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OFFICE OF INTERNATIONAL  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
100 F Street, N.E.  
Washington, D.C. 20549

REPORT OF  
ASIAN DEVELOPMENT BANK

In respect of the issue of the ADB's BRL100,000,000  
8.00 per cent. Notes due 7 December 2012  
payable in United States dollars

Filed pursuant to Rule 3 of Regulation AD  
Dated: September 28, 2010

The following information is filed pursuant to Rule 3 of Regulation AD in respect of the issue of BRL100,000,000 principal amount of 8.00 per cent. Notes due 7 December 2012 payable in United States dollars (the “Notes”) of the Asian Development Bank (the “ADB”) under its Global Medium-Term Note Program (the “Program”).

Item 1.        Description of Obligations

The terms and conditions of the Notes are set forth in the Prospectus to the ADB’s Global Medium-Term Note Program dated July 20, 2005 (the “Prospectus”), which was previously filed under a report of the ADB dated July 20, 2005, and in the Pricing Supplement relating to the Notes dated September 24, 2010 (the “Pricing Supplement”), which was previously filed under a report of the ADB dated September 24, 2010. Certain other information about the ADB is provided in the form of an Information Statement, the latest version of which, dated April 28, 2010, was filed under a report of the ADB dated April 28, 2010.

The global agent of the ADB with respect to the Notes is Citibank, N.A., 21st Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

Item 2.        Distribution of Obligations

See the Prospectus, pages 58 to 60 and the Pricing Supplement.

As of September 24, 2010, the ADB entered into a Terms Agreement, which was previously filed under a report of the ADB dated September 24, 2010, with The Toronto-Dominion Bank (the “Manager”), pursuant to which the ADB has agreed to issue, and the Manager has agreed to purchase, a principal amount of the Notes

aggregating BRL100,000,000 for an issue price of 100.725 per cent. of the principal amount less a management and underwriting fee of 0.15 per cent. of the principal amount and a selling concession of 0.975 per cent. of the principal amount, translated into U.S. dollars at the USD/BRL exchange rate of 1.710.

The Notes will be offered for sale subject to issuance and acceptance by the Manager and subject to prior sale. It is expected that the delivery of the Notes will be made on or about September 28, 2010.

The Manager proposes to offer all the Notes to the public at the public offering price of 100.725%.

Item 3. Distribution Spread

See the Pricing Supplement, pages 3 and 8 and the Terms Agreement.

	<u>Price to the Public</u>	<u>Commissions and Concessions</u>	<u>Proceeds to ADB</u>
Per Unit	100.725%	1.125%	99.600%
Total in BRL	BRL100,725,000.00	BRL1,125,000.00	BRL99,600,000.00
Total in U.S.\$	U.S.\$58,903,508.77	U.S.\$657,894.73	U.S.\$58,245,614.04

Item 4. Discounts and Commissions to Sub-Underwriters and Dealers

See Item 3.

Item 5. Other Expenses of Distribution

<u>Item</u>	<u>Amount</u>
Legal Fees.....	\$7,000*
Listing Fees (Luxembourg).....	\$ 5,000*

\*Asterisks indicate that expenses itemized above are estimates.

Item 6. Application of Proceeds

See the Prospectus, page 5.

Item 7. Exhibits

- (a) (i) Prospectus to the Global-Medium Term Note Program dated July 20, 2005, previously filed under a report of the ADB dated July 20, 2005.
- (ii) Standard Provisions relating to the issuance of Notes by the ADB under the Program dated as of May 17, 2004, previously filed under a report of the ADB dated October 15, 2004.
- (b) Copy of an opinion of counsel as to the legality of the Notes.
- (c) Terms Agreement dated September 24, 2010, previously filed under a report of the ADB dated September 24, 2010.
- (d) (i) Information Statement dated April 28, 2010, previously filed under a report of the ADB dated April 28, 2010.
- (ii) Pricing Supplement dated September 24, 2010, previously filed under a report of the ADB dated September 24, 2010.



**ADB**

Asian Development Bank

28 September 2010

The Toronto-Dominion Bank (the "Dealer")  
60 Threadneedle Street  
London EC2R 8AP  
United Kingdom



Ladies and Gentlemen,

**ASIAN DEVELOPMENT BANK**

Series No.: 571-00-1

**BRL100,000,000 8.00 per cent. Notes due 7 December 2012**

**payable in United States dollars (the "Notes")**

**Issued Under the Global Medium-Term Note Program (the "Program")**

I have participated in the proceedings of the Asian Development Bank ("ADB") to authorize the issue and sale of the captioned Notes issued under the Program. In that connection, I have examined, among other things, the following:

(a) the Agreement Establishing the Asian Development Bank (the "Charter") and the By-Laws of ADB;

(b) a letter dated 12 November 1997 from the Bank of England to the Treasurer of ADB, confirming that the Government of the United Kingdom has given all approvals required from such Government pursuant to Article 21 of the Charter for the purposes of the Notes;

(c) a letter dated 26 June 2001 from the Department of the Treasury of the United States to the Treasurer of ADB, confirming that the Government of the United States of America has given all approvals required from such Government pursuant to Article 21 of the Charter for the purposes of the Notes;

(d) the resolution adopted by the Board of Directors of ADB on 10 December 2009 (the "Resolution"), authorizing the issue and sale of the Notes pursuant to various determinations of the President, a Vice President or the Treasurer of ADB;

(e) the memorandum of the Deputy Treasurer and Officer-in-Charge, Treasury Department of ADB dated 24 September 2010 setting forth his determinations as required under the Resolution for the issue and sale of the Notes;

- (f) the Borrowing Regulation of ADB dated 9 December 2008;
- (g) the Terms Agreement between ADB and the Dealer dated 24 September 2010 (the "Terms Agreement") relating to the issue and sale of the Notes; and
- (h) the Pricing Supplement dated 24 September 2010 (the "Pricing Supplement") relating to the issue and sale of the Notes.

Based on my examination and review of the documents described above and such other documents and matters as are in my judgment necessary for the purposes of this opinion, I am of the opinion that:

(A) ADB has obtained all governmental approvals required pursuant to the Charter in connection with the offering, issue and sale of the Notes.

(B) The creation, issue, sale and delivery of the Notes have been duly authorized. When the Notes have been duly issued and delivered in book-entry form, or duly executed, authenticated, issued and delivered with respect to Notes in definitive form, and have been paid for in accordance with the Terms Agreement (which Terms Agreement shall have been duly authorized, executed and delivered by the Dealer), the Notes will constitute valid, binding and enforceable obligations of ADB in accordance with their terms.

(C) The Terms Agreement and the Pricing Supplement have each been duly authorized, executed and delivered by ADB and each constitutes a valid, binding and enforceable agreement of ADB.

This opinion is limited to matters of public international law, including without limitation the Charter, the By-Laws of ADB, the Rules of Procedure of the Board of Governors of ADB and the Rules of Procedure of the Board of Directors of ADB. No opinion is expressed herein, or should be deemed to be implied hereby, in respect of the laws of any national jurisdiction. To the extent that any opinion is expressed herein as to the validity and binding effect of any agreement or instrument executed by ADB which by its terms is governed by national law, such opinion as to matters of public international law is given upon the assumption of the validity and binding effect of such agreement or instrument under such national law.

Very truly yours,



JEREMY H. HOVLAND  
General Counsel

**ADB**

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

30 June 2010  
(Unaudited)

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30 June 2010

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# Management's Discussion and Analysis

## I. Overview

The Asian Development Bank (ADB) is an international development financial 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.

ADB accounts financial resources through ordinary capital resources (OCR) and Special Funds. The Charter requires that each funding resource be kept separate from the others. ADB administers various trust funds as well, which are externally funded and administered by ADB on behalf of donors. These trust funds are not included in the quarterly financial statements and in this management's discussion and analysis.

## II. 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. Borrowed funds, together with equity, are used to fund OCR lending and investment activities as well as other general operations.

### A. Basis of financial reporting

**Statutory Reporting.** ADB prepares OCR financial statements in accordance with accounting principles generally accepted in the United States of America (US GAAP), referred to in this document as the "statutory basis."

ADB has elected not to adopt hedge accounting and reports all derivative instruments on the balance sheet at fair value and recognize the changes in the fair value of derivative instruments for the period as part of net income. Although most of ADB's derivative transactions are highly effective in hedging the underlying transactions and are appropriate for reducing funding costs, compliance with hedge accounting would have imposed undue constraints on future borrowings, loans, and hedge programs and likely detracted ADB's efforts to effectively and efficiently minimize the funding costs for its borrowing member countries.

Effective 1 January 2008, ADB elected to implement the provisions of *Fair Value Option* on a selective basis. ADB fair values all borrowings that are swapped, which includes all hybrid borrowings that are fair valued in accordance with *Fair Value Election for Hybrid Financial Instruments*. Applying *Fair Value Option* selectively is chosen to show a consistent accounting treatment between the borrowings and their related swaps, which have been fair valued since the adoption of *Derivatives and Hedging* in 2001. This application partially reduces the artificial

This document should be read in conjunction with ADB Annual Report issued for the year ended 31 December 2009. ADB undertakes no obligation to update any forward-looking statements made in such documents.

volatility in reported earnings due to the asymmetric accounting treatment between the two financial instruments. ADB continues to report its loans at amortized cost and reports most of its investments (except short term instruments that are recorded at cost) at fair value. In conjunction with this change, ADB also implemented ASC 820 *Fair Value Measurements and Disclosures* which defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements about fair value measurements. In compliance with this standard, ADB incorporated its credit risk (as a credit spread) in fair valuing its liabilities, including hybrid and swapped-borrowings.

**Management Reporting.** ADB manages its balance sheet by selectively using derivatives to mitigate 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, swapped and structured borrowings, and certain investments) are recorded at their fair value while loans, remaining borrowings, and remaining investments are recorded at amortized cost, management believes that the statutory income may not fully reflect the overall economic value of ADB's financial position. Accordingly, ADB also reports "Operating Income", which excludes the impact of the fair value adjustments associated with financial instruments from the results of OCR operations. Operating income is used as key measures to manage financial position. Operating income has been used as the preliminary measure for financial management decisions and monitoring key financial ratios and parameters.

The operating income does not include unrealized gains or losses of the portfolio. The unrealized gains or losses, although an important indicator of the portfolio performance, generally represent changes in income as a result of fluctuations in the fair value. Since ADB does not actively trade these financial instruments, such gains or losses are not realized unless ADB is forced to do so by risk events before maturity and ADB has instituted a very conservative risk management policies to mitigate such risks.

Since ADB intends to hold most borrowings and related swaps until maturity, the periodic unrealized gains and losses reported under statutory basis will eventually converge with the net cash income/expenses ADB recognizes over the life of the transaction.

The Management Reporting Balance Sheet reconciled from the statutory reporting for the period ended 30 June 2010 can be found in Appendix 1.

## **B. Selected Financial Data**

Table 1 presents selected financial data on two bases: statutory reporting basis and management reporting basis. Ratios under statutory and management reporting bases, except the return on earning assets, were all lower compared with the same period last year as a result of the decrease in interest rates, specifically US dollar and Japanese yen 6-month LIBOR. The increase in return on earning assets reflects the increase in net income and operating income compared to the previous year. Please refer to the Overall Financial Results section for discussion on revenue and expenses.

