 31 March 2006. For financial instruments with no market quotations, current value is estimated by discounting the expected cash flow streams applying the appropriate interest and exchange rates. The current value results may differ from the actual net realizable value in the event of liquidation. The reversal of the FAS 133 effects remove its impact, as these effects are part of the current value adjustments. Table 4 provides a further detail and analysis of the current value adjustments.

Table 2: Condensed Current Value Balance Sheets at 31 March 2006 and 31 December 2005
In thousands of U.S. dollars

	31 March 2006				31 December 2005	
	Statutory Basis	Reversal of FAS 133	Pre-FAS 133 Basis	Current Value Adjustments	Current Value Basis	Current Value Basis
Due from banks	\$ 90,913	\$ -	\$ 90,913	\$ -	\$ 90,913	\$ 81,662
Investments and accrued income	11,802,346	-	11,802,346	-	11,802,346	11,212,091
Securities transferred under securities lending arrangement	2,926,245	-	2,926,245	-	2,926,245	2,770,965
Securities purchased under resale arrangement	636,094	-	636,094	-	636,094	1,118,748
Loans outstanding and accrued interest	23,985,847	(729)	23,985,118	830,579	24,815,697	25,037,712
Less: Provision for loan losses and unamortized front end fee	(84,178)	-	(84,178)	-	(84,178)	(90,541)
Equity investment	398,562	-	398,562	-	398,562	404,975
Receivable from members	175,330	-	175,330	(70,837)	104,493	101,012
Receivable from swaps						
Borrowings	10,228,387	357,638	10,586,025	(357,638)	10,228,387	9,733,074
Others	1,609,045	(18,136)	1,590,909	18,136	1,609,045	1,582,337
Other assets	809,723	-	809,723	-	809,723	576,212
TOTAL	\$52,578,314	\$ 338,773	\$52,917,087	\$ 420,240	\$53,337,327	\$52,528,247
Borrowings and accrued interest	\$24,840,510	\$ 244,660	\$25,085,170	\$ (246,486)	\$24,838,684	\$24,960,951
Payable for swaps						
Borrowings	10,157,804	16,410	10,174,214	(16,410)	10,157,804	9,354,776
Others	1,514,968	86,380	1,601,348	(86,380)	1,514,968	1,586,604
Payable under securities lending arrangement	2,969,007	-	2,969,007	-	2,969,007	2,795,081
Accounts payable and other liabilities	751,592	-	751,592	-	751,592	677,147
Total Liabilities	40,233,881	347,450	40,581,331	(349,276)	40,232,055	39,374,559
Paid-in capital	3,476,545	-	3,476,545	-	3,476,545	3,449,154
Net notional maintenance of value receivable	(595,708)	-	(595,708)	-	(595,708)	(586,105)
Ordinary reserve	8,951,829	-	8,951,829	882,858	9,834,687	9,840,250
Special reserve	194,673	-	194,673	-	194,673	193,629
Loan loss reserve	167,000	-	167,000	-	167,000	167,000
Surplus	117	-	117	-	117	117
Cumulative revaluation adjustments account	225,596	(225,596)	-	-	-	-
Net income ¹ – 31 March 2006	37,938	78,911	116,849	(178,534)	(61,685)	-
Net income ¹ – 31 December 2005	212,902	198,575	411,477	(321,834)	89,643	89,643
Accumulated other comprehensive income	(326,459)	(60,567)	(387,026)	387,026	-	-
Total Equity	12,344,433	(8,677)	12,335,756	769,516	13,105,272	13,153,688
TOTAL	\$52,578,314	\$ 338,773	\$52,917,087	\$ 420,240	\$53,337,327	\$52,528,247

¹ Net income after appropriation of guarantee fees to Special Reserve.

Table 3: Condensed Current Value Income Statements for the Periods Ended 31 March 2006 and 2005
In thousands of U.S. dollars

	31 March 2006				31 March 2005	
	Statutory Basis	Reversal of FAS-133 Effects	Pre-FAS 133 Basis	Current Value Adjustments	Current Value Basis	Current Value Basis
REVENUE						
From loans	\$ 287,826	\$ -	\$ 287,826	\$ -	\$ 287,826	\$ 248,178
From investments	114,527	-	114,527	-	114,527	78,460
From guarantees	1,044	-	1,044	-	1,044	944
From other sources – net	11,263	-	11,263	-	11,263	439
Total Revenue	414,660	-	414,660	-	414,660	328,021
EXPENSES						
Borrowings and related expenses	261,332	-	261,332	-	261,332	212,491
Administrative expenses	34,050	-	34,050	-	34,050	27,026
Technical assistance to member countries	(166)	-	(166)	-	(166)	(927)
Provision for losses	(1,565)	-	(1,565)	1,565	-	-
Other expenses	428	-	428	-	428	794
Total Expenses	294,079	-	294,079	1,565	295,644	239,384
Net realized (losses) gains	(2,688)	-	(2,688)	-	(2,688)	324
Net unrealized losses ^a	(78,911)	78,911	-	-	0	-
Current value adjustments ^b	-	-	-	(178,534)	(178,534)	(206,053)
Provision for losses	-	-	-	1,565	1,565	2,382
NET INCOME (LOSS)	\$ 38,982	\$ 78,911	\$ 117,893	\$ (178,534)	\$ (60,641)	\$ (114,710)

0 Less than \$1,000.

^a The net unrealized losses incorporate the effect of FAS 133 adjustments and translation adjustments of holdings in non-functional currencies.

^b Current value adjustments include the effect of FAS 133 adjustments.

Table 4: Summary of Current Value Adjustments
In thousands of U.S. Dollars

	Balance Sheet Effects as of 31 March 2006					Income Statement Effects Year to Date	
	Loans After Swaps	Investments	Borrowings After Swaps	Other Assets	Less Prior Year Effects ^a	31 March 2006	31 March 2005
Total Current Value Adjustments on Balance Sheet	\$828,493	\$106,601	\$(94,742)	\$(70,837)	\$(827,858)	\$ (58,343)	\$ (84,587)
Unrealized Losses on Investments ^b						(109,170) ^c	(34,086) ^c
Accumulated Translation Adjustments						(11,021) ^d	(87,380)
Total Current Value Adjustments						<u>\$ (178,534)</u>	<u>\$ (206,053)</u>

^a Prior Year Effects include cumulative current value adjustments on all financial instruments made in the prior years.

^b Relates to unrealized gains(losses) of investments and equity investments classified as available for sale.

^c These have been moved from the other comprehensive income under the statutory basis and included as part of current value adjustments for current value reporting.

^d Relates to the translation adjustments for the period, net of current translation effects from FAS 133 reversals.

Current Value Balance Sheets

Loans and related swaps. Most loans are made to or guaranteed by ADB members. ADB does not sell its loans believing that there is no comparable market for them. The current value of loans incorporates management's best estimate of expected cash flows including interest. Estimated cash flows from principal repayments and interest are discounted by the applicable market yield curves for ADB's funding cost plus lending spread.

The current value also includes ADB's appropriate credit risk assessment. To recognize the inherent risks in these and other potential overdue payments, the value of the loans is adjusted through loan loss provisioning. ADB has never suffered a loss on public sector loans except opportunity losses resulting from the difference between payments for interest and charges not in accordance with the loans' contractual terms.

The positive current value adjustment of \$0.8 billion indicates that the average interest on loans on after swap basis are higher than ADB would currently originate on similar loans.

Investments and related swaps. Under both the reported and current value bases, investment securities and related derivatives are reported at fair values based on market quotations when available. Otherwise, the current value is calculated using market-based valuation models incorporating observable market data. The net positive adjustment of \$106.6 million resulted from unrealized gains on asset swaps due to increasing interest rates in certain markets.

Equity investments. Under both statutory and current value basis, equity investments are reported (i) at fair value when market values are readily determinable, (ii) by applying equity method for investments in limited partnership and certain limited liability companies, or for investments where ADB has the ability to exercise significant influence, or (iii) at cost less impairment, which represents a fair approximation of the current value.

Receivable from members. These consist of unrestricted and maybe restricted promissory notes. The current value is based on the cash flow of the projected encashment of the promissory notes discounted using appropriate interest rates.

Borrowings after swaps. The current value of these liabilities includes the fair value of the borrowings and associated financial derivative instruments. The current value of these liabilities is calculated using market-based valuation models incorporating observable market data.

The \$94.7 million unfavorable current value adjustments is due to the fact that the average cost of the borrowings on an after swap basis is higher than the market rate at which ADB can currently obtain new funding.

Current Value Income Statements

For the first quarter of 2006, net loss was \$60.6 million under the current value basis compared with pre-FAS 133 net income of \$117.9 million (see *Table 3*). The difference of \$178.5 million represents current value adjustments comprising of \$58.3 million unrealized losses on all outstanding financial instruments, \$11.0 million unfavorable translation adjustments, and \$109.2 million net unrealized gains on investments classified as available for sales (see *Table 4*).

The \$178.5 million unfavorable current value adjustment for the three months ended 31 March 2006 (\$206.1 million – 2005) represents the change in the current value of all ADB's financial instruments from 31 December 2005 to 31 March 2006. The adjustment reflects changes in both interest rates and currency exchange rates. Unfavorable adjustment is mainly due to rise in interest rates, which resulted in reducing the current value of outstanding loans and resulted to the net unrealized losses on investments classified as available for sales.

2.3. Risk Bearing Capacity

In February 2004, the Board of Directors approved the income planning framework that established the equity to loan ratio (ELR) as the key measure of ADB's risk bearing capacity. On the same date, the Board of Directors also approved the full waiver of 1% front-end fees for loans approved from 1 January 2004 to 30 June 2005 and waiver of 20 basis point lending spread on public sector loan charges for the period. Subsequently, the Board of Directors approved the continuation of the waivers through June 2007.

Equity-to-loan ratio. For ELR, ADB's equity capital is defined as the sum of useable paid-in capital, the ordinary reserve, the special reserve and surplus. The ELR measures the adequacy of equity capital to absorb unexpected losses in its public sector loan and guarantee portfolios and the ability to generate adequate net income to absorb loss of loan income as a result of a major nonaccrual event and at the same time match the growth in loan and guarantee portfolio. ADB has established a target ELR of 35%. At 31 March 2006, ELR was 49.3% under the pre-FAS 133 basis (49.5% - 31 December 2005).

Loan Loss Provision and Loan Loss Reserve (LLR). ADB provides LLR as part of its equity for public sector loans and guarantees portfolio using credit risk model to estimate expected losses. In addition, loan loss provision for public and private sector loans that are impaired are set up and charged to profit and loss. Hence, both expected and unexpected losses are addressed through adequate ELR, LLR, and loan loss provisions.

2.4. Capital and Resources

To ensure adequate risk-bearing capacity, ADB reviews its income outlook annually. Based on that review, the Board of Governors approves the allocation of OCR Surplus and previous year's actual net income to reserves to ensure that the level is commensurate with the income planning framework. In addition, to the extent feasible, it allocates part of the net income to support development activities in its DMCs.

In February 2003, the Board of Directors reviewed ADB's lending and borrowing limitations and approved the following policies to take effect immediately: (i) gross outstanding borrowings are limited to no more than the sum of callable capital from non-borrowing members, paid-in capital, and reserves (including surplus), subject to the Charter limit of 100% of callable capital; (ii) outstanding loan commitments measured by the sum of outstanding disbursed and undisbursed loans, equity investments, and guarantees,¹ are limited to no more than the sum of the total callable paid-in capital and reserves (including surplus but excluding special reserve).

As of 31 March 2006, ADB's lending headroom available was \$19.5 billion (\$18.8 billion - 31 December 2005). The increase in the headroom was principally due to a \$0.4 billion increase in

¹ ADB's financial policies require that Political Risk Guarantee be charged against lending limitations at the nominal value of the guaranteed obligation, plus the interest that will accrue for the succeeding interest period and Partial Credit Guarantee at the present value of the guaranteed obligation.

lending authority resulting from favorable translation adjustments, and \$0.3 billion decrease in outstanding loans.