**Table 1: Selected Financial Data**  
(Amounts in \$ million)

	30 June 2010	30 June 2009	31 December 2009
<b>Operational Highlights</b>			
Loan and Guarantees Approved	2,641	3,318	11,417
Gross Loan Disbursements	2,895	2,047	7,898
Net Loan Disbursements <sup>a</sup>	1,797	1,140	6,007
<b>Statutory Reporting Basis</b>			
Net Income (Loss)	447	(293)	(28)
Return on Earning Assets (%)	1.05	(0.25)	(0.05)
Return on Loans (%)	1.56	3.12	2.67
Return on Investments (%)	2.28	3.18	2.93
Cost of Borrowings (%)	0.73	2.73	2.91
<b>Management Reporting Basis</b>			
Operating Income <sup>b</sup>	265	146	420
Return on Earning Assets (%)	0.76	0.57	0.77
Return on Loans (%)	1.60	3.03	2.55
Return on Investments (%)	2.32	3.08	2.87
Cost of Borrowings (%)	0.79	2.33	1.83

( ) = negative.

Note: Returns/cost of borrowings are based on annualized income/expenses and average assets/liabilities.

<sup>a</sup> Includes gross loan disbursements less principal repayments and prepayments.

<sup>b</sup> Starting September 2009, management reporting income is defined as the operating income (footnote 1).

## C. Overall Financial Results

**Net Income (Loss).** Table 2 presents overall financial results for the six-months ended 30 June 2010. Net income for the period was \$446.8 million compared to net loss of \$293.1 million for the same period in 2009. The increase in net income is primarily due to an increase of \$118.5 million in operating income and an increase of \$621.4 million in net unrealized gains and losses, driven by the favorable change in the fair value of derivative instruments.

**Operating Income.** Operating income<sup>1</sup> for the six-months ended 30 June 2010 was \$264.8 million compared to \$146.3 million for the same period in 2009. The increase in operating income was predominantly due to the following:

- \$76.3 million increase in income from equity investments;
- \$105.8 million decrease in provision for losses which is attributed to the decrease in provisions, increase in write backs and decrease in guarantee outstanding that had been provisioned for a total of \$143.2 million offset by \$37.4 million increase in non-specific provisioning estimate of the nonsovereign loan portfolio; and
- \$270.9 million decrease in overall borrowings and related expenses resulting mainly from declining interest rates compared to the same period in 2009; offset by

<sup>1</sup> Operating income is defined as statutory net income before unrealized gains/losses on fair value changes of borrowings and derivatives and ADB's proportionate share in unrealized gains/losses from equity investment accounted under equity method.

- \$211.2 million decrease in overall loan income, mainly due to decrease in interest income brought about by the declining interest rate environment;
- \$53.8 million decrease in investment income resulting mainly from decrease in interest income associated with lower returns on the investments portfolio; and
- \$71.2 million increase in administrative expenses allocated to OCR due to the decrease in deferred loan origination cost for adjustments in the estimate of the loan origination costs and planned increase in administrative expenses.

Net unrealized gains of \$170.6 million for the six-month period ended 30 June 2010 (net unrealized losses of \$411.0 million – 2009) are primarily the result of change in fair value totaling \$174.7 million (\$408.7 million – 2009) for derivative instruments and selected borrowings that are fair valued.

**Table 2: Overall Financial Results for the Six-Month Periods Ended 30 June 2010 and 2009**  
(\$ thousand)

	2010	2009	Increase (Decrease)
<b>Income from loans</b>	<b>326,695</b>	<b>432,047</b>	<b>(105,352)</b>
Interest income	339,742	542,189	(202,447)
Provision for losses	(14,342)	(120,184)	(105,842)
Others	1,295	10,042	(8,747)
<b>Income from investments</b>	<b>203,248</b>	<b>257,085</b>	<b>(53,837)</b>
Interest income	183,849	250,112	(66,263)
Realized gain	19,399	6,973	12,426
<b>Income (Loss) from equity investments (EI)</b>	<b>57,403</b>	<b>(18,898)</b>	<b>76,301</b>
Profit on sale	49,407	820	48,587
Realized losses on proportionate share of income from EI accounted under the equity method	(1,471)	(10,654)	(9,183)
Impairment loss	(1,076)	(11,060)	(9,984)
Dividend income	10,461	1,929	8,532
Others	82	67	15
<b>Other income/expenses—net</b>	<b>11,752</b>	<b>10,019</b>	<b>1,733</b>
<b>Borrowings and related expenses</b>	<b>(183,931)</b>	<b>(454,786)</b>	<b>(270,855)</b>
<b>Administrative expenses - OCR</b>	<b>(150,407)</b>	<b>(79,176)</b>	<b>71,231</b>
<b>Operating Income</b>	<b>264,760</b>	<b>146,291</b>	<b>118,469</b>
<b>Net unrealized gains (losses)</b>	<b>170,583</b>	<b>(410,953)</b>	<b>581,536</b>
<b>Net unrealized gains (losses) on proportionate share of income from EI accounted under the equity method</b>	<b>11,495</b>	<b>(28,388)</b>	<b>39,883</b>
<b>Net income (loss)</b>	<b>446,838</b>	<b>(293,050)</b>	<b>739,888</b>

**Review of Activities.** During the period, 20 OCR loans totaling \$2.1 billion were approved compared with 19 approvals totaling \$3.2 billion for the same period last year. Total disbursements for the period totaled \$2.9 billion, an increase of 41.4% from \$2.0 billion for the same period in 2009. Of the loan disbursements for the period, 84.6% was for sovereign loans and 15.4% for nonsovereign loans.

As of 30 June 2010, three nonsovereign loans were in arrears and in non-accrual status (three – 31 December 2009). The principal outstanding balance of these loans totaled to \$58.8 million (\$38.4 million – 31 December 2009), \$23.6 million (\$19.0 million – 31 December 2009) of which were overdue.

**Loan Exposure.** As of 30 June 2010, OCR's outstanding loan exposure was \$43.7 billion (\$41.7 billion – 31 December 2009), after net unamortized loan origination costs and provision for loan losses, of which \$41.5 billion is for sovereign loans and \$2.2 billion is for nonsovereign loans.

**Investment Position.** The OCR investment portfolio including securities purchased under resale arrangement amounted to \$20.8 billion as of 30 June 2010 (\$14.4 billion – 31 December 2009). The annualized rate of return on total OCR investments portfolio was 2.3% for the six-month period ended 30 June 2010 (3.2% – 2009).

#### ***D. Risk Bearing Capacity***

In the pursuit of its developmental mandate, the most significant risk faced by ADB arises when a large part of its loan portfolio defaults. Thus, ADB's risk bearing capacity or capital adequacy is designed to ensure that its equity capital is sufficient to absorb both the expected and unexpected losses due to such credit risk. Under the capital adequacy framework, ADB will assess its capital adequacy at least annually with the outcome of the stress test designed to ensure that ADB will have sufficient capital to absorb the income loss due to non-accrual shocks, while ensuring adequate income to sustain loan growth in the ensuing years. As of 30 June 2010, the stress test results indicated that ADB had a strong equity capital position in relation to the credit risk in its loan and guarantee portfolio. Aside from the income-based stress testing of the ELR, ADB also measures its exposures to credit risk in terms of expected losses and accordingly provide the required loan loss provision and loan loss reserves. ADB's internal credit risk model provides an estimate of the expected loss and the volume of loans experiencing a nonaccrual shock, the latter being a key input in the income-based stress testing of the ELR.

#### ***E. Capital and Resources***

The total authorized capital of ADB is 10,638,933 shares valued at \$156.9 billion as of 30 June 2010. Subscribed capital as of 30 June 2010 is 6,784,511 shares valued at \$100.1 billion which consist of \$5.6 billion paid-in and \$94.5 billion callable. Callable capital can be called only if required to meet ADB's obligations incurred on borrowings or guarantees under OCR. No call has ever been made on ADB's callable capital.

As of 30 June 2010, ADB has received subscriptions from 20 members under the Fifth General Capital Increase (GCI V) totaling \$39.1 billion.

To ensure adequate risk-bearing capacity, ADB reviews its income outlook annually. Based on that review, the Board of Governors approves the allocation of previous year's net income to reserves and surplus and to the extent feasible, it transfers part of the net income to Special Funds to support development activities in its DMCs.

ADB limits the total amount of disbursed loans, approved equity investments, and the maximum amount that could be demanded from ADB under its guarantee portfolio, to lending authority defined as the total amount of ADB's unimpaired subscribed capital, reserves, and surplus. In addition, ADB limits the gross outstanding borrowings to the borrowing authority defined as the sum of callable capital from nonborrowing members, paid-in capital, and reserves (including surplus).

As of 30 June 2010, ADB's available lending headroom was \$66.6 billion (\$29.5 billion – 31 December 2009). The \$37.1 billion increase mainly resulted from \$39.5 billion increase in the lending authority, brought about primarily by \$34.9 billion additional subscriptions received from the GCI V, \$4.2 billion favorable translation adjustments and \$0.4 billion increase in net income after appropriation of guarantee fees and unrealized holding gains on investments portfolio<sup>2</sup> offset by the increase in outstanding loans and guarantees as well as outstanding equity investments including undisbursed commitments by \$2.4 billion and \$0.2 billion transfer of OCR's 2009 allocable net income to the Asian Development Fund (ADF), Technical Assistance Special Fund (TASF), Climate Change Fund (CCF), and Regional Cooperation and Integration Fund (RCIF).

As of 30 June 2010, ADB's available borrowing headroom was \$20.7 billion (\$5.8 billion – 31 December 2009). The \$14.9 billion increase in the headroom mainly resulted from \$23.0 billion increase in borrowing authority, brought about mainly by \$20.1 billion additional callable capital from nonborrowing member countries from GCI V, \$2.3 billion favorable translation adjustments and \$0.6 billion increase in net income after appropriation of guarantee fees and unrealized holding gains on investments portfolio<sup>2</sup> and surplus offset by \$8.0 billion increase in total outstanding borrowings after swap and \$0.2 billion transfer of OCR's 2009 allocable net income to ADF, TASF, CCF and RCIF.

### III. 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); the Asian Tsunami Fund (ATF); the Pakistan Earthquake Fund (PEF); the Regional Cooperation and Integration Fund (RCIF); the Climate Change Fund (CCF); and the Asia Pacific Disaster Response Fund (APDRF). In accordance with the Charter, each Fund is required to be kept separate from the others. Financial statements for each Fund are prepared in accordance with generally accepted accounting principles, except those for the ADF, which are special purpose financial statements prepared in accordance with ADF Regulations.

#### A. Asian Development Fund (ADF)

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 30 June 2010, the governments of 32 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. ADF also provides financing in the form of grants for projects and programs of high developmental priority.

In August 2008, the Board of Governors adopted the resolution providing for the ninth replenishment of the ADF (ADF X) and the fourth regularized replenishment of the TASF. Total replenishment size is SDR7.4 billion (\$11.8 billion), with new donor contributions totaling SDR2.7 billion (\$4.2 billion equivalent). 3% of the total replenishment will be for TASF. The replenishment became effective on 16 June 2009. As of 30 June 2010, ADB has received instruments of contributions from 27 donors with a total amount equivalent to SDR2.3 billion.

**Loan Conversion.** As an application of the new currency management framework, ADB offered a full-fledged special drawing rights approach to ADF legacy loans by providing ADF borrowers with the option to convert their existing liability (i.e., disbursed and outstanding loan balance) in various

<sup>2</sup> Including equity investments and debt securities.

currencies into special drawing rights, while the undisbursed portions will be treated as new loans. The conversion was made available beginning 1 January 2008 and as of 30 June 2010, 17 out of 30 ADF borrowing countries have opted for the conversion which are being carried out on the nearest loan service payment date of each loan at least one month from the dates the borrowing countries have confirmed their concurrence. In accordance with the required accounting treatment of translation adjustments for non-functional currencies, e.g. SDR, the translation adjustments of the loans were reported as realized gains for the period, with a corresponding reduction in other comprehensive income. Hence, the loan conversion had neutral effect on ADF's overall financial position. There were no loan conversions for the six-month period ended 30 June 2010 (28 – 2009).

**Grant Framework and Hard-term Facility.** The ADF grant framework limited grants eligibility to ADF-only countries and introduced a new hard-term ADF lending facility. The facility has a fixed interest rate of 150 basis points below the weighted average of the ten-year fixed swap rates of the special drawing rights component currencies plus the OCR lending spread, or the current ADF rate, whichever is higher. Other terms are similar to those of regular ADF loans. The interest rate is being reset every January and applied to all hard-term loans approved in that year and will be fixed for the life of those loans. For hard-term ADF loans approved in 2010, the interest rate was set at 2.22% (1.60% – 2009). During the six-month period ended 30 June 2010, there were no loan approvals under this new facility (five – for the year 2009).

**Heavily Indebted Poor Countries (HIPC) Debt Relief.** In April 2008, the Board of Governors adopted the policy for providing Heavily Indebted Poor Countries (HIPC) relief from Asian Development Fund debt and proposed debt relief to Afghanistan, for ADB to participate in the HIPC debt relief, and to provide Afghanistan with debt relief. The estimated principal amount of Afghanistan's ADF debt to be forgiven and charged against ADF income is \$82.4 million. The principal component of the estimated debt relief costs was recorded as a reduction of the disbursed and outstanding loans on a provisional basis and the accumulated provision is being reduced when debt relief is provided on the loan service payment dates. As of 30 June 2010, outstanding loans of \$1.9 million had been written off under this arrangement.

**Contributed Resources.** ADF X became effective on 16 June 2009. As of 30 June 2010, \$3.4 billion has been committed and made effective, of which \$1.0 billion has been received and made available for operational commitments.

During the period, \$143.9 million contributions (\$139.9 million – ADF X, and \$4.0 million – ADF IX), inclusive of amortized discount due to accelerated note encashments, were received and made available for operational commitment. These were recorded as contributed resources of ADF in 2010.

Total resources committed, inclusive of discounts on contributions due to accelerated note encashments for ADF IX and X, amounted to \$36.0 billion as of 30 June 2010 (\$36.5 billion – 31 December 2009), of which \$33.3 billion (\$33.6 billion – 31 December 2009) was made available for operational commitments. The \$2.7 billion contributions not yet available (\$2.9 billion – 31 December 2009) comprises i) unpaid qualified contributions; ii) unpaid contributions from donors who exercised pro-rata rights based on qualified contributions; and iii) unamortized discounts on accelerated note encashments (ANE). The balance of commitment authority available for operations at 30 June 2010 increased to \$2.4 billion (\$1.7 billion – 31 December 2009).

**Review of Activities.** During the period, 16 ADF loans totaling \$871.6 million were approved compared with six approvals totaling \$536.1 million for the same period last year. Disbursements for the period totaled \$805.0 million, a decrease of 5.4% from \$851.1 million for the same period in 2009.

As of 30 June 2010, 28 sovereign loans to Myanmar were in arrears and in non-accrual status. The principal outstanding balance of these loans totaled to \$571.4 million (\$560.2 million – 31 December 2009), \$311.7 million (\$292.1 million – 31 December 2009) of which were overdue.

Grants are recognized in the financial statements upon effectivity, i.e. when the agreements are signed and all conditions are satisfied. During the period, 13 grants totaling \$413.2 million (15 grants totaling \$443.2 million – 2009) became effective.

**Loan Exposure.** As of 30 June 2010, ADF's outstanding loan exposure was \$27.1 billion, net of provision for HIPC Debt Relief of \$80.4 million.

**Investment Position.** The ADF investment portfolio including securities purchased under resale arrangement amounted to \$5.4 billion as of 30 June 2010 (\$5.7 billion – 31 December 2009). About 36.0% of the portfolio was placed in bank deposits and 64.0% was invested in fixed income securities. The annualized rate of return on total ADF investments portfolio was 2.0% for the six-month period ended 30 June 2010 (2.4% – 2009).

## ***B. Technical Assistance Special Fund (TASF)***

The Technical Assistance Special Fund was established to provide technical assistance on a grant basis to developing member countries of the Asian Development Bank and regional technical assistance (TA).

In August 2008, the Board of Governors adopted the resolution providing for the ninth replenishment of the ADF (ADF X) and the fourth regularized replenishment of the TASF. Considering the demand estimate and the availability of funds from other sources, the donors agreed to allocate 3% of the total replenishment size as the fourth replenishment of the TASF. The replenishment will cover the four-year period 2009 to 2012 (see related notes under ADF).

**Contributed Resources.** As of 30 June 2010, 27 donors committed a total of \$288.5 million to TASF, as part of the ADF X and the fourth regularized replenishment of TASF. Of the total commitment, \$84.1 million have been received.

During the period, India made a direct voluntary contribution amounting to Rs10.0 million (\$0.2 million), and Pakistan, \$0.1 million. In addition, \$40.0 million was allocated to TASF as part of OCR's 2009 net income allocation and a total of \$0.4 million regularized replenishment was received. As of 30 June 2010, total TASF resources amounted to \$1,758.0 million, of which \$1,454.5 million was committed, leaving an uncommitted balance of \$303.5 million (\$322.7 million – 31 December 2009).

**Operations.** Total TA commitments (approved and effective) during the period amounted to \$50.4 million (\$46.6 million – 2009), net of \$5.5 million (\$8.1 million – 2009) write back of undisbursed commitments for completed and cancelled TA projects. Undisbursed commitments for technical assistance increased to \$263.0 million as of 30 June 2010 (\$258.8 million as of 31 December 2009).

**Investment Position.** As of 30 June 2010, total TASF investment portfolio, amounted to \$315.1 million, compared to \$328.1 million balance as of year-end of 2009. Revenue from investments for the six-month period ended 30 June 2010 decreased to \$1.0 million from \$1.6 million for the same period in 2009, due to decrease in average yield.

### **C. Japan Special Fund (JSF)**

The Japan Special Fund was established in 1988 to help developing member countries of ADB restructure their economies and broaden the scope of opportunities for new investments, mainly through technical assistance operations.

**Contributed Resources.** As of 30 June 2010, Japan's cumulative contribution to the fund amounted to \$973.7 million (¥112.9 billion), \$923.0 million of which has been committed, leaving an uncommitted balance of \$50.7 million (\$67.8 million – 31 December 2009).

**Operations.** During the period, total TA commitments amounted to \$17.1 million (\$18.6 million – 2009), net of \$5.9 million (\$2.3 million – 2009) write back for financially completed and cancelled projects. The undisbursed TA commitments decreased to \$93.5 million as of 30 June 2010 (\$94.1 – 31 December 2009).

**Investment position.** As of 30 June 2010, total JSF investment portfolio amounted to \$137.2 million (\$158.5 million – 31 December 2009). Revenue from investments for the six-month period ended 30 June 2010 decreased to \$0.2 million from \$0.9 million for the same period in 2009 due to the decrease in the average volume of investments and lower yield on time deposits.

**Asian Currency Crisis Support Facility (ACCSF).** The ACCSF was established in March 1999 for a three-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 \$36.6 million as of 30 June 2010 will be retained in the ACCSF until the completion of administrative matters.

### **D. ADB Institute Special Fund (ADBISF)**

The ADB Institute Special Fund was established in 1996 as a subsidiary body of ADB, whose objectives are the identification of effective development strategies and capacity improvements for sound development management in developing member countries.

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 30 June 2010, the balance of net current assets excluding property, furniture, and equipment available for future projects and programs of the ADB Institute was \$8.5 million.

### **E. Asian Tsunami Fund (ATF)**

The Asian Tsunami Fund was established in February 2005 in response to the special circumstances surrounding the developing member countries that were stricken by the effects of the tsunami on 26 December 2004.

**Contributed Resources.** As of 30 June 2010, total resources of the fund amounted to \$586.9 million, \$583.0 million of which has been committed, leaving an uncommitted balance of \$3.9 million (\$4.5 million – 31 December 2009).

**Operations.** There were no technical assistance or grants approved or made effective during the period. The balance of undisbursed commitments as of 30 June 2010 amounted to \$79.9 million, compared with \$116.8 million as of year-end of 2009.

**Investment position.** As of 30 June 2010, total investment portfolio of ATF amounted to \$63.0 million (\$97.9 million – 31 December 2009). Revenue from investments for the six-month period ended 30 June 2010 decreased to \$0.09 million from \$0.7 million for the same period in 2009 due to the decrease in the average volume of investments and lower yield on time deposits.

## ***F. Pakistan Earthquake Fund (PEF)***

The Pakistan Earthquake Fund was established in November 2005 in response to the special needs of Pakistan subsequent to the earthquake on 8 October 2005. The dedicated fund is to deliver grant financing for investment projects and technical assistance to support immediate reconstruction, rehabilitation and associated development activities.

**Contributed Resources.** As of 30 June 2010, total resources of the fund amounted to \$144.6 million, \$141.2 million of which has been committed, leaving an uncommitted balance of \$3.4 million (\$3.3 million – of 31 December 2009).

**Operations.** There were no technical assistance or grants that were approved or made effective during the period. The balance of undisbursed commitments as of 30 June 2010 amounted to \$39.8 million, compared with \$49.4 million as of year-end of 2009.

**Investment position.** As of 30 June 2010, total investment portfolio of PEF amounted to \$28.9 million (\$49.2 million – 31 December 2009). Total revenue from investments for the six-month period ended 30 June 2010 amounted to \$0.7 million compared with \$1.2 million during the same period in 2009 due to the decrease in average volume of investments and decline in average yield.

## ***G. Regional Cooperation and Integration Fund (RCIF)***

The RCIF was established in February 2007 in response to the increasing demand for regional cooperation and integration activities among ADB's member countries in Asia and the Pacific.

**Contributed Resources.** In May 2010, the Board of Governors approved the allocation of \$10.0 million from the 2009 OCR net income. As of 30 June 2010, total resources of the fund amounted to \$52.9 million, \$38.9 million of which has been committed, leaving an uncommitted balance of \$14.0 million (\$12.5 million – 31 December 2009).

**Operations.** During the period, eight technical assistance (TA) and one supplementary approval totaling \$8.5 million became effective (six TA and one supplementary approval totaling \$6.5 million – 2009). The balance of undisbursed commitments as of 30 June 2010 amounted to \$29.0 million, compared with \$23.1 million as of year-end of 2009.

**Investment position.** As of 30 June 2010, total investment portfolio of RCIF amounted to \$40.1 million (\$34.9 million – 31 December 2009). Revenue from investments for the six-month period ended 30 June 2010 decreased to \$0.1 million from \$0.2 million for the same period in 2009 due to the decline in average yield.

## **H. Climate Change Fund (CCF)**

The CCF was established in April 2008 to facilitate greater investments in DMCs to address the causes and consequences of climate change alongside ADB's own assistance in various related sectors.