As of 31 March 2006, ADB's borrowing headroom available was \$15.8 billion (\$16.2 billion - 31 December 2005). The decrease in the headroom mainly resulted from \$0.6 billion increase in outstanding borrowings after swaps, offset by \$0.2 billion increase in borrowing authority due to favorable translation adjustments.

2.5. Summary of financial performance

For the three months ended 31 March 2006, net income before unrealized losses was \$117.9 million, compared with \$92.0 million for the same period in 2005. The increase of \$25.9 million was due to the following:

- \$32.9 million increase in investment income mainly resulting from higher yields earned by the portfolio;
- \$10.8 million increase in income from other sources primarily attributed to OCR's proportionate share of income earned for equity investments accounted using equity method and increase in dividends received; offset by
- \$9.4 million decrease in net loan income after borrowings and related expenses. This resulted primarily from (i) \$39.6 million increase in net loan income due to \$41.3 million increase in interest income and other charges and (ii) \$49.0 million increase in borrowings and related expenses due to increase in the borrowings portfolio and higher interest rates;
- \$7.0 million increase in administrative expenses attributed to increase in salary and benefit expenses.

Net unrealized losses of \$78.9 million as of 31 March 2006 (\$195.6 million as of 31 March 2005) incorporated \$78.7 million unfavorable FAS 133 adjustment and \$0.2 million translation adjustment associated with holdings in non-functional currencies. This decrease resulted to a net income of \$39.0 million as of 31 March 2006 compared to a net loss of \$103.6 million as of 31 March 2005. The unfavorable FAS 133 adjustment was primarily derived from borrowing related swaps due to the general increase in interest rates during the period. While these unrealized losses are economically offsetting the corresponding unrealized gains on the underlying borrowing transactions, the application of the FAS 133 accounting guidance does not fully capture this economic hedging relationship for a significant portion of the borrowings portfolio which does not qualify for fair value measurement allowed under FAS 155. (See Notes B and J.)

The decrease in unfavorable FAS 133 adjustments of \$116.9 million from 2005 resulted primarily from:

- \$117.8 million favorable effect of the change in accounting treatment for hybrid financial instruments and embedded derivatives;
- \$76.5 million and \$10.5 million increases in the value of investments related swaps and loans related swaps, respectively, and \$4.7 million gains for FX Forward transactions; offset by
- \$92.6 million unfavorable changes in the fair value of borrowings related swap portfolio.

3. Special Funds

In addition to OCR, ADB administers Special Funds consisting of the Asian Development Fund (ADF); the Technical Assistance Special Fund (TASF); the Japan Special Fund (JSF); including the Asian Currency Crisis Support Facility (ACCSF); the ADB Institute Special Fund (ADBISF); Asian Tsunami Fund (ATF); and Pakistan Earthquake Fund (PEF). Financial statements for each fund are prepared in accordance with generally accepted accounting principles, except for the ADF, which are special purpose financial statements prepared in accordance with ADF Regulations.

3.1 Asian Development Fund

The ADF is ADB's concessional lending window from which loans are provided to DMCs with low per capita gross national product and limited debt repayment capacity. As of 31 March 2006, the governments of 30 donor members (regional and nonregional) have contributed to the ADF, which is the only multilateral source of concessional assistance dedicated exclusively to the needs of Asia and the Pacific.

Contributed Resources. Cumulative contributions committed inclusive of unamortized and amortized discount of contribution due to accelerated note encashment of \$22.3 million (\$21.9 million – 31 December 2005) amounted to \$27.6 billion (\$26.9 billion – 31 December 2005) as of 31 March 2006, of which contributions available for operational commitments were \$25.7 billion (\$25.1 billion – 31 December 2005). Contributions committed but not available as of 31 March 2006 were \$1.9 billion (\$1.8 billion – 31 December 2005) comprising of committed contributions that were not yet due and contributions that were tied to payment of qualified contributions. The balance of commitment authority available for operations at 31 March 2006 increased to \$1.3 billion (\$39.8 million – 31 December 2005).

As of 31 March 2006, Instruments of Contributions from 24 donors were accepted for the eighth replenishment of ADF (ADF IX), which became effective in April 2005. \$399.0 million inclusive of compensation for foregone interest, have been received and made available for operational commitments and recognized as contributed resources in 2006.

Review of Activities. During the period, 4 ADF loans totaling \$25.0 million were approved, compared with 2 approvals amounting to \$181.8 million in the same period last year. Disbursements for the period totaled \$227.3 million, an increase of 52.5% from \$149.1 million for the same period in 2005.

As of 31 March 2006, 28 public sector loans to Myanmar were in arrears and remained in nonaccrual status. The principal amount outstanding of loans placed in nonaccrual status was \$463.2 million (\$461.3 million – 31 December 2005) of which \$158.6 million (\$150.3 million – 31 December 2005) was overdue.

Investment position. The ADF investment portfolio including securities purchased under resale arrangement amounted to \$6.1 billion as of 31 March 2006 (\$5.7 billion - 31 December 2005). About 56% of the portfolio was invested in time deposits and 44% in floating and fixed income securities. The annualized rate of return on ADF investments was 3.6% as of 31 March 2006 (3.3% - 31 March 2005).

3.2 Technical Assistance Special Fund

Review of activities. Technical assistance is accounted for on a commitment basis. As of 31 March 2006, total TASF resources amounted to \$1,301.7 million. Of this, \$1,071.7 million had been committed, leaving an uncommitted balance of \$230.0 million. During the period, 50 technical assistance grants totaling \$33.8 million became effective while an amount of \$3.2 million corresponding to financially completed and cancelled TA projects was written back as a reduction in technical assistance for the period.

Contributions received for the period comprised \$41.9 million from 3 donors as part of the third regularized replenishment of TASF and direct and voluntary contributions from India (\$50,000). The third regularized replenishment became effective in April 2005 concurrently with ADF IX.

Investment position. As of 31 March 2006, TASF investment portfolio amounted to \$254.0 million (\$254.2 million - 31 December 2005). Revenue from investments increased to \$2.3 million in 2006 from \$1.5 million in the first quarter of 2005 due to increase in average volume of investments and average yield.

3.3 Japan Special Fund

Review of activities. The technical assistance grants funded by JSF continued to support ADB's overarching goal to reduce poverty. In March 2006, Japan contributed 2.9 billion yen (\$24.5 million equivalent) as a regular contribution to the JSF. During the first quarter of the year, 16 technical assistance grants for the JSF totaling \$20.2 million became effective while an amount of \$1.0 million corresponding to financially completed and cancelled TA projects was written back as a reduction in technical assistance for the period. The uncommitted balance after taking into account contributions, revenues, net TA grants, and administrative and financial expenses was \$154.1 million as of 31 March 2006 (\$146.9 million - 31 December 2005).

Investment position. The JSF investment portfolio amounted to \$224.5 million as of 31 March 2006 (\$206.6 million - 31 December 2005). Investment income increased to \$2.2 million in 2006 from \$1.2 million in the first quarter of 2005 due to the increase in the average yield of time deposits

3.3.1 Asian Currency Crisis Support Facility (ACCSF)

Review of Activities. The ACCSF was established in March 1999 for a 3-year period as an independent component of the JSF and was terminated on 22 March 2002. Subject to the Government of Japan's instruction, the remaining funds of \$31.4 million as of 31 March 2006 will be retained in the ACCSF until the completion of related TA disbursements and administrative matters.

3.4 ADB Institute Special Fund (ADBISF)

The costs for operating the ADB Institute are met from ADBISF, which is administered by ADB in accordance with the Statute of ADB Institute. As of 31 March 2006, the balance of net current assets excluding property, furniture, and equipment available for future projects and programs of ADB Institute was about \$14.2 million.

3.5. Asian Tsunami Fund (ATF)

The Board of Directors approved the establishment of ATF in February 2005 in order to effectively channel resources from ADB and other contributors to DMCs requiring urgent assistance due to the effects of the tsunami on 26 December 2004.

Review of Activities. As of 31 March 2006, total ATF resources amounted to \$584.4 million. Of this, \$572.4 million has been committed, leaving an uncommitted balance of \$12.0 million. Grants for technical assistance and investment projects are accounted for on a commitment basis.

3.6. Pakistan Earthquake Fund (PEF)

The Pakistan Earthquake Fund was established in November 2005 in response to the special needs of Pakistan subsequent to the effects of an earthquake on October 2005. As of 31 March 2006, total PEF resources amounted to \$86.2 million. During the period, one grant amounting to \$80 million became effective, for which an advance payment totaling \$65.0 million was disbursed, leaving an uncommitted balance of \$6.2 million.

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES
 CONDENSED BALANCE SHEET
 31 March 2006 and 31 December 2005
 Expressed in Thousands of United States Dollars (Note B)

	31 March (Unaudited)		31 December	
ASSETS				
DUE FROM BANKS		\$ 90,913		\$ 81,662
INVESTMENTS (Note C)		11,700,797		11,112,757
SECURITIES TRANSFERRED UNDER SECURITIES LENDING ARRANGEMENT (Notes C and D)		2,926,245		2,770,965
SECURITIES PURCHASED UNDER RESALE ARRANGEMENT (Notes C and D)		636,094		1,118,748
LOANS OUTSTANDING (Notes E, F and G) (Including FAS 133 adjustment of \$729 - 31 March 2006, \$757 - 31 December 2005, net of provision for loan losses of \$77,923 - 31 March 2006, \$79,464 - 31 December 2005, and unamortized front-end fee of \$6,254 - 31 March 2006, \$11,077 - 31 December 2005)		23,578,874		23,478,789
EQUITY INVESTMENTS (Note H)		398,562		404,975
ACCRUED INCOME		424,344		338,862
RECEIVABLE FROM MEMBERS		175,330		173,004
RECEIVABLE FROM SWAPS (Notes G and J)				
Borrowings	\$10,228,387		\$ 9,733,074	
Others	1,609,045	11,837,432	1,582,337	11,315,411
OTHER ASSETS				
Property, Furniture, and Equipment	162,637		163,586	
Investment related receivables	463,810		244,718	
Miscellaneous (Note I)	183,276	809,723	167,908	576,212
TOTAL		\$ 52,578,314		\$ 51,371,385
LIABILITIES, CAPITAL, AND RESERVES				
BORROWINGS (Notes G and J)				
At amortized cost	\$22,446,430		\$24,398,499	
At fair value	2,112,322	\$ 24,558,752	-	\$ 24,398,499
ACCRUED INTEREST ON BORROWINGS		281,758		262,138
PAYABLE FOR SWAPS (Notes G and J)				
Borrowings	10,157,804		9,354,776	
Others	1,514,968	11,672,772	1,586,604	10,941,380
PAYABLE UNDER SECURITIES LENDING ARRANGEMENT (Note D)		2,969,007		2,795,081
ACCOUNTS PAYABLE AND OTHER LIABILITIES				
Investment related payables	387,801		345,535	
Undisbursed technical assistance commitments	8,306		9,731	
Miscellaneous (Notes F and I)	355,485	751,592	321,881	677,147
Total liabilities		40,233,881		39,074,245
CAPITAL AND RESERVES (OCR - 4)				
Capital Stock (Note K)				
Subscribed (SDR35,097,280,000 - 31 March 2006, SDR35,097,280,000 - 31 December 2005)		50,561,843		50,163,489
Less - "callable" shares subscribed		47,005,644		46,635,308
"Paid-in" shares subscribed		3,556,199		3,528,181
Less - subscription installments not due		11,067		10,980
Subscription installments matured		3,545,132		3,517,201
Less - capital transferred to the Asian Development Fund		68,587		68,047
		3,476,545		3,449,154
Net notional amounts required to maintain value of currency holdings		(595,708)		(586,105)
Ordinary Reserve		8,951,829		8,957,392
Special Reserve		194,673		193,629
Loan Loss Reserve		167,000		167,000
Surplus		117		117
Cumulative revaluation adjustments account (Notes B and K)		225,596		234,833
Net income after appropriation				
For the calendar year 2005	105,202		105,202	
2005 Effect of FAS 155 (Note B)	107,700	212,902		105,202
For the three months ended 31 March 2006 (OCR-2)		37,938		-
Accumulated other comprehensive income (OCR-4 and Note B)		(326,459)		(224,082)
Total Capital and Reserves		12,344,433		12,297,140
TOTAL		\$ 52,578,314		\$ 51,371,385

The accompanying notes are an integral part of these financial statements (OCR-5).