**Contributed Resources.** In May 2010, the Board of Governors approved the allocation of \$10.0 million from the 2009 OCR net income. As of 30 June 2010, total resources of the fund amounted to \$51.0 million, \$23.2 million of which has been committed, leaving an uncommitted balance of \$27.8 million (\$26.7 million – 31 December 2009).

**Operations.** During the period, seven technical assistance (TA) and grants totaling \$8.8 million were approved and became effective (six TA and grants totaling \$5.6 million – 2009). The balance of undisbursed commitments as of 30 June 2010 amounted to \$19.8 million (\$13.0 million – 31 December 2009).

**Investment position.** As of 30 June 2010, total investment portfolio of the CCF amounted to \$45.6 million (\$39.2 million – 31 December 2009). Total revenue from investments for the six-month period ended 30 June 2010 decreased to \$0.07 million from \$0.12 million for the same period in 2009 due to the decline in average yield.

## **I. Asia Pacific Disaster Response Fund (APDRF)**

The APDRF was established on 1 April 2009, to provide, in a timely fashion, incremental grant resources to DMCs affected by a natural disaster.

**Contributed Resources.** The initial fund of \$40.0 million has been transferred from ATF in May 2009. With accumulated investment income of \$0.1 million, total resources of the fund as of 30 June 2010 amounted to \$40.1 million, \$9.5 million of which has been committed, leaving an uncommitted balance of \$30.6 million (\$33.1 million – 31 December 2009).

**Operations.** There was one grant approved and became effective during the period. As of 30 June 2010, the balance of undisbursed commitments was \$9.5 million (\$7.0 million – 31 December 2009).

**Investment position.** As of 30 June 2010, total investment portfolio of the APDRF amounted to \$27.1 million (\$29.6 million – 31 December 2009). Total revenue from investments for the six-month period ended 30 June 2010 increased to \$0.03 million from \$0.02 million for the same period in 2009 due to an increase in the average volume of investments.

**Condensed Management Reporting Balance Sheets as of 30 June 2010 and 31 December 2009**  
(\$ thousand)

	30 June 2010		31 December 2009	
	Statutory Basis	Adjustments <sup>a</sup>	Management Reporting Basis	Management Reporting Basis
Due from banks	138,702	–	138,702	129,843
Investments and accrued income	20,538,505	–	20,538,505	14,237,703
Securities transferred under repurchase agreement	1,078,119	–	1,078,119	551,386
Securities purchased under resale arrangement	398,231	–	398,231	335,240
Loans outstanding and accrued interest	43,893,710	(322)	43,893,388	41,921,783
Provision for loan losses and unamortized net loan origination costs	(52,467)	–	(52,467)	(18,636)
Equity investments	886,271	(36,163)	850,108	859,772
Receivable from members	211,353	–	211,353	142,181
Receivable from swaps				
Borrowings	27,438,234	(3,182,007)	24,256,227	22,157,287
Others	3,565,891	(221,389)	3,344,502	818,779
Other assets	1,800,227	–	1,800,227	1,520,815
<b>TOTAL</b>	<b>99,896,776</b>	<b>(3,439,881)</b>	<b>96,456,895</b>	<b>82,656,153</b>
Borrowings and accrued interest	50,669,168	11,950	50,681,118	43,062,391
Payable for swaps				
Borrowings	25,902,678	(2,621,297)	23,281,381	20,569,240
Others	3,885,590	(388,102)	3,497,488	926,081
Payable for swap related collateral	1,192,650	–	1,192,650	735,050
Payable under securities repurchase agreement	1,068,951	–	1,068,951	555,000
Accounts payable and other liabilities	1,525,845	–	1,525,845	1,763,223
<b>Total Liabilities</b>	<b>84,244,882</b>	<b>(2,997,449)</b>	<b>81,247,433</b>	<b>67,610,985</b>
Paid-in capital	3,706,211	–	3,706,211	3,818,297
Net notional maintenance of value receivable	(409,999)	–	(409,999)	(523,220)
Ordinary reserve	10,062,285	1,435	10,063,720	9,791,035
Special reserve	224,016	–	224,016	218,903
Loan loss reserve	246,000	–	246,000	493,162
Surplus	1,131,756	–	1,131,756	884,594
Cumulative revaluation adjustments account	183,521	(183,521)	–	–
Net income <sup>b</sup>	441,725	(182,078)	259,647	410,882
Accumulated other comprehensive income	66,379	(78,268)	(11,889)	(48,485)
<b>Total Equity</b>	<b>15,651,894</b>	<b>(442,432)</b>	<b>15,209,462</b>	<b>15,045,168</b>
<b>TOTAL</b>	<b>99,896,776</b>	<b>(3,439,881)</b>	<b>96,456,895</b>	<b>82,656,153</b>

( ) = negative.

<sup>a</sup> Includes reversal of ASC 815/825 effects and ADB's share in unrealized gains or losses from equity investments accounted under the equity method.

<sup>b</sup> Net income after appropriation of guarantee fees to Special Reserve.

# **Financial Statements**

**ASIAN DEVELOPMENT BANK—ORDINARY CAPITAL RESOURCES**  
**CONDENSED BALANCE SHEET**  
**30 June 2010 and 31 December 2009**  
Expressed in Thousands of United States Dollars (Note B)

	30 June (Unaudited)		31 December	
<b>ASSETS</b>				
DUE FROM BANKS		\$ 138,702		\$ 129,843
INVESTMENTS (Notes C and M)		20,437,953		14,123,579
SECURITIES TRANSFERRED UNDER REPURCHASE AGREEMENT (Notes D and M)		1,078,119		551,386
SECURITIES PURCHASED UNDER RESALE ARRANGEMENT (Notes D and M)		398,231		335,240
LOANS OUTSTANDING (Notes E and M)				
(Including ASC 815 adjustment of \$322 - 30 June 2010, \$365 - 31 December 2009, net unamortized loan origination costs of \$53,588 - 30 June 2010, \$84,606 - 31 December 2009, net of allowance for loan losses of \$106,055 - 30 June 2010, \$103,242 - 31 December 2009)		43,661,758		41,713,048
EQUITY INVESTMENTS (Notes H and M)		886,271		884,440
ACCRUED INTEREST RECEIVABLE		280,037		304,588
RECEIVABLE FROM MEMBERS (Note M)		211,353		142,181
RECEIVABLE FROM SWAPS (Notes G and M)				
Borrowings	\$ 27,438,234		\$ 24,917,264	
Others	3,565,891	31,004,125	1,044,854	25,962,118
OTHER ASSETS				
Property, furniture, and equipment		161,399		158,809
Investment related receivables		281,078		477,016
Swap related collateral (Note M)		1,192,650		735,050
Securities from restructuring arrangement (Note E and M)		7,815		-
Miscellaneous (Note I)		157,285	1,800,227	149,940
<b>TOTAL</b>		<b>\$ 99,896,776</b>		<b>\$ 85,667,238</b>
<b>LIABILITIES, CAPITAL, AND RESERVES</b>				
BORROWINGS (Notes G, J, and M)				
At amortized cost	\$ 3,775,652		\$ 3,776,212	
At fair value	46,420,894	\$ 50,196,546	38,313,203	\$ 42,089,415
ACCRUED INTEREST ON BORROWINGS		472,622		408,783
PAYABLE FOR SWAPS (Notes G, J, and M)				
Borrowings	25,902,678		23,503,343	
Others	3,885,590	29,788,268	1,294,160	24,797,503
PAYABLE UNDER SECURITIES REPURCHASE AGREEMENT (Note D)		1,068,951		555,000
ACCOUNTS PAYABLE AND OTHER LIABILITIES				
Investment related payables	427,801		689,786	
Payable for swap related collateral (Note M)	1,192,650		735,050	
Undisbursed technical assistance commitments	2,544		10,355	
Advance payments on subscriptions	28,663		-	
Accrued pension and postretirement medical benefit costs	930,415		903,466	
Miscellaneous (Note I)	136,422	2,718,495	159,616	2,498,273
Total liabilities		84,244,882		70,348,974
CAPITAL AND RESERVES (OCR-4)				
Capital Stock (Note K)				
Authorized (SDR106,389,330,000 - 30 June 2010 and 31 December 2009)				
Subscribed (SDR67,845,110,000 - 30 June 2010; SDR38,893,430,000 - 31 December 2009)		100,081,036		60,751,149
Less - "callable" shares subscribed		94,490,963		56,640,850
"Paid-in" shares subscribed		5,590,073		4,110,299
Less - subscription installments not due		1,813,584		217,636
Subscription installments matured		3,776,489		3,892,663
Less: Capital transferred to the Asian Development Fund		70,231		74,366
Paid-in-Capital - Prepayment Discount		47		-
		3,706,211		3,818,297
Net notional amounts required to maintain value of currency holdings		(409,999)		(523,220)
Ordinary reserve (Note K)		10,062,285		9,789,807
Special reserve (Note K)		224,016		218,903
Loan loss reserve (Note K)		246,000		493,162
Surplus (Note K)		1,131,756		884,594
Cumulative revaluation adjustments account (Note K)		183,521		631,129
Net income (loss) after appropriation				
For the calendar year 2009 (Note K)		-		(36,725)
For the six months ended 30 June 2010 (OCR-2)		441,725		-
Accumulated other comprehensive income (OCR-4)		66,379		42,317
Total Capital and Reserves		15,651,894		15,318,264
<b>TOTAL</b>		<b>\$ 99,896,776</b>		<b>\$ 85,667,238</b>

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 Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<b>2010</b> <b>(Unaudited)</b>	<b>2009</b> <b>(Unaudited)</b>
<b>REVENUE (Note L)</b>		
From loans (Note E)	\$ 341,040	\$ 552,231
From investments (Note C)	183,849	250,112
From guarantees	5,113	4,102
From equity investments	20,567	(37,046)
From other sources - net	8,313	8,754
<b>TOTAL REVENUE</b>	<b>558,882</b>	<b>778,153</b>
<b>EXPENSES (Note L)</b>		
Borrowings and related expenses	183,931	454,786
Administrative expenses (Note L)	150,407	79,176
Technical assistance to member countries	(195)	(28)
Provision for losses (Note E)	14,342	120,184
Other expenses (Note L)	1,893	2,944
<b>TOTAL EXPENSES</b>	<b>350,378</b>	<b>657,062</b>
<b>NET REALIZED GAINS (LOSSES)</b>		
From loans	(3)	-
From investments (Notes C and L)	19,399	6,973
From equity investments	48,331	(10,240)
Others	24	79
<b>NET REALIZED GAINS (LOSSES)</b>	<b>67,751</b>	<b>(3,188)</b>
<b>NET UNREALIZED GAINS (LOSSES) (Notes J and L)</b>	<b>170,583</b>	<b>(410,953)</b>
<b>NET INCOME (LOSS)</b>	<b>\$ 446,838</b>	<b>\$ (293,050)</b>

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 Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<b>2010</b> <b>(Unaudited)</b>	<b>2009</b> <b>(Unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest and other charges on loans received	\$ 358,712	\$ 545,402
Interest on investments received	191,847	283,537
Interest (paid) received for securities purchased under resale/repurchase arrangement	(494)	410
Interest and other financial expenses paid	(164,802)	(492,175)
Administrative expenses paid	(135,603)	(115,850)
Technical assistance to member countries disbursed	(82)	(10,027)
Others—net	15,129	37,521
<b>Net Cash Provided by Operating Activities</b>	<b>264,707</b>	<b>248,818</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sales of investments	2,381,599	10,874,667
Maturities of investments	48,502,153	21,046,243
Purchases of investments	(57,764,075)	(34,548,801)
Net (payments) receipts on future contracts	(105)	64,386
Net (payments) receipts for securities purchased under resale arrangement	(60,051)	103,957
Principal collected on loans	1,087,531	906,423
Loans disbursed	(2,868,953)	(1,989,347)
Receipts from swaps	54,802	-
Property, furniture, and equipment acquired	(11,151)	(7,129)
Change in swap related collateral	457,600	-
Purchases of equity investments	(26,880)	(28,531)
Sales of equity investments	82,919	11,950
<b>Net Cash Used in Investing Activities</b>	<b>(8,164,611)</b>	<b>(3,566,182)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from new borrowings	10,900,921	7,559,942
Borrowings redeemed	(2,948,487)	(3,713,420)
Matured capital subscriptions collected	34,805	1,101
Issuance expenses paid	(33,221)	(10,868)
Demand obligations of members encashed	8,477	4,248
Receipts from swaps	127,119	(395,740)
Payments for swaps	-	-
Resources transferred to ADF	(120,000)	(120,000)
Resources transferred to TASF	(40,000)	(23,000)
Resources transferred to RCIF	(10,000)	-
Resources transferred to CCF	(10,000)	-
<b>Net Cash Provided by Financing Activities</b>	<b>7,909,614</b>	<b>3,302,263</b>
Effect of Exchange Rate Changes on Due from Banks	(851)	(37,604)
<b>Net Increase (Decrease) in Due from Banks</b>	<b>8,859</b>	<b>(52,705)</b>
Due from Banks at Beginning of Period	129,843	142,238
<b>Due from Banks at End of Period</b>	<b>\$ 138,702</b>	<b>\$ 89,533</b>

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 Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<b>2010</b>		<b>2009</b>	
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
Balance, 1 January		\$ 15,318,264		\$ 15,269,470
Comprehensive income for the period:				
Net income (loss) for the period (OCR-2)	\$ 446,838		\$ (293,050)	
Other comprehensive income for the period	<u>24,062</u>	470,900	<u>145,045</u>	(148,005)
Subscriptions received		81,950		2,560
Change in SDR values		(194,036)		6,831
Change in Ordinary Reserve		41,595		1,298
Notional MOV		113,221		(25,041)
Allocation to ADF		(120,000)		(120,000)
Allocation to TASF		(40,000)		(23,000)
Allocation to CCF		(10,000)		-
Allocation to RCIF		(10,000)		-
<b>Balance at end of period</b>		<b>\$ 15,651,894</b>		<b>\$ 14,964,113</b>

**Accumulated Other Comprehensive Income**  
**For the Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Notes C, G, and H)

	ASC 815 Adjustments and Amortizations (Unaudited)		Accumulated Translation Adjustments (Unaudited)		Unrealized Investment Holding Gains (Losses) (Unaudited)		Minimum Pension Liability Adjustment (Unaudited)		Accumulated Other Comprehensive Income (Unaudited)	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Balance, 1 January	\$ (1,620)	\$ (958)	\$ 6,747	\$ (156,805)	\$ 683,627	\$ 460,599	\$ (646,437)	\$ (401,557)	\$ 42,317	\$ (98,721)
Amortization	(149)	(285)	-	-	-	-	-	-	(149)	(285)
Other comprehensive income for the period	-	-	(72,195)	52,107	96,384	93,223	22	-	24,211	145,330
<b>Balance, 30 June</b>	<b>\$ (1,769)</b>	<b>\$ (1,243)</b>	<b>\$ (65,448)</b>	<b>\$ (104,698)</b>	<b>\$ 780,011</b>	<b>\$ 553,822</b>	<b>\$ (646,415)</b>	<b>\$ (401,557)</b>	<b>\$ 66,379</b>	<b>\$ 46,324</b>

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 Six-Month Periods Ended 30 June 2010 and 2009  
(Unaudited)**

**NOTE A—INTERIM FINANCIAL INFORMATION**

These unaudited condensed interim financial statements should be read in conjunction with the 31 December 2009 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 six-month periods ended 30 June 2010 and 2009 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 accounting principles generally accepted in the United States of America 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 December 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2009-16, *“Transfers and Servicing (Topic 860) – Accounting for Transfers of Financial Assets.”* This update addresses the information that a reporting entity provides in its financial reports about transfers of financial assets including; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor’s continuing involvement in transferred financial assets. This update is applicable at the start of an entity’s first fiscal year beginning after 15 November 2009, or 1 January 2010 for entities reporting earnings on a calendar-year basis. Notes D, G, and M provide the required disclosures in compliance with this update.

In December 2009, the FASB issued ASU No. 2009-17, *“Consolidations (Topic 810) – Improvement to Financial Reporting by Enterprises Involved with Variable Interest Entities.”* This standard update certain requirements of FASB Interpretation No. 46 (revised December 2003), *“Consolidation of Variable Interest Entities”* relating, to enterprises involved with variable interest entities. This update is applicable at the start of an entity’s first fiscal year beginning after 15 November 2009, or 1 January 2010 for entities reporting earnings on a calendar-year basis. The application of this update did not have a material impact on OCR’s 30 June 2010 financial statements.

In January 2010, the FASB issued ASU No. 2010-06, *“Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements.”* ASU 2010-06 amends ASC 820 to add new disclosures requirements for transfers in and out of Levels 1 and 2 measurements and separate disclosures about gross purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosure requirements about the level of disaggregation and about inputs and valuation techniques used to measure fair value. ASU 2010-06 is effective for the first interim or annual period beginning after 31 December 2009 except for the requirement to provide the Level 3 activity of gross purchases, sales, issuances and settlements, which will be effective for fiscal years beginning after 15 December 2010 and for interim periods within those fiscal years. Note M provides the required disclosures in compliance to the updates for Levels 1 and 2. ADB is currently assessing the impact of this update relating to Level 3 on OCR’s financial statements.

continued

In February 2010, FASB issued ASU No. 2010-08, "Technical Corrections to Various Topics." ASU No. 2010-08 makes minor amendments to various ASC Topics to eliminate inconsistencies and outdated guidance and provide clarification to make the Codification easier to understand and apply. Most of the amendments are not expected to change current practice, however the FASB notes that certain changes made to ASC 815-15, Derivatives and Hedging — Embedded Derivatives may cause a change in the application of that Subtopic and, thus, special transition provisions are provided for accounting changes related to that Subtopic. The amendments to Subtopic 815-15 are effective for fiscal years beginning after 15 December 2009. The application of this update did not have a material impact on OCR's 30 June 2010 financial statements.

In February 2010, the FASB issued ASU No. 2010-09, "Subsequent Events (Topic 855) – Amendments to Certain Recognition and Disclosure Requirements." ASU 2010-09 reiterates that an SEC filer is required to evaluate subsequent events through the date that the financial statements are issued and removes the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated. ASU 2010-09 is effective for interim or annual periods ending after 15 June 2010. The application of this update did not have a material impact on OCR's 30 June 2010 financial statements.

In March 2010, the FASB issued ASU No. 2010-11, "Derivatives and Hedging (Topic 815) – Scope Exception Related to Embedded Credit Derivatives." ASU 2010-11 improves disclosures originally required under FAS 161. ASU 2010-11 is effective for each reporting entity at the beginning of its first fiscal quarter beginning after 15 June 2010. ADB is currently assessing the impact of this update on OCR's financial statements.

In Q1 2010, ADB revised its estimate of impairment that cannot be specifically identified for the nonsovereign portfolio. This resulted in \$37.4 million additional loan loss provision.

## NOTE C—INVESTMENTS

The main investment management objective is to maintain security and liquidity. Subject to these parameters, ADB seeks the highest possible return on its investments. Investments are governed by the Investment Authority approved by the Board of Directors in 1999, and reviewed in 2006. The review endorsed a portfolio strategy that is largely consistent with the 1999 approach.

All investment securities and negotiable certificates of deposit held as of 30 June 2010 and 31 December 2009 other than derivative instruments are considered "Available for Sale" and are reported at estimated fair value (FV), which represents their fair market value. Time deposits are reported at cost, which is a reasonable estimate of FV. 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 30 June 2010 and 31 December 2009 are as follows:

	<u>30 June 2010</u>	<u>31 December 2009</u>
Due in one year or less	\$ 11,005,963,000	\$ 4,361,349,000
Due after one year through five years	7,816,369,000	7,999,187,000
Due after five years through ten years	<u>1,615,621,000</u>	<u>1,763,043,000</u>
Total	<u>\$ 20,437,953,000</u>	<u>\$ 14,123,579,000</u>

continued

As of 30 June 2010, gross unrealized losses amounted to \$8,539,000 from government or government-guaranteed obligations, corporate obligations, and asset-backed/mortgaged-backed securities resulting from market movement. There were two government or government-guaranteed obligation (nil – 31 December 2009), no corporate obligation (one – 31 December 2009), and one asset-backed/mortgaged security (one – 31 December 2009) that sustained losses for over one year, representing 0.15% of the total investments.

Comparative details for the six month period 30 June 2010 and for year 31 December 2009 are as follows:

For the six month period 30 June 2010

	One year or less		Over one year		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government or government - guaranteed obligations	\$ 3,013,976,000	\$ 7,281,000	\$ 31,926,000	\$ 273,000	\$ 3,045,902,000	\$ 7,554,000
Corporate bonds	512,635,000	53,000	–	–	512,635,000	53,000
Asset/Mortgage-backed securities	(44,206,000)	899,000	201,000	33,000	(44,005,000)	932,000
<b>Total</b>	<b>\$ 3,482,406,000</b>	<b>\$ 8,233,000</b>	<b>\$ 32,126,000</b>	<b>\$ 306,000</b>	<b>\$ 3,514,532,000</b>	<b>\$ 8,540,000</b>

Note: Figures may not add to totals due to rounding.

For the year 2009

	One year or less		Over one year		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government or government - guaranteed obligations	\$ 666,140,000	\$ 3,992,000	\$ –	\$ –	\$ 666,140,000	\$ 3,992,000
Corporate bonds	54,951,000	403,000	4,948,000	52,000	59,899,000	455,000
Asset/Mortgage-backed securities	210,608,000	1,993,000	226,000	19,000	210,834,000	2,012,000
<b>Total</b>	<b>\$ 931,699,000</b>	<b>\$ 6,388,000</b>	<b>\$ 5,174,000</b>	<b>\$ 71,000</b>	<b>\$ 936,873,000</b>	<b>\$ 6,459,000</b>

**NOTE D—SECURITIES TRANSFERRED UNDER REPURCHASE AGREEMENT AND SECURITIES PURCHASED UNDER RESALE ARRANGEMENT**

ADB accounts for transfers of financial assets in accordance with ASC 860, "Transfers and Servicing." 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. Under repurchase agreements, securities transferred are recorded as assets and reported at estimated fair value and cash collateral received are recorded as liabilities. ADB monitors the fair value of the securities transferred under repurchase agreements and the collateral. Under resale arrangements, securities purchased are recorded as assets and are not re-pledged.