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES
CONDENSED STATEMENT OF INCOME AND EXPENSES
For the Three-Month Periods Ended 31 March 2006 and 2005
Expressed in Thousands of United States Dollars (Note B)

	2006 (Unaudited)	2005 (Unaudited)
REVENUE (Note L)		
From loans (Note E)	\$ 287,826	\$ 248,178
From investments (Note C)	114,527	78,460
From guarantees	1,044	944
From other sources - net	11,263	439
TOTAL REVENUE	414,660	328,021
EXPENSES (Note L)		
Borrowings and related expenses (Note J)	261,332	211,831
Administrative expenses	34,050	27,026
Technical assistance to member countries	(166)	(927)
Provision for losses (Note E)	(1,565)	1,514
Other expenses	428	794
TOTAL EXPENSES	294,079	240,238
NET REALIZED (LOSSES) GAINS		
From investments (Note C)	(3,502)	(306)
From equity investments	338	4,503
From borrowings	456	18
Others	20	5
	(2,688)	4,220
NET UNREALIZED LOSSES (Notes J and L)	(78,911)	(195,636)
NET INCOME (LOSS)	\$ 38,982	\$ (103,633)

The accompanying notes are an integral part of these financial statements (OCR-5).

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES
 CONDENSED STATEMENT OF CASH FLOWS
 For the Three-Month Periods Ended 31 March 2006 and 2005
 Expressed in Thousands of United States Dollars (Note B)

	2006 <u>(Unaudited)</u>	2005 <u>(Unaudited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and other charges on loans received	\$ 196,483	\$ 204,713
Interest on investments received	84,969	69,538
Interest received for securities under resale arrangement	1,924	959
Interest and other financial expenses paid	(182,504)	(108,196)
Administrative expenses paid	(29,500)	(35,403)
Technical assistance disbursed	(1,050)	(1,869)
Others - net	6,274	8,902
Net Cash Provided By Operating Activities	<u>76,596</u>	<u>138,644</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments	(838,582)	(1,529,989)
Net receipts from (payments for) securities under resale arrangement	485,958	(32,922)
Principal collected on loans	352,512	1,404,136
Loans disbursed	(407,788)	(466,564)
Others	(3,037)	(4,110)
Net Cash Used in Investing Activities	<u>(410,937)</u>	<u>(629,449)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds of new borrowings	2,213,951	546,318
Borrowings redeemed	(1,863,986)	(47,969)
Issuance expenses paid	(6,754)	(8,087)
Net swaps	(569)	8,844
Payments from members	1,746	1,394
Net Cash Provided by Financing Activities	<u>344,388</u>	<u>500,500</u>
Effect of Exchange Rate Changes on Due from Banks	<u>(796)</u>	<u>(213)</u>
Net Increase in Due from Banks	9,251	9,482
Due from Banks at Beginning of Period	<u>81,662</u>	<u>76,405</u>
Due from Banks at End of Period	<u>\$ 90,913</u>	<u>\$ 85,887</u>

The accompanying notes are an integral part of these financial statements (OCR-5).

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES
 CONDENSED STATEMENT OF CHANGES IN CAPITAL AND RESERVES
 For the Three-Month Periods Ended 31 March 2006 and 2005
 Expressed in Thousands of United States Dollars (Note B)

	2006 (Unaudited)		2005 (Unaudited)	
Balance, 1 January				
Before cumulative effect of FAS 155 adjustments		\$ 12,297,140		\$ 13,266,777
Cumulative effect of FAS 155 to:				
2005 Net Income	\$ 107,700			
Cumulative Revaluation Adjustment Account	(9,237)			
Accumulated Other Comprehensive Income	20,108	118,571		
Adjusted balance, 1 January		12,415,711		13,266,777
Comprehensive income for the period:				
Net income (loss) for the period (OCR-2)	38,982		\$ (103,633)	
Other comprehensive income for the period	(122,485)	(83,503)	(124,736)	(228,369)
Change in SDR values		27,391		(89,087)
Change in Ordinary Reserve		(5,563)		15,119
Notional MOV		(9,603)		11,805
Allocation to ATF				(312,000)
Balance at end of period		\$ 12,344,433		\$ 12,664,245

Accumulated Other Comprehensive Income
 For the Three-Month Periods Ended 31 March 2006 and 2005
 Expressed in Thousands of United States Dollars (Note B)

	FAS 133 Adjustments and Amortizations (Unaudited)		Accumulated Translation Adjustments (Unaudited)		Unrealized Investment Holding Gain (Loss) (Unaudited)		Minimum Pension Liability Adjustment (Unaudited)		Accumulated Other Comprehensive Income (Unaudited)	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Balance, 1 January	\$ (2,566)	\$ (6,442)	\$ (246,682)	\$ (20,326)	\$ 30,097	\$ 14,272	\$ (4,931)	\$ (10,426)	\$ (224,082)	\$ (22,922)
Cumulative Effect of FAS 155	-	-	20,108	-	-	-	-	-	20,108	-
Adjusted balance, 1 January	(2,566)	(6,442)	(226,574)	(20,326)	30,097	14,272	(4,931)	(10,426)	(203,974)	(22,922)
Amortization	510	1,122	-	-	-	-	-	-	510	1,122
Other comprehensive income for the period	-	-	(13,825)	(91,772)	(109,170)	(34,086)	-	-	(122,995)	(125,858)
Balance, 31 March	\$ (2,056)	\$ (5,320)	\$ (240,399)	\$ (112,098)	\$ (79,073)	\$ (19,814)	\$ (4,931)	\$ (10,426)	\$ (326,459)	\$ (147,658)

The accompanying notes are an integral part of these financial statements (OCR-5).

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES
NOTES TO CONDENSED FINANCIAL STATEMENTS
For the Three-Month Periods Ended 31 March 2006 and 2005
(Unaudited)

NOTE A - INTERIM FINANCIAL INFORMATION

These unaudited condensed interim financial statements should be read in conjunction with the 31 December 2005 financial statements and the notes included therein. In the opinion of the Management, all material adjustments necessary for a fair statement of the results of operations for the three-month periods ended 31 March 2006 and 2005 have been included. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The currencies of all members are functional currencies as these are the currencies of the primary economic environments in which ADB generates and expends cash. The reporting currency is the United States dollar, and the financial statements are expressed in thousands of current United States dollars.

The preparation of the financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the end of the period and the reported amounts of revenues and expenses during the period. The actual results could differ from those estimates.

In February 2006, the Financial Accounting Standards Board issued FAS 155, "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140." ADB has decided to early adopt the provisions that allow to report at fair value any hybrid financial instrument that contains embedded derivatives that would otherwise be bifurcated under FAS 133.

ADB issues structured debt to lower its cost of borrowings, which are generally fully hedged through derivative transactions. However, this hedging relationship is not fully captured in the financial statements because under FAS 133 the derivative transactions are required to be measured at fair value while only the embedded derivatives in the structured debt are reported at fair value. This asymmetric treatment of the fair value measurement has caused undue volatility in net income.

Under FAS 155, the entire structured debts and corresponding derivatives are reported at fair value with changes in fair value recognized in net income, and would fully capture the economic hedging relationship.

ADB adopted FAS 155 effective 1 January 2006, and its cumulative effects are reported as increase in Reserves by \$118,571,000, comprising of gross gains and losses of \$126,276,000 and \$7,705,000, respectively.

Certain reclassifications of prior year's information have been made to conform to the current year's presentation.

NOTE C - INVESTMENTS

All investment securities and negotiable certificate of deposits held as of 31 March 2006 and 31 December 2005 other than derivative instruments are considered "Available for Sale" and are reported at estimated fair value, which represents their fair market value. Time deposits are reported at cost. Unrealized gains and losses are reported in "CAPITAL AND RESERVES" as part of "Accumulated other comprehensive income." Realized gains and losses are measured by the difference between amortized cost and the net proceeds of sales. With respect to futures, realized gains or losses are recognized in income based on daily settlement of the net cash margin.

Interest on investment securities and time deposits are recognized as realized and reported net of amortizations of premium and discounts.

The estimated fair value of the investments by contractual maturity as of 31 March 2006 and 31 December 2005 are as follows:

	<u>31 March 2006</u>	<u>31 December 2005</u>
Due in one year or less	\$ 6,149,207,000	\$ 4,930,902,000
Due after one year through five years	3,428,874,000	3,987,196,000
Due after five years through ten years	<u>2,122,716,000</u>	<u>2,194,659,000</u>
Total	<u>\$11,700,797,000</u>	<u>\$11,112,757,000</u>

NOTE D - SECURITIES TRANSFERRED UNDER LENDING ARRANGEMENT AND SECURITIES PURCHASED UNDER RESALE ARRANGEMENT

ADB accounts for transfers of financial assets in accordance with FAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a replacement of FAS 125." In general, transfers are accounted for as sales when control over the transferred assets has been relinquished. Otherwise, the transfers are accounted for as repurchase/resale agreements and collateralized financing arrangements. Securities transferred under securities lending arrangements are recorded as assets and reported at estimated fair value and the cash collateral received recorded as a liability. Securities received under resale arrangements are neither recorded on ADB's balance sheet nor repledged under securities lending arrangements. ADB monitors the fair value of the securities received

under resale arrangements, and if necessary, requires additional collateral.

NOTE E - LOANS

As of 31 March 2006 and 31 December 2005, outstanding loans to borrowers that exceeded 5% of total loans are as follows:

<u>Borrower/Guarantor</u>	<u>31 March 2006</u>	<u>31 December 2005</u>
Indonesia	\$ 8,287,726,000	\$ 8,365,416,000
China, People's Republic of	5,683,692,000	5,552,543,000
India	3,140,183,000	3,111,471,000
Philippines	2,629,894,000	2,676,084,000
Pakistan	1,833,793,000	1,834,274,000
Others (individually less than 5% of total loans)	<u>2,087,763,000</u>	<u>2,029,542,000</u>
Total loans	\$23,663,051,000	\$23,569,330,000
Provision for loan losses	(77,923,000)	(79,464,000)
Unamortized front-end fee	<u>(6,254,000)</u>	<u>(11,077,000)</u>
Net loans outstanding	<u>\$23,578,874,000</u>	<u>\$23,478,789,000</u>

Loans outstanding as of 31 March 2006 include loans to the private sector amounting to \$564,622,000 (\$557,818,000 - 31 December 2005).

The undisbursed balance of approved loans as of 31 March 2006 was \$15,021,327,000 (\$15,501,833,000 - 31 December 2005). This included an undisbursed balance of approved private sector loans amounting to \$567,035,000 (\$778,989,000 - 31 December 2005). Of the undisbursed balance, ADB has made irrevocable commitments to disburse various amounts totaling \$197,947,000 (\$205,674,000 - 31 December 2005).