**NOTE E—LOANS**

ADB does not sell its sovereign loans believing that there is no market for them. As such, loans are reported at their carrying book values.

continued

As of 30 June 2010 and 31 December 2009, outstanding loans to borrowers that exceeded 5% of total loans are as follows:

<u>Borrower/Guarantor</u>	<u>30 June 2010</u>	<u>31 December 2009</u>
Indonesia	\$ 10,343,933,000	\$ 10,023,065,000
People's Republic of China	10,181,496,000	9,651,805,000
India	8,488,955,000	7,807,865,000
Pakistan	5,046,387,000	4,714,561,000
Philippines	4,969,785,000	4,986,391,000
Others (individually less than 5% of total loans)	4,683,669,000	4,547,997,000
<b>Total loans</b>	<b>43,714,225,000</b>	<b>41,731,684,000</b>
Provision for loan losses	(106,055,000)	(103,242,000)
Net unamortized loan origination costs	53,588,000	84,606,000
<b>Net loans outstanding</b>	<b>\$ 43,661,758,000</b>	<b>\$ 41,713,048,000</b>

Loans outstanding as of 30 June 2010 include nonsovereign loans amounting to \$2,187,662,000 (\$1,869,463,000 – 31 December 2009).

The undisbursed balance of approved loans as of 30 June 2010 was \$21,894,820,000 (\$22,877,939,000 – 31 December 2009). This included an undisbursed balance of approved nonsovereign loans amounting to \$1,287,592,000 (\$1,554,379,000 – 31 December 2009), of which \$359,300,000 (\$434,300,000 – 31 December 2009) is for public sector borrowers. Of the undisbursed balance, ADB has made irrevocable commitments to disburse various amounts totaling \$394,343,000 (\$443,627,000 – 31 December 2009).

#### *Commitment Charge Policy*

ADB levied a commitment charge of 75 basis points on a progressive structure of undisbursed balances of sovereign project loans and a flat fee of 75 basis points on the full undisbursed balances of sovereign program loans. In November 2006, the Board approved a change in the commitment charge policy for all sovereign project LIBOR-based loans negotiated after 1 January 2007, from 75 basis points on a progressive structure of undisbursed loan balances to a flat fee of 35 basis points on the full amount of undisbursed balances. Further to this, the Board also approved in April 2007, the waiver of 10 basis points of the commitment charge on the undisbursed balances of sovereign project loans negotiated after 1 January 2007 and 50 basis points of the commitment charge on the undisbursed balances of sovereign program loans. The commitment charge waiver is applicable to all interest periods commencing from 1 January 2007 up to and including 30 June 2008. Subsequently, the policy was extended to cover the period up to 30 June 2011. Commitment charge waived during the period totaled \$2,994,000 (\$3,313,000 – 2009). In December 2007, the Board of Directors approved the reduction of the commitment charge to 15 basis points for both sovereign program and project loans negotiated on or after 1 October 2007, and eliminated the waiver mechanism for such loans.

For nonsovereign loans, ADB charges a commitment charge of about 50 to 75 basis points on the full amount of undisbursed loan balances.

#### *Lending Spread and Front-End Fee*

In 2004, the Board of Directors approved the waiver of 20 basis points of the lending spread on sovereign 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 sovereign loans approved during 1 January 2004 to 30 June 2005 (waiver of 50 basis points of front-end fee on sovereign loans approved in 2003).

continued

Subsequently, the policy was extended to cover the period up to 30 June 2011. Lending spread waiver reduced the loan income by \$32,040,000 for the period ended 30 June 2010 (\$30.866,000 – 2009).

In December 2007, the Board of Directors approved the elimination of front-end fees and revised the pricing structure for all sovereign LIBOR-based loans negotiated on or after 1 October 2007, by providing a credit of 0.4% for the duration of the loan. This resulted to an effective contractual spread of 20 basis points over the base lending rate. The waiver mechanism for such loans was eliminated.

In April 2010, the Board of Directors approved for all LIBOR-based loans to sovereign borrowers or with sovereign guarantees and local currency loans with sovereign guarantees (i) that are negotiated from 1 July 2010 up to and including 30 June 2011, that the credit of 0.4% be reduced to 0.3% for the duration of the loan, to result to an effective contractual spread of 30 basis points over the base lending rate; and (ii) that are negotiated from 1 July 2011, that the credit of 0.4% be reduced to 0.2% for the duration of the loan, to result to an effective contractual spread of 40 basis points over the base lending rate.

#### *Overdue Amounts*

Three nonsovereign loans were in non-accrual status as of 30 June 2010 (three – 31 December 2009) with principal amount outstanding of \$58,753,000 (\$38,408,000 – 31 December 2009), \$23,553,000 (\$18,988,000 – 31 December 2009) of which was overdue.

#### *Provision for Loan Losses*

The changes in the provision for loan losses during the second quarter of 2010 and 2009 are as follows:

	2010			2009		
	Sovereign	Nonsovereign	Total	Sovereign	Nonsovereign	Total
Balance, 1 January	\$ 2,723,000	\$ 100,519,000	\$ 103,242,000	\$ 4,356,000	\$ 4,818,000	\$ 9,174,000
Provision during the period	–	37,866,000	37,866,000	–	87,369,000	87,369,000
Provision written back/off	(154,000)	(34,835,000)	(34,989,000)	(369,000)	(145,000)	(514,000)
Translation adjustment	–	(64,000)	(64,000)	–	(4,000)	(4,000)
Balance, 30 June	\$ 2,569,000	\$ 103,486,000	\$ 106,055,000	\$ 3,987,000	\$ 92,038,000	\$ 96,025,000

#### *Loan Restructuring*

During the first half of 2010, one nonsovereign loan in the amount of \$34,049,000, including accrued interest, was restructured. In exchange ADB received \$4,218,000 in cash, \$8,632,000 in discount and recovery notes and \$1,580,000 in preference and common shares.

Investments in debt securities with readily determinable market price are considered as “available for sale” and reported at fair value, with unrealized gains and losses excluded from net income and reported in “CAPITAL AND RESERVES” as part of “Accumulated other comprehensive income”.

#### **NOTE F—GUARANTEES**

ADB extends guarantees to sovereign and nonsovereign 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 sovereign guarantees, guarantees for nonsovereign projects may be provided with or without a host government counterguarantee. ADB also seeks risk-sharing arrangement that set ADB's net exposure under a guarantee at the lowest level required to mobilize the necessary financing while maintaining a participation that is meaningful to its financing partners. A counterguarantee takes the form of a counter-guarantors' agreement to indemnify ADB for any payment it makes under the guarantee. In the event that a guarantee is called, ADB has the contractual right to require payment from the counter-guarantor, on demand, or as ADB may otherwise direct.

continued

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.

As of 30 June 2010, total loan arising from guarantee call was \$186,000 (\$190,000 – 31 December 2009) with corresponding 100% provision for losses. None of the outstanding amounts as of 30 June 2010 and 31 December 2009 were subject to call.

The committed and outstanding amounts of guarantee obligations as of 30 June 2010 and 31 December 2009 covered:

	30 June 2010		31 December 2009	
	Committed Amount	Outstanding Amount	Committed Amount	Outstanding Amount
Partial Credit Guarantees				
with sovereign counterguarantee	\$ 1,186,839,000	\$ 1,091,878,000	\$ 1,137,599,000	\$ 1,055,097,000
with nonsovereign counterguarantee	153,886,000	105,440,000	155,209,000	99,817,000
without counterguarantee	693,104,000	369,335,000	487,551,000	296,115,000
	<u>2,033,829,000</u>	<u>1,566,653,000</u>	<u>1,780,359,000</u>	<u>1,451,029,000</u>
Political Risk Guarantees				
with sovereign counterguarantee	143,421,000	116,842,000	143,539,000	120,607,000
without counterguarantee	36,619,000	22,824,000	46,715,000	26,255,000
	<u>180,040,000</u>	<u>139,666,000</u>	<u>190,254,000</u>	<u>146,862,000</u>
Others	950,000	950,000	950,000	950,000
Total	<u>\$ 2,214,819,000</u>	<u>\$ 1,707,269,000</u>	<u>\$ 1,971,563,000</u>	<u>\$ 1,598,841,000</u>

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. 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.

As of 30 June 2010, the balance of the contingent liability for a partial credit guarantee in Kazakhstan was \$13,593,000. This forms part of guarantee liability totaling \$29,626,000 relating to stand-by ready obligation for four partial credit risk guarantees and three political risk guarantees. This was included in "Miscellaneous liabilities" on the balance sheet.

For a partial credit guarantee with nonsovereign counterguarantee, ADB received collateral from the counter-guarantor in the form of common shares of stocks. The shares of stocks are held in a pledged position by a custodian in favor of ADB, with an underlying agreement for the counter-guarantor to ensure that the market of the shares held in custody will cover the guaranteed amount at all times.

#### 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 ASC 815 "Derivatives and Hedging" for the purpose of financial statement reporting, ADB has elected not to define any qualifying hedging relationships. Rather, all derivative instruments, as defined by ASC 815, have been marked to fair value (FV), and all changes in the FV 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 ASC 815 hedging criteria does not make fully evident ADB's risk management strategies.

The initial application of ASC 815 gave rise to a transition adjustment in 2001, which was reported in other comprehensive income and earnings. The allocation between net income and other comprehensive

continued

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, currency, and FX swaps that ADB has entered into for the purpose of hedging specific investments and loans. The loan related swaps were executed to better align the composition of certain outstanding loans with funding sources and provide borrowers with the flexibility to better manage their financial risks.

### Fair Value of Derivative Instruments

The fair value of ADB's derivative instruments as of 30 June 2010 and 31 December 2009 are summarized below:

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Fair Value		Balance Sheet Location	Fair Value	
		30 June 2010	31 December 2009		30 June 2010	31 December 2009
<b>Derivatives not designated as hedging instruments under ASC Subtopic 815-20 "Hedging—General"</b>						
<b>Futures</b>	Investments - Other securities					
Futures		\$ 62,161,000	\$ (1,105,000)			
Futures - offset		(62,161,000)	1,105,000			
Total		-	-			
<b>Borrowings related swaps</b>	Receivable from Swaps - Borrowings			Payable for Swaps - Borrowings		
Currency swaps		23,160,831,000	21,333,525,000	\$ 22,899,541,000	\$ 20,553,527,000	
Interest rate swaps		4,277,403,000	3,583,739,000	3,003,137,000	2,949,816,000	
Total		27,438,234,000	24,917,264,000	25,902,678,000	23,503,343,000	
<b>Investment related swaps</b>	Receivable from Swaps - Others			Payable for Swaps - Others		
Currency swaps		765,050,000	539,530,000	858,102,000	666,997,000	
Interest rate swaps		98,794,000	121,735,000	150,681,000	159,256,000	
FX swaps		2,332,902,000	-	2,401,090,000	-	
Total		3,196,746,000	661,265,000	3,409,873,000	826,253,000	
<b>Loans related swaps</b>	Receivable from Swaps - Others			Payable for Swaps - Others		
Currency swaps		271,438,000	265,357,000	274,513,000	263,000,000	
Interest rate swaps		97,707,000	118,232,000	201,204,000	204,907,000	
Total		369,145,000	383,589,000	475,717,000	467,907,000	
<b>Total derivatives not designated as hedging instruments under ASC Subtopic 815-20</b>		<b>\$ 31,004,125,000</b>	<b>\$ 25,962,118,000</b>	<b>\$ 29,788,268,000</b>	<b>\$ 24,797,503,000</b>	

continued

*Effect of Derivative Instruments on the Statement of Financial Performance*

ADB reports changes in the fair value of its derivative instruments as part of net unrealized gains and losses in its Statement of Income and Expenses while all interest income, expenses, and related amortization of discounts, premiums, and fees are reported as part of revenue and expenses. These are summarized below:

	Location of Gain (Loss) recognized in Income on Derivatives	Amount of Gain (Loss) recognized in income on Derivatives	
		30 June 2010	30 June 2009
Derivatives not designated as hedging instruments under ASC Subtopic 815-20			
Futures			
Futures	Net Realized Gains (Losses) from Investments	\$ (105,000)	\$ (158,000)
Borrowings related swaps			
Currency swaps	Net Unrealized Gains (Losses)	212,910,000	(684,384,000)
	Borrowings and related expenses	615,471,000	363,758,000
Interest rate swaps	Net Unrealized Gains (Losses)	588,793,000	(535,564,000)
	Borrowings and related expenses	295,097,000	114,270,000
FX forward/FX swaps	Net Unrealized Gains (Losses)	—	54,000
	Borrowings and related expenses	—	588,000
		<u>1,712,271,000</u>	<u>(741,278,000)</u>
Investment related swaps			
Currency swaps	Net Unrealized Gains (Losses)	3,235,000	(10,408,000)
	Revenue from Investments	(3,601,000)	1,812,000
Interest rate swaps	Net Unrealized Gains (Losses)	(14,251,000)	37,036,000
	Net Realized Gains (Losses) from Investments	54,000	—
	Revenue from Investments	(2,794,000)	(3,186,000)
FX forward/FX swaps	Net Unrealized Gains (Losses)	2,290,000	(12,343,000)
	Revenue from Investments	1,654,000	1,627,000
		<u>(13,413,000)</u>	<u>14,538,000</u>
Loans related swaps			
Currency swaps	Net Unrealized Gains (Losses)	(1,487,000)	(8,027,000)
	Revenue from Loans	(7,955,000)	(5,525,000)
Interest rate swaps	Net Unrealized Gains (Losses)	(15,930,000)	38,200,000
	Revenue from Loans	(25,004,000)	(15,247,000)
		<u>(50,376,000)</u>	<u>9,401,000</u>
Total		<u>\$ 1,648,377,000</u>	<u>\$ (717,497,000)</u>

continued

*Contingent Features in Derivative Instruments*

ADB has entered into several agreements with its derivative counterparties under the Master Agreement of the International Swaps and Derivatives Association (ISDA) and the Master Agreement of the National Association of Financial Market Institutional Investors (NAFMII). The agreements provide for the right of a party to terminate if any of the various events of default and termination events specified occur. Events of default include failure to pay and cross default. Termination events include the situation where the long term unsecured and unsubordinated indebtedness of ADB or the counterparty ceases to be rated at least Baa3 by Moody's Investor Service, Inc. or BBB- by Standard and Poor's Ratings Group, or such indebtedness ceases to be rated by Moody's or S&P. If ADB's counterparties are entitled under the agreements to terminate their derivative transactions with ADB, ADB will be required to pay an amount equal to its net liability position with each counterparty (in the case of counterparties who have entered into the ISDA Master Agreement) and an amount equal to the liability position for each transaction with each counterparty (in the case of counterparties who have entered into the NAFMII Master Agreement). The aggregate fair value of all derivative instruments that ADB has under the ISDA Master Agreement that are in a net liability (negative marked-to-market) position as of 30 June 2010 is \$763,954,000 (\$645,001,000 – 31 December 2009). The aggregate fair value of all derivative instruments that ADB has under the NAFMII Master Agreement that are in a liability position is CNY547,000 or its US dollar equivalent of \$80,000 (CNY21,390,000 or its US dollar equivalent of \$3,134,000 – 31 December 2009).

**NOTE H—EQUITY INVESTMENTS**

Equity investments in which ADB has significant influence in investees are accounted under equity method. This includes equity investments in limited partnership and certain limited liability corporations aggregating to \$243,808,000 (\$226,255,000 – 31 December 2009).

Investments in equity securities with readily determinable market price are considered as "Available for Sale" and reported at fair value, with unrealized gains and losses excluded from net income and reported in "CAPITAL AND RESERVES" as part of "Accumulated other comprehensive income." Investments in equity securities without readily determinable fair values are reported at cost less other than temporary impairment.

As of 30 June 2010, there were seven (six – 31 December 2009) equity investments which were reported at fair value totaling \$450,463,000 (\$461,552,000 – 31 December 2009). One equity investment as of 30 June 2010 sustained unrealized losses of \$350,000 (nil – 31 December 2009).

Accumulated net unrealized gains on equity investments reported at market value including equity investments accounted under the equity method with share in unrealized gains or losses reported under other comprehensive income of investee's financial statement were \$329,658,000 at 30 June 2010 (\$332,044,000 – 31 December 2009).

Approved equity investment facility that has not been disbursed was \$579,518,000 at 30 June 2010 (\$433,365,000 – 31 December 2009).

continued

**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>30 June 2010</u>	<u>31 December 2009</u>
Amounts receivable from:		
Asian Development Fund (Note L)	\$ 56,956,000	\$ 43,142,000
Technical Assistance Special Fund	162,000	231,000
Japan Special Fund	–	115,000
Asian Development Bank Institute Special Fund	242,000	198,000
Asian Tsunami Fund	198,000	590,000
Pakistan Earthquake Fund	40,000	45,000
Regional Cooperation and Integration Fund	45,000	40,000
Climate Change Fund	60,000	95,000
Agency Trust Funds—net	2,257,000	1,893,000
<b>Total</b>	<b>\$ 59,960,000</b>	<b>\$ 46,350,000</b>
Amounts payable to:		
Japan Special Fund	\$ 123,000	\$ –
Staff Retirement Plan	3,351,000	8,455,000
<b>Total</b>	<b>\$ 3,474,000</b>	<b>\$ 8,455,000</b>

Note: Figures may not add to total due to rounding.

**NOTE J—BORROWINGS**

Borrowings are generally reported on the balance sheet at fair value. As part of its borrowing strategy, ADB issues structured debt, which includes embedded derivatives in order to reduce its cost of borrowings. ADB simultaneously enters into currency and/or interest rate swaps to fully hedge the structured debt.

Upon the adoption of ASC 815-15 “Embedded Derivatives” on 1 January 2006, ADB no longer bifurcates the embedded derivatives in the structured debt portfolio that meet the bifurcation criteria under ASC 815. Instead, ADB reports at fair value (FV) any structured debt that contains embedded derivatives that would otherwise be bifurcated under ASC 815. Consequent to the adoption of ASC 820 and ASC 825 on 1 January 2008, ADB reports all borrowings that have associated derivative instruments at FV, which are further adjusted for the credit risk (as a credit spread) by currency. Changes in FV are reported in net income.

**NOTE K—CAPITAL AND RESERVES**

In 29 April 2009, the Board of Governors of ADB adopted Resolution No. 336 increasing ADB’s authorized capital stock by 7,092,622 shares (200%), and the corresponding subscriptions for such increase by its members. Each member is entitled to subscribe for that number of additional shares equivalent to 200% of its allocated shares immediately prior to the effective date of the Resolution. Each member may subscribe for the additional shares at any time up to 31 December 2010 (or such later date as the Board of Directors may determine).

The authorized capital stock of ADB as of 30 June 2010 consists of 10,638,933 shares (10,638,933 – 31 December 2009), of which 6,784,511 shares (3,889,343 – 31 December 2009) have been subscribed. Of

continued

the subscribed shares, 6,405,559 shares (3,626,198 – 31 December 2009) are “callable,” and 378,952 shares (263,145 – 31 December 2009) are “paid-in.” The “callable” share capital is subject to call by ADB only as and when required to meet ADB’s obligations incurred 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, partly in convertible currencies and partly in the currency of the subscribing member which may be convertible. In accordance with Article 6, paragraph 3 of the Charter, ADB accepts non-negotiable, non-interest-bearing demand obligations in satisfaction of the portion payable in the currency of the member provided such currency is not required by ADB for the conduct of its operations. The settlement of such amounts is not determinable and, accordingly, it is not practicable to determine a fair value for these receivables.

As of 30 June 2010, 16 (four – 31 December 2009) members had subscribed to the additional 2,895,168 (343,032 – 31 December 2009) shares, of which 115,807 (13,721 – 31 December 2009) shares are paid-in and 2,779,361 (329,311 – 31 December 2009) shares are callable.

Following the Board of Governors approval in May 2010, of the net loss of OCR for 2009 of \$36,725,000, \$447,607,000 and \$247,162,000 were transferred from Cumulative Revaluation Adjustments Account and Loan Loss Reserve respectively and was allocated to Ordinary Reserve (\$230,882,000), Surplus (\$247,162,000), ADF (\$120,000,000), TASF (\$40,000,000), CCF (\$10,000,000), and RCIF (\$10,000,000).

As of 30 June 2010, the value of the SDR in terms of the United States dollar was \$1.47514 (\$1.56199 – 31 December 2009) giving a value for each share of ADB’s capital equivalent to \$14,751.40 (\$15,619.90 – 31 December 2009).

#### **NOTE L—INCOME AND EXPENSES**

For the six-month period ended 30 June 2010, the average yield on the loan portfolio was 1.56% (3.12% – 2009) excluding premium received on prepayment and other loan income, while the weighted average cost of borrowings outstanding after swaps was 0.79% (2.73% – 2009). For investments, the annualized rate of return on the average investments including securities transferred under repurchase agreements and securities purchased under resale arrangements, based on the portfolio held at the beginning and end of each month, was 2.28% (3.18% – 2009) excluding unrealized gains and losses on investments, and 2.85% (2.88% – 2009) including unrealized gains and losses on investments. Interest income from debt securities amounted to \$257,000 (nil – 2009). This was reported under Revenue from other sources-net.

Administrative expenses (other than those pertaining directly to ordinary operations and special operations) for the six-month period ended 30 June 2010 were apportioned between OCR and the ADF in the proportion of the relative volume of operational activities. Of the total administrative expenses for the six-month period ended 30 June 2010 of \$223,335,000 (\$190,098,000 – 2009), \$105,547,000 (\$86,173,000 – 2009) was accordingly charged to the ADF. The balance of administrative expenses after allocation was increased by the deferred direct loan origination costs of \$32,614,000 (\$24,749,000 – 2009) mainly due to the adjustments to the loan origination costs from 50 basis points to 30 basis points to loans made effective from 2006-2008.

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 charged to OCR current income as “TECHNICAL ASSISTANCE TO MEMBER COUNTRIES”. Accordingly, 195,000 was written back representing net cancellations of undisbursed amounts of completed TA projects which were committed in prior period (\$27,000 – 2009).

During the six-month period ended 30 June 2010, provision for losses of \$14,342,000 was recognized for loans. Provision for losses of \$37,866,000 (\$121,622,000 – 2009) was recognized mainly due to the revision of methodology for estimating the loan portfolio impairment. These were offset by a write back of \$23,524,000 (\$1,438,000 – 2009) following i) restructuring of one nonsovereign loan to Kazakhstan; ii)

continued

collections of overdue loan service payments from one sovereign loan and two nonsovereign loans; and iii) a reduction in the guaranteed amount of a nonsovereign guaranteed obligation.

Other expenses of \$1,893,000 (\$2,944,000 – 2009) included non-borrowings related financial expenses such as fees paid to external asset managers and bank charges.