Waivers of Lending Spread and Front-End Fee

In 2004, the Board of Directors approved the waiver of 20 basis points of the lending spread on public sector loans outstanding from 1 July 2004 - 30 June 2005 for borrowers that do not have loans in arrears and the waiver of the entire 1% front-end fee on all new public sector loans approved during 1 January 2004 to 30 June 2005 (waiver of 50 basis points of front-end fee on public sector loans approved in 2003). Subsequently, the policy was extended to cover the period up to June 2007. Front-end fees waived during the period totaled \$8,482,000 (\$9,054,000 - 2005). Lending spread waiver reduced the loan income by \$11,000,000 at 31 March 2006 (\$11,000,000 - 2005).

Overdue Amounts

One public sector loan to Nauru remained in nonaccrual status as of 31 March 2006 (one to Nauru - 31 December 2005). The principal outstanding of this loan as of 31 March 2006 was \$2,300,000

(\$2,300,000 - 31 December 2005), of which \$596,000 (\$596,000 - 31 December 2005) was overdue.

Ten private sector loans were in nonaccrual status as of 31 March 2006 (ten - 31 December 2005). The principal amount outstanding as of 31 March 2006 was \$49,162,000 (\$49,162,000 - 31 December 2005), of which \$40,585,000 (\$40,585,000 - 31 December 2005) was overdue.

Provision for Loan Losses

The changes in the provision for loan losses during the first quarter of 2006 and 2005 are as follows:

	31 March 2006			31 March 2005		
	Public Sector	Private Sector	Total	Public Sector	Private Sector	Total
Balance 1 January	\$2,300,000	\$77,164,000	\$79,464,000	\$2,300,000	\$82,004,000	\$84,304,000
Provision during the Period	-	-	-	-	1,514,000	1,514,000
Provision written Back	-	(1,565,000)	(1,565,000)	-	-	-
Translation adjustments	-	24,000	24,000	-	(236,000)	(236,000)
Balance 31 March	<u>\$2,300,000</u>	<u>\$75,623,000</u>	<u>\$77,923,000</u>	<u>\$2,300,000</u>	<u>\$83,282,000</u>	<u>\$85,582,000</u>

NOTE F - GUARANTEES

ADB extends guarantees to public sector and private sector borrowers. Such guarantees include (i) partial credit guarantees where only certain principal and/or interest payments are covered; and (ii) political risk guarantees, which provide coverage against well-defined sovereign risks. While counterguarantees from the host government are required for all public sector guarantees, guarantees for private sector projects may be provided with or without a host government counterguarantee. A counterguarantee takes the form of a member government agreement to indemnify ADB for any payments it makes under the guarantee. In the event that a guarantee is called, ADB has the contractual right to require payment from the government, on demand, or as ADB may otherwise direct.

Guaranteed payments under partial credit guarantees are generally due ten or more years from the loan inception date. ADB's political risk guarantee is callable when a guaranteed event has occurred and such an event has resulted in debt service default to the guaranteed lender.

The committed and outstanding amount of these guarantee obligations as of 31 March 2006 and 31 December 2005 covered:

	31 March 2006		31 December 2005	
	Committed Amount	Outstanding Amount	Committed Amount	Outstanding Amount
Partial Credit Guarantees				
with counter guarantee	\$1,026,909,000	\$1,004,117,000	\$1,024,030,000	\$1,006,123,000
without counter guarantee	5,225,000	4,935,000	5,502,000	5,219,000
	<u>1,032,134,000</u>	<u>1,009,052,000</u>	<u>\$1,029,532,000</u>	<u>\$1,011,342,000</u>
Political Risk Guarantees				
with counter guarantee	146,155,000	114,242,000	145,558,000	113,237,000
without counter guarantee	101,223,000	76,996,000	100,858,000	66,098,000
	<u>247,378,000</u>	<u>191,238,000</u>	<u>246,416,000</u>	<u>179,335,000</u>
Others	950,000	950,000	950,000	950,000
	<u>\$1,280,462,000</u>	<u>\$1,201,240,000</u>	<u>\$1,276,898,000</u>	<u>\$1,191,627,000</u>

None of these amounts were subject to call as of 31 March 2006 (nil - December 2005). The committed amount represents the maximum potential amount of undiscounted future payment that ADB could be required to make, inclusive of stand-by portion for which ADB is committed but not currently at risk. The outstanding amount represents the guaranteed amount utilized under the related loans, which have been disbursed as of the end of a reporting period, exclusive of the stand-by portion. ADB estimates that the present value of guarantees outstanding at 31 March 2006 was \$768,585,000 (\$755,306,000 - 31 December 2005).

As of 31 March 2006, a total liability of \$15,298,000 (\$15,839,000 - 31 December 2005) relating to stand-by ready obligation for one partial credit risk guarantee and three political risk guarantees has been included in "Miscellaneous liabilities" on the balance sheet.

NOTE G - DERIVATIVE INSTRUMENTS

ADB uses derivative instruments for asset/liability management of individual positions and portfolios, as well as for the reduction of transaction costs. In applying FAS 133 for purposes of financial statement reporting, ADB has elected not to define any qualifying hedging relationships. Rather, all derivative instruments, as defined by FAS 133, have been marked to fair value, and all changes in the fair value have been recognized in net income. ADB has elected not to define any qualifying hedging relationships, not because economic hedges do not exist, but rather because the application of FAS 133 hedging criteria does not make fully evident ADB's risk management strategies.

The initial application of FAS 133 gave rise to a transition adjustment in 2001, part of which was reported in other comprehensive income and part directly to income. The allocation between net income and other comprehensive income was based upon the economic hedging relationships that existed before the initial application of this statement.

Included in Receivable/Payable from Swaps-Others are interest rate and currency swaps that ADB has entered into for the purpose of hedging specific investments and loans.

ADB entered into investments related swap transactions with total notional amount of \$2,087,111,000 as of 31 March 2006 (\$2,087,111,000 - 31 December 2005).

ADB entered into currency and interest rate swaps, amounting to \$7,013,000 and \$9,504,000 as at 31 March 2006, respectively (\$10,804,000 and \$17,284,000 - 31 December 2005) to better align the composition of outstanding loans with funding sources and assist borrower's financial management.

NOTE H - EQUITY INVESTMENTS

Investments in equity securities which are considered as "Available for Sale" are reported at estimated fair value.

Investments in equity securities without readily determinable fair values are reported at cost less impairment. Equity securities with readily determinable market values are reported at market value, with unrealized gains and losses excluded from net income and reported in "CAPITAL AND RESERVES" as part of "Accumulated other comprehensive income." ADB applies equity method of accounting to \$95,539,000 investments in limited partnership and limited liability corporations.

NOTE I - OTHER ASSETS AND LIABILITIES - MISCELLANEOUS

Included in miscellaneous assets and miscellaneous liabilities are receivables from/payables to special funds and trust funds resulting from administrative arrangements and operating activities:

	<u>31 March 2006</u>	<u>31 December 2005</u>
<u>Amounts Receivable from:</u>		
Asian Development Fund	\$46,950,000	\$32,064,000
Technical Assistance Special Fund	53,000	-
Japan Special Fund	130,000	109,000
Asian Tsunami Fund	18,000	-
Asian Development Bank Institute Special Fund	174,000	177,000
Staff Retirement Plan	180,000	584,000
Agency Trust Funds (net)	<u>964,000</u>	<u>-</u>
Total	<u>\$48,469,000</u>	<u>\$32,934,000</u>
<u>Amounts Payable to:</u>		
Technical Assistance Special Fund	\$ -	\$ 24,000
Agency Trust Funds (net)	<u>-</u>	<u>328,000</u>
Total	<u>\$ -</u>	<u>\$ 352,000</u>

NOTE J - BORROWINGS

Borrowings are generally reported on the balance sheet at their carrying book value adjusted for any unamortized discounts or premium. As part of its borrowing strategy, ADB issues structured debt, which includes embedded derivatives in order to decrease its cost of borrowing. ADB simultaneously enters into currency and/or interest rate swaps to fully hedge the structured debt.

Upon the adoption of FAS 155 on 1 January 2006, ADB no longer bifurcates the embedded derivatives in the structured debt portfolio that meet the bifurcation criteria under FAS 133. Instead, ADB reports at fair value any structured debt that contains embedded derivatives that would otherwise be bifurcated under FAS 133, and changes in fair value reported in net income.

The weighted average cost of borrowings outstanding as of 31 March 2006 after adjustment for currency and interest rate swap activities, was 4.85% (4.42% - 2005).

NOTE K - CAPITAL AND RESERVES

The authorized capital stock of ADB as of 31 March 2006 consists of 3,509,728 (3,509,728 - 31 December 2005) shares amounting to SDR35,097,280,000 (SDR35,097,280,000 - 31 December 2005) all of which have been subscribed. Of the subscribed shares 3,262,876 (3,262,876 - 31 December 2005) shares are "callable" and 246,852 (246,852 - 31 December 2005) shares are "paid-in". The "callable" share capital is subject to call only when required to meet the obligations of ADB on borrowings of funds for inclusion in its ordinary capital resources or on guarantees chargeable to such resources. The "paid-in" share capital has been paid or is payable in installments.

As of 31 March 2006, the value of the SDR in terms of the United States dollar was \$1.44062 (\$1.42927 - 31 December 2005) giving a value for each share of ADB's capital equivalent to \$14,406.20 (\$14,292.70 - 31 December 2005).

ADB sets aside all unrealized gains and losses required under FAS 133 in the "Cumulative Revaluation Adjustment (CRA)" account. As of 31 March 2006, CRA amounted to \$225,596,000 (\$234,833,000 - 31 December 2005). The decrease of \$9,237,000 resulted from cumulative effect of adopting FAS 155 applicable to periods prior to 2005. The adjustments related to 2005 will be recorded in the second quarter of 2006.

NOTE L - INCOME AND EXPENSES

The average yield on the loan portfolio for the three-month period ended 31 March 2006 was 4.82% (4.14% - 2005) excluding premium received on prepayment and other loan income.

The annualized rate of return on the average investments held during the three-month period ended 31 March 2006 including securities transferred under securities lending and securities purchased under

resale arrangement, based on the portfolio held at the beginning and end of each month, was 4.06% (2.45% - 2005) excluding unrealized gains and losses on investments and 3.31% (2.12% - 2005) including unrealized gains and losses on investments.

Administrative expenses (other than those pertaining directly to ordinary operations and special operations) for the three-month period ended 31 March 2006 were apportioned between OCR and the ADF in the proportion of the relative volume of operational activities of each fund. Of the total administrative expenses for the three-month period ended 31 March 2006 of \$85,242,000 (\$73,062,000 - 2005), \$46,951,000 (\$38,822,000 - 2005) was accordingly charged to the ADF. The balance of administrative expenses after allocation was reduced by the deferred direct loan origination costs of \$4,241,000 (\$7,214,000 - 2005) related to new loan disbursements for the period ended 31 March 2006.

Following the approval by the Board of Directors in June 2003 of the resumption of direct net income allocation to TASF to finance technical assistance (TA) operations, no new TA commitments during the period were charged to OCR current income as "TECHNICAL ASSISTANCE TO MEMBER COUNTRIES". Accordingly, the write back in the amount of \$166,000 for the period represented net cancellations of the undisbursed amounts of completed TA projects committed in prior periods (\$927,000 - 2005).

For the three-month period ended 31 March 2006, provision for losses of \$1,565,000 was written back as a result of loan repayments for private sector loans. During the same period in 2005, provision of \$1,514,000 were made for private sector loans.

Other expenses of \$428,000 (\$794,000 - 2005) included non-borrowings related financial expenses such as fees paid to external asset managers and bank charges.

Net unrealized losses include unfavorable FAS 133 adjustment of \$78,668,000 and translation adjustments of \$243,000 associated with holdings in non-functional currencies. Unfavorable FAS 133 adjustment of \$78,668,000 (\$195,636,000 - 2005) was composed of:

	<u>31 March 2006</u>	<u>31 March 2005</u>
Unrealized (losses) gains on		
Hybrid financial instruments	\$ 50,746,000	\$ -
Embedded derivatives in		
structured borrowings	-	(66,418,000)
Borrowings related swaps	(208,610,000)	(116,070,000)
Investments related swaps	71,909,000	(4,574,000)
Loans related swaps	3,216,000	(7,343,000)
FX Forward	4,663,000	-
Amortization of the FAS 133		
transition adjustments	(592,000)	(1,231,000)
Total	<u>\$ (78,668,000)</u>	<u>\$ (195,636,000)</u>

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND
 CONDENSED SPECIAL PURPOSE STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 31 March 2006 and 31 December 2005
 Expressed in Thousands of United States Dollars (Note B)

<u>ASSETS</u>	<u>31 March</u> <u>(Unaudited)</u>	<u>31 December</u>
DUE FROM BANKS	\$ 37,553	\$ 21,557
INVESTMENTS (Note C)	6,047,609	5,533,180
SECURITIES TRANSFERRED UNDER SECURITIES LENDING ARRANGEMENT (Notes C and D)	392,565	225,683
SECURITIES PURCHASED UNDER RESALE ARRANGEMENT (Notes C and D)	55,958	182,048
LOANS OUTSTANDING (Note E)	20,499,014	20,238,051
ACCRUED REVENUE	120,894	86,161
DUE FROM CONTRIBUTORS	1,781,189	1,737,594
OTHER ASSETS		
Investment related receivables	\$ 220	\$ 215
Miscellaneous	4,252	3,950
	4,472	4,165
TOTAL	\$ 28,939,274	\$ 28,028,439
 <u>LIABILITIES AND FUND BALANCES</u>		
ACCOUNTS PAYABLE AND OTHER LIABILITIES		
Payable under securities lending arrangement (Note D)	\$ 399,263	\$ 229,134
Advance payments on contributions	87,497	99,040
Payable to related funds (Note F)	67,729	36,778
Undisbursed grant commitments (Note I)	189,640	24,000
Miscellaneous	101,087	34,079
Total Liabilities	845,216	423,031
FUND BALANCES		
Amounts available for operational commitments		
Contributed Resources (Note G)	\$ 24,991,732	\$ 24,425,701
Unamortized discount	(21,362)	(21,234)
Set-aside Resources	24,970,370	24,404,467
Transfers from Ordinary Capital Resources and Technical Assistance Special Fund	68,587	68,047
	623,363	623,283
	25,662,320	25,095,797
Accumulated surplus	2,234,589	2,342,886
Accumulated other comprehensive income (ADF-4)	197,149	166,725
Total Fund Balance	28,094,058	27,605,408
TOTAL	\$ 28,939,274	\$ 28,028,439

The accompanying notes are an integral part of these condensed special purpose financial statements (ADF-5).

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND
CONDENSED SPECIAL PURPOSE STATEMENT OF REVENUE AND EXPENSES
For the Three-Month Periods Ended 31 March 2006 and 2005
Expressed in Thousands of United States Dollars (Note B)

	2006 <u>(Unaudited)</u>	2005 <u>(Unaudited)</u>
REVENUE		
From loans	\$ 49,925	\$ 52,216
From investments (Note C)	55,014	48,562
From other sources - net	<u>136</u>	<u>69</u>
TOTAL REVENUE	<u>105,075</u>	<u>100,847</u>
EXPENSES		
Administrative expenses (Note H)	46,951	38,822
Grants (Note I)	165,640	-
Amortization of discounts on contributions	303	-
Financial expenses	<u>8</u>	<u>8</u>
TOTAL EXPENSES	<u>212,902</u>	<u>38,830</u>
NET REALIZED (LOSSES) GAINS	<u>(470)</u>	<u>125</u>
REVENUE (LESS THAN) IN EXCESS OF EXPENSES	\$ (108,297)	\$ 62,142

The accompanying notes are an integral part of these condensed special purpose financial statements (ADF-5).

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND
CONDENSED SPECIAL PURPOSE STATEMENT OF CASH FLOWS
For the Three-Month Periods Ended 31 March 2006 and 2005
Expressed in Thousands of United States Dollars (Note B)

	2006 (Unaudited)	2005 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Service charges on loans received	\$ 38,941	\$ 38,007
Interest on investments received	57,316	58,830
Interest on resale arrangement received	243	24
Cash received from other sources	137	69
Administrative expenses paid	(32,065)	(24,995)
Financial expenses paid	(8)	(8)
Net Cash Provided by Operating Activities	<u>64,564</u>	<u>71,927</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments	(409,333)	(339,430)
Net receipts from (payments for) securities under resale arrangement	128,025	(7,348)
Principal collected on loans	116,889	97,831
Loans disbursed	(221,613)	(144,190)
Net Cash Used in Investing Activities	<u>(386,032)</u>	<u>(393,137)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions received and encashed	<u>336,183</u>	<u>315,517</u>
Effect of Exchange Rate Changes on Due from Banks	<u>1,281</u>	<u>(1,596)</u>
Net Increase (Decrease) in Due from Banks	15,996	(7,289)
Due from Banks at Beginning of Period	<u>21,557</u>	<u>8,701</u>
Due from Banks at End of Period	<u>\$ 37,553</u>	<u>\$ 1,412</u>

The accompanying notes are an integral part of these condensed special purpose financial statements (ADF-5).

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND
CONDENSED SPECIAL PURPOSE STATEMENT OF CHANGES IN FUND BALANCES
For the Three-Month Periods Ended 31 March 2006 and 2005
Expressed in Thousands of United States Dollars (Note B)

	2006 (Unaudited)	2005 (Unaudited)
Balance at beginning of period	\$ 27,605,408	\$ 29,571,195
Comprehensive income for the period:		
Net (loss) income for the period (ADF-2)	\$ (108,297)	\$ 62,142
Other comprehensive income for the period	30,424	(115,459)
Change in amount available for operational commitments from Contributed Resources	566,031	(480,255)
from Unamortized Discount for Accelerated Notes		
Encashment (ANE) of ADF IX	(128)	(6,497)
Change in SDR value of Set-Aside Resources	540	(1,762)
Change in value of transfers from OCR and TASF	80	(167)
Balance at end of period	\$ 28,094,058	\$ 29,029,197

Accumulated Other Comprehensive Income
For the Three-Month Periods Ended 31 March 2006 and 2005
Expressed in Thousands of United States Dollars (Note B)

	Accumulated Translation Adjustments (Unaudited)		Unrealized Investment Holding Gains (Losses) (Unaudited)		Accumulated Other Comprehensive Income (Unaudited)	
	2006	2005	2006	2005	2006	2005
Balance, 1 January	\$ 170,155	\$ 484,739	\$ (3,430)	\$ 4,175	\$ 166,725	\$ 488,914
Other comprehensive income for the period	32,431	(110,278)	(2,007)	(5,181)	30,424	(115,459)
Balance, 31 March	\$ 202,586	\$ 374,461	\$ (5,437)	\$ (1,006)	\$ 197,149	\$ 373,455

The accompanying notes are an integral part of these condensed special purpose financial statements (ADF-5).

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT FUND
NOTES TO CONDENSED SPECIAL PURPOSE FINANCIAL STATEMENTS
For the Three-Month Periods Ended 31 March 2006 and 2005
(Unaudited)

NOTE A - INTERIM FINANCIAL INFORMATION

These unaudited condensed interim financial statements should be read in conjunction with the 31 December 2005 financial statements and the notes included therein. In the opinion of Management, all material adjustments necessary for a fair statement of the results of operations for the three-month periods ended 31 March 2006 and 2005 have been included. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

The eighth replenishment of the Asian Development Fund (ADF IX) became effective on April 2005. Under the Resolution ADB is authorized to provide grants for projects and programs of high developmental priority to be financed out of contributions under ADF IX.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In May 2001, the Board of Directors approved the adoption of the special purpose financial statements for ADF. Due to the nature and organization of ADF, these financial statements have been prepared for the specific purpose of reflecting the sources and applications of member contributions and are presented at US dollar equivalents at reporting date. With the adoption of the special purpose financial statements, loan loss provisioning has been eliminated. With the exception of the aforementioned, the ADF financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

In November 2005, to improve ADF currency management practices, the Board of Governors adopted a resolution to a full-fledged SDR approach to facilitate resource administration and operational planning to benefit borrowers and to bring the ADF in line with the currency practices of the soft lending facilities of other multilateral development banks. The currency management framework was implemented 1 January 2006 whereby ADB is authorized to convert ADF resources held in various currencies into the currencies which constitute the SDR, to value disbursements, repayments and loan charges in terms of SDR; and to determine the value of Contributors' paid-in contributions and all other resources of the Fund in terms of SDR in case of withdrawal of a Contributor or termination of ADF.

The new framework is expected to shift primary economic environment for ADB. Until the significant change becomes evident, the currencies of contributing members will continue to be the functional currencies as these have represented the currencies of the primary economic environments in which ADF generates and expends cash. The reporting

currency is the United States dollar, and the special purpose financial statements are expressed in thousands of current United States dollars.

Contributions and Contributed Resources

Once a replenishment becomes effective, contributions committed are recorded in full as Contributed Resources when the Instruments of Contribution are received. Contributions are generally paid in the currency of the contributor either in cash or promissory notes, which become due under agreed encashment periods.

Under ADF IX, contributors have the option to pay their contributions under accelerated note encashment (ANE) schedule and receive a discount. ADF invests the cash generated from this program and the investment income is used to finance operations. The related contributions are recorded at the full undiscounted amount, while the discount is amortized over the standard encashment period of 10 years.

Advanced Payments

Payments received for qualified contributions that are not yet available for operational commitment are recorded as advance payments and included under Liabilities.

NOTE C - INVESTMENTS

Investment securities and negotiable certificate of deposits held as of 31 March 2006 are classified as "Available for Sale" while those held as of 31 December 2005 were classified as "Held-to-Maturity" or "Available for Sale". Investments are classified as "Held-to-Maturity" when ADB has the intent to hold until maturity and are carried at amortized cost. Investments classified as "Available for Sale" are reported at estimated fair value, which represents their fair market value. Unrealized gains and losses are reported in "FUND BALANCES" as part of "Accumulated other comprehensive income." Realized gains and losses are measured by the difference between amortized cost and the net proceeds of sales. Time deposits are reported at cost.

In relation to the adoption of a full-fledged SDR approach, as discussed in Note B, the ANE investments which were classified as "Held-to-Maturity" had been reclassified to "Available for Sale" as the securities held in non-SDR currencies were and will have to be sold and replaced by investments in one of SDR currencies. A net loss of \$470,000 was realized from the conversion exercises during the first quarter of 2006. The net unrealized losses on the outstanding ANE portfolio amounted to \$587,000.

Interest on investment securities and time deposits are recognized as realized and reported net of amortizations of premium and discounts.

The estimated fair value of the investments by contractual maturity as of 31 March 2006 and 31 December 2005 are as follows:

	<u>31 March 2006</u>	<u>31 December 2005</u>
<i>Available-for-Sale Investments</i>		
Due in one year or less	\$ 5,720,715,000	\$ 1,958,801,000
Due after one year through five years	262,060,000	473,002,000
Due after five years through ten years	64,834,000	-
	<u>6,047,609,000</u>	<u>2,431,803,000</u>
<i>Held-to-Maturity Investments</i>		
Due in one year or less	-	3,041,607,000
Due after five years through ten years	-	59,770,000
	<u>-</u>	<u>3,101,377,000</u>
Total	<u>\$ 6,047,609,000</u>	<u>\$ 5,533,180,000</u>

The annualized rate of return on the average investments held during the three-month period ended 31 March 2006 including securities transferred under securities lending arrangement and securities purchased under resale arrangement, based on the portfolio held at the beginning and end of each month, excluding unrealized gains and losses on investments, was 3.66% (3.42% - 2005). If unrealized gains and losses were included, the annualized rate of return would have been 3.63% (3.33% - 2005).

NOTE D - SECURITIES TRANSFERRED UNDER SECURITIES LENDING ARRANGEMENT AND SECURITIES PURCHASED UNDER RESALE ARRANGEMENT

ADF accounts for transfers of financial assets in accordance with FAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a replacement of FAS 125." In general, transfers are accounted for as sales when control over the transferred assets has been relinquished. Otherwise, the transfers are accounted for as repurchase/resale agreements and collateralized financing arrangements. Securities transferred under securities lending arrangement are recorded as assets and reported at estimated fair value and the cash collateral received recorded as a liability. Securities received under resale arrangements are neither recorded on the balance sheet nor repledged under securities lending arrangements. ADB monitors the fair value of the securities received under resale arrangements, and if necessary requires additional collateral.

NOTE E - LOANS

As of 31 March 2006 and 31 December 2005, outstanding loans to borrowers that exceeded 5% of total loans were as follows:

<u>Borrower/Guarantor</u>	<u>31 March</u>	<u>31 December</u>
Bangladesh	\$ 4,768,081,000	\$ 4,733,276,000
Pakistan	4,709,108,000	4,645,163,000
Sri Lanka	2,181,796,000	2,153,417,000
Vietnam	1,822,838,000	1,792,887,000
Nepal	1,245,869,000	1,233,734,000
Others (individually less than 5% of total loans)	<u>5,771,322,000</u>	<u>5,679,574,000</u>
Total loans	<u>\$20,499,014,000</u>	<u>\$20,238,051,000</u>

The principal amount outstanding of public sector loans in nonaccrual status as of 31 March 2006 was \$463,237,000 (\$461,263,000 - 31 December 2005) of which \$158,561,000 (\$150,301,000 - 31 December 2005) was overdue.

No private sector loan was in nonaccrual status as of 31 March 2006 and 31 December 2005.

The undisbursed balance of approved loans as of 31 March 2006 was \$6,828,477,000 (\$7,037,127,000 - 31 December 2005).

NOTE F - PAYABLE TO RELATED FUNDS

Included in Payable to Related Funds is the net amount of \$46,950,000 payable to Ordinary Capital Resources (OCR) (\$32,064,000 - 31 December 2005), and \$20,779,000 (4,714,000 - 31 December 2005) payable to TASF.

The payable to OCR represents the amount of administration charge allocated to ADF pending settlement and the payable to TASF represents contributions allocated to TASF.

NOTE G - CONTRIBUTED RESOURCES

In April 2005, ADF IX became effective. As of 31 March 2006, Instruments of Contributions from 24 donors were received for ADF IX. Of these, contributions totaling \$928,800,000, including amortized discount of \$929,000 were received and recorded in "Contributed Resources".

NOTE H - ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE

Administrative expenses for the three-month period ended 31 March 2006, represents administration charge amounting to \$46,951,000 (\$38,822,000 - 2005). The charge represents an apportionment of all administrative expenses of ADB (other than those pertaining directly to ordinary operations and special operations) in the proportion of the relative volume of operational activities of OCR and ADF.

NOTE I - GRANTS AND UNDISBURSED COMMITMENTS

The ADF IX introduced financing in the form of grants for the first time. Grants are recognized in the financial statements when the related grant is approved and becomes effective. During the period, 2 grants amounting to \$28,000,000 were approved and grants amounting to \$165,640,000 became effective. Total Undisbursed grant commitments represent effective grants, which have not been disbursed.

ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND
 CONDENSED STATEMENT OF FINANCIAL POSITION
 31 March 2006 and 31 December 2005
 Expressed in Thousands of United States Dollars (Note B)

<u>ASSETS</u>	<u>31 March (Unaudited)</u>	<u>31 December</u>
DUE FROM BANKS	\$ 5,819	\$ 1,493
INVESTMENTS (Note C)	254,037	254,164
ACCRUED REVENUE	543	609
DUE FROM CONTRIBUTORS (Note F)	124,700	109,598
OTHER ASSETS (Note D)	28,408	12,658
TOTAL	\$ 413,307	\$ 378,522
 <u>LIABILITIES AND UNCOMMITTED BALANCES</u>		
ACCOUNTS PAYABLE AND OTHER LIABILITIES (Note D)	\$ 8,241	\$ 2,489
UNDISBURSED COMMITMENTS (Note E)	175,053	160,566
UNCOMMITTED BALANCES (TASF-2), represented by: Unrestricted net assets	230,013	215,467
TOTAL	\$ 413,307	\$ 378,522

The accompanying notes are an integral part of these financial statements (TASF-4).

ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND
CONDENSED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Three-Month Periods Ended 31 March 2006 and 2005
Expressed in Thousands of United States Dollars (Note B)

	2006 (Unaudited)	2005 (Unaudited)
CHANGES IN UNRESTRICTED NET ASSETS		
CONTRIBUTIONS (Note F)	\$ 41,951	\$ 22,490
REVENUE		
From investments (Note C)	2,269	1,516
From other sources		
Income from conversion of grants into loans	\$ -	\$ 569
Others	26	7
Total	<u>26</u>	<u>576</u>
Total	<u>44,246</u>	<u>24,582</u>
EXPENSES		
Technical assistance (Note E)	30,658	20,100
Financial expenses	1	4
Total	<u>30,659</u>	<u>20,104</u>
CONTRIBUTIONS AND REVENUE IN EXCESS OF EXPENSES	13,587	4,478
EXCHANGE GAINS (LOSSES)	<u>959</u>	<u>(2,421)</u>
INCREASE IN NET ASSETS	14,546	2,057
NET ASSETS AT BEGINNING OF PERIOD	215,467	99,185
NET ASSETS AT END OF PERIOD	\$ 230,013	\$ 101,242

The accompanying notes are an integral part of these financial statements (TASF-4).

ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND
CONDENSED STATEMENT OF CASH FLOWS
For the Three-Month Periods Ended 31 March 2006 and 2005
Expressed in Thousands of United States Dollars (Note B)

	<u>2006</u> <u>(Unaudited)</u>	<u>2005</u> <u>(Unaudited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Contributions received	\$ 10,631	\$ 332
Interest on investments received	2,361	1,692
Net cash (paid for) received from other activities	(1,503)	599
Technical assistance disbursed	(15,924)	(14,795)
Financial expenses paid	(1)	(4)
Net Cash Used in Operating Activities	<u>(4,436)</u>	<u>(12,176)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sales	<u>8,570</u>	<u>13,007</u>
Effect of Exchange Rate Changes on Due from Banks	<u>(8)</u>	<u>(27)</u>
Net Increase in Due from Banks	4,126	804
Due from Banks at Beginning of Period	<u>1,493</u>	<u>1,600</u>
Due from Banks at End of Period	<u>\$ 5,619</u>	<u>\$ 2,404</u>

The accompanying notes are an integral part of these financial statements (TASF-4).

ASIAN DEVELOPMENT BANK - TECHNICAL ASSISTANCE SPECIAL FUND
NOTES TO CONDENSED FINANCIAL STATEMENTS
For the Three-Month Periods Ended 31 March 2006 and 2005
(Unaudited)

NOTE A - INTERIM FINANCIAL INFORMATION

These unaudited condensed interim financial statements should be read in conjunction with the 31 December 2005 financial statements and the notes included therein. In the opinion of Management, all material adjustments necessary for a fair statement of the results of operations for the three-month periods ended 31 March 2006 and 2005 have been included. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

The eighth replenishment of the Asian Development Fund (ADF IX) and the third regularized replenishment of the Technical Assistance Special Fund (TASF) became effective in April 2005. Under the resolution, a specific portion of the contribution is to be allocated to TASF.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are expressed in thousands of current United States dollars. The United States dollar is the functional and reporting currency and is used to measure exchange gains and losses.

The financial statements are presented on the basis of those for not-for-profit organization. TASF reports contributed cash and other assets as unrestricted asset as these are made available without conditions other than for the purpose of pursuing the objectives of the TASF. The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and uncommitted balances as at the end of the period and the reported amounts of revenue and expenses during the period. The actual results could differ from those estimates.

NOTE C - INVESTMENTS

All investment securities held as of 31 March 2006 and 31 December 2005 are reported at estimated fair value, which represents their fair market value. Realized and unrealized gains and losses are included in revenue from investments. Time deposits are reported at cost.

The annualized rate of return on the average investments held during the three-month period ended 31 March 2006, based on the portfolio held at the beginning and end of each month, including unrealized gains and losses, was 3.62% (2.63% - 2005).

NOTE D - OTHER ASSETS AND LIABILITIES

Included in other assets and liabilities are the following interfund balances:

	<u>31 March</u>	<u>31 December</u>
Receivable from:		
OCR	\$ -	\$ 24,000
ADF	20,779,000	4,714,000
JSF	-	9,000
Agency Trust Funds - net	21,000	-
Total	<u>\$20,800,000</u>	<u>\$4,747,000</u>
Payable to:		
OCR	\$ 53,000	\$ -
Agency Trust Funds - net	-	78,000
Total	<u>\$ 53,000</u>	<u>\$ 78,000</u>

NOTE E - TECHNICAL ASSISTANCE AND UNDISBURSED COMMITMENTS

Technical assistance (TA) is recognized in the financial statements when the related project is approved and becomes effective. Upon completion of the TA project, any undisbursed amount is written back as a reduction in TA for the period and the corresponding undisbursed commitment is accordingly eliminated. During the three-month period ended 31 March 2006, a net amount of \$3,154,000 (\$2,382,000 - 2005) was written back as a reduction in TA. Total undisbursed commitments are denominated in United States dollars and represent effective TA for projects, which have not been disbursed.

NOTE F - CONTRIBUTIONS

With the effectivity of ADF IX and the third replenishment of TASF, contribution commitments from 24 donors totaling \$197,294,000 were allocated to TASF. Of this amount, \$124,630,000 was recorded as "Due from Contributors" which are payable throughout the replenishment period of four years in accordance with the encashment schedule. Contributions for the first quarter of 2006 included direct and voluntary contribution of India amounting to Rs 2.25 million (\$50,000 equivalent).

ASIAN DEVELOPMENT BANK - JAPAN SPECIAL FUND
 CONDENSED STATEMENT OF FINANCIAL POSITION
 31 March 2006 and 31 December 2005
 Expressed in Thousands of United States Dollars (Note B)

	31 March (Unaudited)			31 December		
	ACCSF	JSF Regular and Supplementary	Total	ACCSF	JSF Regular and Supplementary	Total
ASSETS						
DUE FROM BANKS	\$ 2,416	\$ 4,048	\$ 6,464	\$ 1,742	\$ 3,616	\$ 5,358
INVESTMENTS (Note C)	30,829	224,458	255,287	31,529	206,642	238,171
ACCRUED REVENUE	222	2,521	2,743	170	2,101	2,271
OTHER ASSETS (Note E)	28	1,885	1,913	60	1,706	1,766
TOTAL	\$ 33,495	\$ 232,912	\$ 266,407	\$ 33,501	\$ 214,065	\$ 247,566
LIABILITIES AND UNCOMMITTED BALANCES						
ACCOUNTS PAYABLE AND OTHER LIABILITIES (Note E)	\$ 86	\$ 165	\$ 251	\$ 149	\$ 197	\$ 346
UNDISBURSED COMMITMENTS						
Technical assistance (Note F)	2,021	78,677	80,698	2,566	66,993	69,559
NET ASSETS (JSF-2) (Note G), represented by:						
Uncommitted Balances						
Unrestricted	-	154,070	154,070	-	146,875	146,875
Temporarily restricted	27,151	-	27,151	26,895	-	26,895
	27,151	154,070	181,221	26,895	146,875	173,770
- Net Accumulated Investment Income						
Temporarily restricted	4,237	-	4,237	3,891	-	3,891
	31,388	154,070	185,458	30,786	146,875	177,661
TOTAL	\$ 33,495	\$ 232,912	\$ 266,407	\$ 33,501	\$ 214,065	\$ 247,566

The accompanying notes are an integral part of these financial statements (JSF-4).

ASIAN DEVELOPMENT BANK - JAPAN SPECIAL FUND
 CONDENSED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 For the Three-Month Periods Ended 31 March 2006 and 2005
 Expressed in Thousands of United States Dollars (Note B)

	2006 (Unaudited)			2005 (Unaudited)		
	ACCSF	JSF Regular and Supplementary		ACCSF	JSF Regular and Supplementary	
		Total	Total		Total	Total
CHANGES IN UNRESTRICTED NET ASSETS						
CONTRIBUTIONS	\$ -	\$ 24,513	\$ 24,513	\$ -	\$ 27,237	\$ 27,237
REVENUE FROM INVESTMENTS	-	2,237	2,237	-	1,181	1,181
REVENUE FROM OTHER SOURCES	-	49	49	-	18	18
NET ASSETS REVERTED BACK TO TEMPORARILY RESTRICTED ASSETS	(228)	-	(228)	-	-	-
Total	(228)	26,799	26,571	-	28,436	28,436
EXPENSES						
Technical assistance (Note F)	(233)	19,307	19,074	-	11,847	11,847
Administrative expenses	5	239	244	-	164	164
Total	(228)	19,546	19,318	-	12,011	12,011
CONTRIBUTIONS AND REVENUE IN EXCESS OF EXPENSES	-	7,253	7,253	-	16,425	16,425
EXCHANGE LOSSES	-	(58)	(58)	-	(761)	(761)
INCREASE IN UNRESTRICTED NET ASSETS	-	7,195	7,195	-	15,664	15,664
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS						
REVENUE FROM INVESTMENTS AND OTHER SOURCES	374	-	374	184	-	184
NET ASSETS REVERTED BACK TO TEMPORARILY RESTRICTED ASSETS	228	-	228	-	-	-
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	602	-	602	184	-	184
INCREASE IN NET ASSETS	602	7,195	7,797	184	15,664	15,848
NET ASSETS AT BEGINNING OF PERIOD	30,786	146,875	177,661	28,887	149,229	178,116
NET ASSETS AT END OF PERIOD	\$ 31,388	\$ 154,070	\$ 185,458	\$ 29,071	\$ 164,893	\$ 193,964

The accompanying notes are an integral part of these financial statements (JSF-4).

ASIAN DEVELOPMENT BANK - JAPAN SPECIAL FUND
 CONDENSED STATEMENT OF CASH FLOWS
 For the Three-Month Periods Ended 31 March 2006 and 2005
 Expressed in Thousands of United States Dollars (Note B)

	2006 (Unaudited)			2005 (Unaudited)		
	JSF			JSF		
	ACCSF	Regular and Supplementary	Total	ACCSF	Regular and Supplementary	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Contributions received	\$ -	\$ 24,513	\$ 24,513	\$ -	\$ 27,237	\$ 27,237
Interest on investments received	285	1,799	2,084	445	1,601	2,046
Technical assistance disbursed	(343)	(7,811)	(8,154)	(679)	(7,628)	(8,307)
Administrative expenses paid	(5)	(264)	(269)	-	(196)	(196)
Others - net	22	(6)	16	6	(753)	(747)
Net Cash (Used in) Provided by Operating Activities	(41)	18,231	18,190	(228)	20,261	20,033
CASH FLOWS FROM INVESTING ACTIVITIES						
Net sales (investments)	715	(17,799)	(17,084)	564	6,900	7,464
Net receipts from (payments for) securities under resale arrangement (Note D)	-	233	233	-	(469)	(469)
Net Cash Provided by (Used in) Investing Activities	715	(17,566)	(16,851)	564	6,431	6,995
Effect of Exchange Rate Changes on Due from Banks	-	(233)	(233)	-	469	469
Net Increase in Due from Banks	674	432	1,106	336	27,161	27,497
Due from Banks at Beginning of Period	1,742	3,616	5,358	327	1,017	1,344
Due from Banks at End of Period	\$ 2,416	\$ 4,048	\$ 6,464	\$ 663	\$ 28,178	\$ 28,841

The accompanying notes are an integral part of these financial statements (JSF-4).

ASIAN DEVELOPMENT BANK - JAPAN SPECIAL FUND
NOTES TO CONDENSED FINANCIAL STATEMENTS
For the Three-Month Periods Ended 31 March 2006 and 2005
(Unaudited)

NOTE A - INTERIM FINANCIAL INFORMATION

These unaudited condensed interim financial statements should be read in conjunction with the 31 December 2005 financial statements and the notes included therein. In the opinion of Management, all material adjustments necessary for a fair statement of the results of operations for the three-month periods ended 31 March 2006 and 2005 have been included. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

The Asian Currency Crisis Support Facility (ACCSF) was established in March 1999 for a three-year period as an independent component of the JSF. The facility was to assist Asian currency crisis-affected member countries through interest payment assistance (IPA), technical assistance (TA) grants and guarantees. With the general fulfillment of the purpose of the facility, Japan and ADB agreed to terminate the ACCSF on 22 March 2002. The ACCSF account is to be kept open until the completion of all TA disbursements and the settlement of all administrative expenses.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The United States dollar is the functional and reporting currency of Japan Special Fund (JSF), representing the currency of the primary economic operating environment of the Fund. The financial statements are expressed in thousands of current United States dollars.

The preparation of the financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the end of the period and the reported amounts of income and expenses during the period. The actual results could differ from those estimates.

NOTE C - INVESTMENTS

All investment securities held as of 31 March 2006 and 31 December 2005 are reported at estimated fair value, which represents their fair market value. Realized and unrealized gains and losses are included in revenue from investments. Time deposits are reported at cost.

The annualized rates of return on the average investments held under ACCSF and JSF funds during the three-month period ended 31 March 2006, based on the portfolio held at the beginning and end of each month, including unrealized gains and losses, were 4.44% and 4.21%, respectively (2.24% and 2.16% - 2005).

NOTE D - SECURITIES PURCHASED UNDER RESALE ARRANGEMENT

JSF accounts for transfer of financial assets in accordance with FAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a replacement of FAS 125." In general, transfers are accounted for as sale under FAS 140 when control over the transferred assets has been relinquished. Otherwise, the transfers are accounted for as repurchase/resale arrangements and collateralized financing arrangements. Securities purchased under resale arrangement are not recorded on JSF's balance sheet nor repledged under securities lending arrangements. ADB monitors the fair value of the securities received under resale arrangements, and if necessary, requires additional collateral.

NOTE E - OTHER ASSETS AND LIABILITIES

Included in other assets and liabilities are the following interfund balances:

	<u>31 March</u>	<u>31 December</u>
Amounts Receivable by JSF from:		
ACCSF	\$ 86,000	\$149,000
Agency Trust Funds - net	<u>210,000</u>	<u>-</u>
Total	<u>\$296,000</u>	<u>\$149,000</u>
Amounts Payable by:		
JSF to: Ordinary Capital Resources	\$130,000	\$109,000
TASF	-	9,000
Agency Trust Funds - net	<u>-</u>	<u>1,000</u>
Total	<u>\$130,000</u>	<u>\$119,000</u>
ACCSF to: JSF	<u>\$ 86,000</u>	<u>\$149,000</u>

NOTE F - TECHNICAL ASSISTANCE AND UNDISBURSED COMMITMENTS

Technical assistance is recognized in the financial statements when the related project is approved and becomes effective. Upon completion of the TA project, any undisbursed amount is written back as a reduction in TA for the period and the corresponding undisbursed commitment is eliminated, accordingly. During the three-month period ended 31 March 2006, an amount of \$1,256,000 (\$1,443,000 - 2005) was thus written back as a reduction in TA. \$233,000 (nil - 2005) of this amount corresponded to ACCSF. Total undisbursed commitments are denominated in United States dollars and represent effective TA for projects which have not been disbursed.

NOTE G - CONTRIBUTIONS AND TEMPORARILY RESTRICTED NET ASSETS

Contributions received for specific TA projects/programs are classified as temporarily restricted support. As of 31 March 2006, the remaining temporarily restricted uncommitted balance is that of ACCSF amounting to \$27,151,000 (\$26,895,000 - 31 December 2005).

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND
CONDENSED STATEMENT OF FINANCIAL POSITION

31 March 2006 and 31 December 2005

Expressed in Thousands of United States Dollars (Note B)

<u>ASSETS</u>	<u>31 March (Unaudited)</u>	<u>31 December</u>
DUE FROM BANKS	\$ 1,171	\$ 699
INVESTMENTS (Note C)	11,915	1,274
SECURITIES PURCHASED UNDER RESALE ARRANGEMENT (Note D)	2,046	15,464
PROPERTY, FURNITURE, AND EQUIPMENT	337	376
OTHER ASSETS	1,837	1,791
TOTAL	\$ 17,306	\$ 19,604
 <u>LIABILITIES AND UNCOMMITTED BALANCES</u>		
ACCOUNTS PAYABLE TO ORDINARY CAPITAL RESOURCES	\$ 174	\$ 177
ACCOUNTS PAYABLE AND OTHER LIABILITIES	2,624	2,588
UNCOMMITTED BALANCES (ADBISF-2)	14,508	16,839
TOTAL	\$ 17,306	\$ 19,604

The accompanying notes are an integral part of these financial statements (ADBISF-4).

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND
 CONDENSED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 For the Three-Month Periods Ended 31 March 2006 and 2005
 Expressed in Thousands of United States Dollars (Note B)

	2006 (Unaudited)	2005
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUE		
From other sources - net	\$ 2	\$ 1
EXPENSES		
Administrative expenses	\$ 1,758	\$ 2,162
Program expenses	535	325
	<u>2,293</u>	<u>2,487</u>
REVENUE LESS THAN EXPENSES	(2,291)	(2,486)
EXCHANGE LOSSES - NET	(116)	(31)
TRANSLATION ADJUSTMENTS	<u>76</u>	<u>(663)</u>
DECREASE IN UNRESTRICTED NET ASSETS AFTER TRANSLATION ADJUSTMENTS	(2,331)	(3,180)
NET ASSETS AT BEGINNING OF PERIOD	16,839	16,845
NET ASSETS AT END OF PERIOD	\$ 14,508	\$ 13,665

The accompanying notes are an integral part of these financial statements (ADBISF-4).

ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND
 CONDENSED STATEMENT OF CASH FLOWS
 For the Three-Month Periods Ended 31 March 2006 and 2005
 Expressed in Thousands of United States Dollars (Note B)

	2006 (Unaudited)	2005 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenses paid	\$ (2,125)	\$ (2,374)
Transfer to Japan Fund for Public Policy Training	-	(747)
Others - net	-	(37)
Net Cash Used in Operating Activities	<u>(2,125)</u>	<u>(3,158)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (investments) sales	(10,781)	2
Net securities sold under resale arrangement	13,482	2,762
Net Cash Provided by Investing Activities	<u>2,701</u>	<u>2,764</u>
Effect of Exchange Rate Changes on Due from Banks	<u>(104)</u>	<u>36</u>
Net Increase (Decrease) in Due from Banks	472	(358)
Due from Banks at Beginning of Period	<u>699</u>	<u>1,326</u>
Due from Banks at End of Period	<u>\$ 1,171</u>	<u>\$ 968</u>

The accompanying notes are an integral part of these financial statements (ADBISF-4).

**ASIAN DEVELOPMENT BANK - ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND
NOTES TO CONDENSED FINANCIAL STATEMENTS
For the Three-Month Periods Ended 31 March 2006 and 2005
(Unaudited)**

NOTE A - INTERIM FINANCIAL INFORMATION

These unaudited condensed interim financial statements should be read in conjunction with the 31 December 2005 financial statements and the notes included therein. In the opinion of Management, all material adjustments necessary for a fair statement of the results of operations for the three-month periods ended 31 March 2006 and 2005 have been included. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The currencies of contributing members are functional currencies. To date, only contributions from Japan have been received. The reporting currency is the United States dollar and the financial statements are expressed in thousands of current United States dollars.

The preparation of the financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the end of the period and the reported amounts of income and expenses during the period. The actual results could differ from those estimates.

NOTE C - INVESTMENTS

All investment securities held as of 31 March 2006 and 31 December 2005 are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value. Time deposits are reported at cost.

The annualized rate of return on the average investments held during the three-month period ended 31 March 2006 including receivable for securities purchased under resale arrangement, based on the portfolio held at the beginning and end of each month, including unrealized gains and losses, was 0.011% (0.002% - 2005).

NOTE D - SECURITIES PURCHASED UNDER RESALE ARRANGEMENT

ADBISF accounts for transfer of financial assets in accordance with FAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities - a replacement of FAS 125." In general, transfers are accounted for as sale under FAS 140 when control over the transferred assets has been relinquished. Otherwise, the transfers are accounted for as repurchase/resale arrangements and collateralized financing arrangements. Securities received under resale arrangement are not recorded on ADBISF's balance sheet nor repledged under securities lending arrangements. ADB monitors the fair value of the securities received under resale arrangements, and if necessary, requires additional collateral.

ASIAN DEVELOPMENT BANK - ASIAN TSUNAMI FUND
 CONDENSED STATEMENT OF FINANCIAL POSITION
 31 March 2006 and 31 December 2005
 Expressed in Thousands of United States Dollars (Note B)

<u>ASSETS</u>	<u>31 March (Unaudited)</u>	<u>31 December</u>
DUE FROM BANKS	\$ 448	\$ 553
INVESTMENTS (Note C)	513,755	513,338
ACCRUED INCOME	3,277	1,936
OTHER ASSETS (Note D)	43,602	43,036
TOTAL	\$ 561,082	\$ 558,863
 <u>LIABILITIES AND UNCOMMITTED BALANCES</u>		
ACCOUNTS PAYABLE AND OTHER LIABILITIES (Note D)	\$ 18	\$ 102
UNDISBURSED COMMITMENTS (Note E)	549,016	552,417
UNCOMMITTED BALANCES (ATF 2), represented by: Unrestricted net assets	12,048	6,344
TOTAL	\$ 561,082	\$ 558,863

The accompanying notes are an integral part of these financial statements (ATF-4).

ASIAN DEVELOPMENT BANK - ASIAN TSUNAMI FUND
CONDENSED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Three-Month Periods Ended 31 March 2006 and 2005
Expressed in Thousands of United States Dollars (Note B)

	2006 (Unaudited)	2005 (Unaudited)
CHANGES IN UNRESTRICTED NET ASSETS		
CONTRIBUTIONS (Note B)	\$ -	\$ 312,000
REVENUE		
From investments (Note C)	5,767	-
From other sources	5	-
Total	<u>5,772</u>	<u>312,000</u>
EXPENSES		
Administrative expenses	<u>68</u>	<u>-</u>
CONTRIBUTIONS AND REVENUE IN EXCESS OF EXPENSES	5,704	312,000
EXCHANGE GAINS - NET	<u>0</u>	<u>-</u>
INCREASE IN NET ASSETS	5,704	312,000
NET ASSETS AT BEGINNING OF PERIOD	6,344	-
NET ASSETS AT END OF PERIOD	\$ 12,048	\$ 312,000

0 Less than \$1 thousand.

The accompanying notes are an integral part of these financial statements (ATF-4).

ASIAN DEVELOPMENT BANK - ASIAN TSUNAMI FUND
CONDENSED STATEMENT OF CASH FLOWS
For the Three-Month Period Ended 31 March 2006¹
 Expressed in Thousands of United States Dollars (Note B)

	2006 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES	
Interest on investments received	\$ 4,426
Net cash paid for other activities	(363)
Grant disbursed	(3,599)
Administrative expenses paid	(152)
	<u>312</u>
<i>Net Cash Provided by Operating Activities</i>	<u>312</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net investments	(417)
	<u>(417)</u>
<i>Net Decrease in Due from Banks</i>	(105)
<i>Due from Banks at Beginning of Period</i>	<u>553</u>
<i>Due from Banks at End of Period</i>	<u>\$ 448</u>

¹ There were no cash movements during the the three-month period ended 31 March 2005.

The accompanying notes are an integral part of these financial statements (ATF-4).

ASIAN DEVELOPMENT BANK - ASIAN TSUNAMI FUND
NOTES TO CONDENSED FINANCIAL STATEMENTS
For the Three-Month Periods Ended 31 March 2006 and 2005
(Unaudited)

NOTE A - NATURE OF OPERATIONS AND INTERIM REPORT

The Asian Tsunami Fund (ATF) was established on 11 February 2005 in response to the special circumstances surrounding the developing member countries (DMCs) that were stricken by the effects of the tsunami on 26 December 2004. The purpose of the Fund is to provide emergency grant financing promptly and effectively to affected DMCs in the form of technical assistance and investment projects to support reconstruction, rehabilitation and associated development activities following the tsunami disaster.

ATF will serve as a dedicated source of grant financing to support priority rehabilitation and reconstruction needs on a multi-sector basis. Resources from the Fund will be available to central governments and other suitable entities including, non-governmental organizations.

ATF's resources may consist of allocations from ordinary capital resources (OCR) and contributions from bilateral, multilateral and transfer of individual sources.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional and Reporting Currency

The financial statements are expressed in thousands of current United States dollars. The United States dollar is the functional and reporting currency of the Fund, representing the currency of the primary economic operating environment.

The financial statements of ATF are presented on the basis of generally accepted accounting standards applied in the United States. The preparation of the financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and uncommitted balances at the end of the period and the reported amounts of revenue and expenses during the period. The actual results could differ from those estimates.

Contributions

Contributions are recognized as income from the date committed.

NOTE C - INVESTMENTS

All investments held as of 31 March 2006 are in time deposits denominated in United States dollar and reported at cost.

The annualized rate of return on the average investments held during the period ended 31 March 2006, based on the portfolio held at the beginning and end of each month, was 4.48%.

NOTE D - OTHER ASSETS AND OTHER LIABILITIES

Other assets of \$43,602,000 represent advances made on technical assistance grants of \$43,234,000 and an interfund receivable from Dutch Grant of \$368,000. Included in other liabilities is an interfund payable to OCR of \$18,000 (nil - 2005).

NOTE E - GRANTS AND UNDISBURSED COMMITMENTS

Grants are recognized in the financial statements when the related project is approved and becomes effective. Upon completion of the project, any undisbursed amount is written back as a reduction in grants for the period and the corresponding undisbursed commitment is accordingly eliminated. Total undisbursed commitments are denominated in United States dollars and represent effective grant for projects, which have not been disbursed.

ASIAN DEVELOPMENT BANK - PAKISTAN EARTHQUAKE FUND
 CONDENSED STATEMENT OF FINANCIAL POSITION
 31 March 2006 and 31 December 2005
 Expressed in Thousands of United States Dollars (Note B)

<u>ASSETS</u>	<u>31 March (Unaudited)</u>	<u>31 December</u>
DUE FROM BANKS	\$ 1,682	\$ 200
INVESTMENTS (Note C)	19,496	79,865
ACCRUED INCOME	21	105
OTHER ASSETS (Note D)	65,000	5,327
TOTAL	\$ 86,199	\$ 85,497
 <u>LIABILITIES AND UNCOMMITTED BALANCES</u>		
UNDISBURSED COMMITMENTS (Note E)	\$ 80,000	\$ -
UNCOMMITTED BALANCES (PEF-2), represented by: Unrestricted net assets	6,199	85,497
TOTAL	\$ 86,199	\$ 85,497

The accompanying notes are an integral part of these financial statements (PEF-4).

ASIAN DEVELOPMENT BANK - PAKISTAN EARTHQUAKE FUND
 CONDENSED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
 For the Three-Month Period Ended 31 March 2006
 Expressed in Thousands of United States Dollars (Note B)

	<u>31 March</u> <u>(Unaudited)</u>
CHANGES IN UNRESTRICTED NET ASSETS	
REVENUE FROM INVESTMENTS (Note C)	\$ 594
EXPENSES	
Grants (Note E)	\$ 80,000
Administrative expenses	<u>0</u> <u>80,000</u>
REVENUE LESS THAN EXPENSES	(79,406)
EXCHANGE GAINS	<u>108</u>
DECREASE IN NET ASSETS	(79,298)
NET ASSETS AT BEGINNING OF PERIOD	85,497
NET ASSETS AT END OF PERIOD	\$ 6,199

0 Less than \$1 thousand.

The accompanying notes are an integral part of these financial statements (PEF-4).

ASIAN DEVELOPMENT BANK - PAKISTAN EARTHQUAKE FUND
CONDENSED STATEMENT OF CASH FLOWS
For the Three-Month Period Ended 31 March 2006
Expressed in Thousands of United States Dollars (Note B)

	<u>2006</u> <u>(Unaudited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions received	\$ 5,435
Interest on investments received	677
Cash paid for other activities	0
Grant disbursed	<u>(65,000)</u>
Net Cash Used in Operating Activities	<u>(58,888)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net maturities	<u>60,370</u>
Net Increase in Due from Banks	1,482
Due from Banks at Beginning of Period	<u>200</u>
Due from Banks at End of Period	<u>\$ 1,682</u>

0 Less than \$1 thousand.

The accompanying notes are an integral part of these financial statements (PEF-4).

ASIAN DEVELOPMENT BANK - PAKISTAN EARTHQUAKE FUND
NOTES TO CONDENSED FINANCIAL STATEMENTS
For the Three-Month Period Ended 31 March 2006
(Unaudited)

NOTE A - NATURE OF OPERATIONS AND INTERIM REPORT

The Pakistan Earthquake Fund (PEF) was established on 14 November 2005 in response to the special circumstances confronted by Pakistan resulting from the effects of an earthquake on 8 October 2005. The objective of the PEF is to deliver emergency grant financing promptly and effectively to Pakistan for technical assistance and investment projects to support reconstruction, rehabilitation, and associated development activities.

PEF resources will be available to the Government of Pakistan and other suitable entities acceptable to the Government of Pakistan and ADB, including, where appropriate, non-government organizations.

PEF's resources may consist of contributions from ADB and other contributions from bilateral, multilateral, and other sources.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Functional and Reporting Currency

The financial statements are expressed in thousands of current United States dollars. The United States dollar is the functional and reporting currency of the Fund, representing the currency of the primary economic operating environment.

The financial statements of the PEF are presented on the basis of generally accepted accounting standards applied in the United States. The preparation of the financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and uncommitted balances as at the end of the period and the reported amounts of revenue and expenses during the period. The actual results could differ from those estimates.

Contributions

Contributions are recognized as income from the date committed.

NOTE C - INVESTMENTS

All investments held are in time deposits denominated in United States dollar and are reported at cost.

The annualized rate of return on the average investments held during the period ended 31 March 2006, based on the portfolio held at the beginning and end of each month, was 5.31%.

NOTE D - OTHER ASSETS

Other assets of \$65,000,000 as of 31 March 2006 represent advances made on technical assistance grants and \$5,327,000 as of 31 December 2005 represent due from contributors.

NOTE E - GRANTS AND UNDISBURSED COMMITMENTS

Grants are recognized in the financial statements when the related project is approved and becomes effective. Upon completion of the project, any undisbursed amount is written back as a reduction in grants for the period and the corresponding undisbursed commitment is accordingly eliminated. Total undisbursed commitments are denominated in United States dollars and represent effective grant for projects, which have not been disbursed.