Net unrealized gains for the six months ended 30 June 2010 include net favorable ASC 815 and ASC 825 adjustments totaling \$174,739,000 (net unfavorable of \$408,689,000 – 2009) and net unfavorable translation adjustments of \$4,156,000 (\$2,264,000 – 2009) associated with holdings in non-functional currencies.

ASC 815 and ASC 825 adjustments were composed of:

	<u>30 June 2010</u>	<u>30 June 2009</u>
Unrealized gains (losses) on:		
Hybrid financial instruments		
and related swaps	\$ 237,410,000	\$ (132,339,000)
Non-hybrid financial instruments		
and related swaps	(36,633,000)	(321,104,000)
Investments related swaps	(11,016,000)	14,285,000
Loans related swaps	(17,417,000)	30,173,000
FX swaps	2,290,000	54,000
Amortization of the ASC 815		
transition adjustments	105,000	242,000
Total	<u>\$ 174,739,000</u>	<u>\$ (408,689,000)</u>

#### **NOTE M—FAIR VALUE OPTION AND FAIR VALUE MEASUREMENTS**

Effective 1 January 2008, ADB adopted ASC 820 and ASC 825. ASC 820 defines fair value (FV) which focuses on the price that would be received to sell the asset or paid to transfer the liability (exit price) and establishes a framework for measuring FV through a FV hierarchy that ranks the quality and reliability of the data used in FV measurements. ASC 825 expands the scope of financial instruments that may be carried at FV. It offers an irrevocable option to carry the majority of financial assets and liabilities at FV, on an instrument-by-instrument basis, with changes in FV recognized in earnings.

continued

The carrying amounts and estimated fair values of ADB's significant financial instruments as of 30 June 2010 and 31 December 2009 are summarized below:

	30 June 2010		31 December 2009	
	Carrying Amount <sup>a</sup>	Estimated Fair Value	Carrying Amount <sup>a</sup>	Estimated Fair Value
<b>On-balance sheet financial instruments:</b>				
<b>ASSETS:</b>				
Due from banks	\$ 138,702,000	\$ 138,702,000	\$ 129,843,000	\$ 129,843,000
Investments (Note C)	20,437,953,000	20,437,953,000	14,123,579,000	14,123,579,000
Securities transferred under repurchase agreement	1,078,119,000	1,078,119,000	551,386,000	551,386,000
Securities purchased under resale arrangement	398,231,000	398,231,000	335,240,000	335,240,000
Loans outstanding (Note E)	43,661,758,000	45,373,469,000	41,713,048,000	43,235,456,000
Equity investments (Note H)	886,271,000	886,271,000	884,440,000	884,440,000
<b>Other assets</b>				
Non-negotiable, non-interest-bearing demand obligations	211,353,000	211,353,000	142,181,000	142,181,000
Receivable from swaps - borrowings (Note G)	27,438,234,000	27,438,234,000	24,917,264,000	24,917,264,000
Receivable from swaps - others (Note G)	3,565,891,000	3,565,891,000	1,044,854,000	1,044,854,000
Swap related collateral	1,192,650,000	1,192,650,000	735,050,000	735,050,000
Securities from restructuring arrangement (Note E)	7,815,000	7,815,000	—	—
Future guarantee receivable	16,033,000	16,033,000	16,962,000	16,962,000
<b>LIABILITIES:</b>				
Borrowings (Note J)	50,669,168,000	51,588,263,000	42,498,198,000	43,121,355,000
<b>Other liabilities</b>				
Payable for swaps - borrowings (Note G)	25,902,678,000	25,902,678,000	23,503,343,000	23,503,343,000
Payable for swaps - others (Note G)	3,885,590,000	3,885,590,000	1,294,160,000	1,294,160,000
Payable for swap related collateral	1,192,650,000	1,192,650,000	735,050,000	735,050,000
Guarantee liability	29,626,000	29,626,000	38,710,000	38,710,000

<sup>a</sup>The carrying amount for borrowings and swaps are inclusive of accrued interest.

	30 June 2010		31 December 2009	
	Outstanding Amount	Present Value	Outstanding Amount	Present Value
<b>Off-balance sheet financial instruments:</b>				
Guarantees (Note F)	\$ 1,172,397,000	\$ 844,290,000	\$ 1,139,356,000	\$ 809,857,000

#### *Fair Value Option*

In adopting ASC 825, ADB elected the Fair Value Option on all borrowings that are associated with derivative instruments. This election allows ADB to mitigate the earnings volatility in its statutory reporting that is caused by the different accounting treatment of the borrowing and its related derivative without having to apply the complex hedge accounting requirements of ASC 815. ADB also incorporated the credit spread by currency in the valuation of its borrowings.

continued

*Fair Value Measurement*

ASC 820 establishes a fair value hierarchy that gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), next priority to observable market inputs or market corroborated data (Level 2), and the lowest priority to unobservable inputs without market corroborated data (Level 3). ASC 820 requires the fair value measurement to maximize the use of market observable inputs.

Assets and liabilities measured at fair value on a recurring basis:

The fair value of the following financial assets and liabilities as of 30 June 2010 and 31 December 2009 were reported based on the following:

	30 June 2010	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investments				
Government or gov't. guaranteed obligations	\$ 16,546,030,000	\$ 12,243,475,000	\$ 4,302,555,000	\$ -
Time deposits and other obligations of banks	937,736,000	-	937,736,000	-
Corporate obligations	2,065,672,000	406,245,000	1,659,427,000	-
Asset-backed/mortgage-backed securities	888,516,000	-	888,516,000	-
Securities transferred under repurchase agreement	1,078,119,000	1,078,119,000	-	-
Securities purchased under resale arrangement	398,231,000	-	398,231,000	-
Borrowings related swaps	27,438,234,000	-	19,494,496,000	7,943,738,000
Investments related swaps	3,196,746,000	-	3,196,746,000	-
Loans related swaps	369,145,000	-	337,800,000	31,345,000
Equity investments	450,463,000	450,463,000	-	-
Securities from restructuring arrangement	7,815,000	7,815,000	-	-
<b>Total assets at fair value</b>	<b>\$ 53,376,707,000</b>	<b>\$ 14,186,117,000</b>	<b>\$ 31,215,507,000</b>	<b>\$ 7,975,083,000</b>
<b>Liabilities</b>				
Borrowings				
Hybrid financial instruments	\$ 2,136,862,000	\$ -	\$ 2,136,862,000	\$ -
Non-hybrid financial instruments	44,284,031,000	-	36,084,456,000	8,199,575,000
Borrowings related swaps	25,902,679,000	-	25,827,053,000	75,626,000
Investments related swaps	3,409,873,000	-	3,409,873,000	-
Loans related swaps	475,718,000	-	161,213,000	314,505,000
<b>Total liabilities at fair value</b>	<b>\$ 76,209,163,000</b>	<b>\$ -</b>	<b>\$ 67,619,457,000</b>	<b>\$ 8,589,706,000</b>

continued

	31 December 2009	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investments				
Government or gov't. guaranteed obligations	\$ 10,308,595,000	\$ 9,661,283,000	\$ 647,312,000	\$ -
Time deposits and other obligations of banks	1,991,982,000	-	1,991,982,000	-
Corporate obligations	971,552,000	476,951,000	494,601,000	-
Asset-backed/mortgage-backed securities	851,450,000	-	851,450,000	-
Securities transferred under repurchase agreement	551,386,000	551,386,000	-	-
Securities purchased under resale arrangement	335,240,000	-	335,240,000	-
Borrowings related swaps	24,917,264,000	-	17,610,947,000	7,306,317,000
Investments related swaps	661,265,000	-	661,265,000	-
Loans related swaps	383,589,000	-	355,316,000	28,273,000
Equity investments	461,552,000	461,552,000	-	-
Securities from restructuring arrangement	-	-	-	-
<b>Total assets at fair value</b>	<b>\$ 41,433,875,000</b>	<b>\$ 11,151,172,000</b>	<b>\$ 22,948,113,000</b>	<b>\$ 7,334,590,000</b>
<b>Liabilities</b>				
Borrowings				
Hybrid financial instruments	\$ 2,634,794,000	\$ -	\$ 2,478,202,000	\$ 156,592,000
Non-hybrid financial instruments	35,678,408,000	-	28,431,322,000	7,247,086,000
Borrowings related swaps	23,503,343,000	-	23,424,313,000	79,030,000
Investments related swaps	826,253,000	-	826,253,000	-
Loans related swaps	467,907,000	-	171,668,000	296,239,000
<b>Total liabilities at fair value</b>	<b>\$ 63,110,705,000</b>	<b>\$ -</b>	<b>\$ 55,331,758,000</b>	<b>\$ 7,778,947,000</b>

Included in government or government guaranteed obligations are securities priced by the Bloomberg Valuation Services (BVAL) amounting to \$608,689,000 which was classified as Level 2 in December 2009. Starting March 2010, BVAL pricing was classified as Level 1. While, securities amounting to \$10,777,000 priced by Euroclear in December 2009 and Bloomberg Generic Pricing (BGN) in June 2010 was transferred from Level 2 to Level 1.

Assets (liabilities) measured at fair value on a recurring basis using significant unobservable inputs (level 3):

	Investments		Borrowings	
	Corporate obligations	Asset-backed/mortgage-backed securities	Hybrid financial instruments	Non-hybrid financial instruments
Balance, 1 January 2010	\$ -	\$ -	\$ (156,592,000)	\$ (7,247,086,000)
Total gains (losses) - (realized/unrealized)				
Included in earnings	-	-	1,217,000	17,303,000
Included in other comprehensive income	-	-	(4,064,000)	109,768,000
Purchases, sales, and paydowns	-	-	-	-
Issuances, redemptions, and maturities	-	-	159,440,000	(1,079,560,000)
Transfers out of Level 3	-	-	-	-
<b>Balance, 30 June 2010</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (8,199,575,000)</b>
The amount of total gains (losses) for the period included in earnings attributable to the change in net unrealized gains or losses relating to assets/liabilities still held at the reporting date	\$ -	\$ -	\$ 1,223,000	\$ (15,276,000)

Note: Figures may not add to totals due to rounding.

continued

	<b>Swaps receivable</b>		<b>Swaps payable</b>
	Hybrid financial instruments	Non-hybrid financial instruments	Non-hybrid financial instruments
Balance, 1 January 2010	\$ 157,400,000	\$ 7,148,917,000	\$ (79,031,000)
Total gains (losses) - (realized/unrealized)			
Included in earnings	(2,066,000)	(163,273,000)	3,815,000
Included in other comprehensive income	4,106,000	(120,741,000)	(410,000)
Issuances, redemptions, and maturities	<u>(159,440,000)</u>	<u>1,078,835,000</u>	<u>-</u>
Balance, 30 June 2010	<u>\$ -</u>	<u>\$ 7,943,738,000</u>	<u>\$ (75,626,000)</u>
The amount of total gains (losses) for the period included in earnings attributable to the change in net unrealized gains or losses relating to assets/liabilities still held at the reporting date	<u>\$ (1,183,000)</u>	<u>\$ (136,885,000)</u>	<u>\$ 5,829,000</u>

Note: Figures may not add to totals due to rounding.

	<b>Loans related swaps</b>	
	Swaps receivable	Swaps payable
Balance, 1 January 2010	\$ 28,273,000	\$ (296,239,000)
Total gains (losses) - (realized/unrealized)		
Included in earnings	2,734,000	(19,740,000)
Included in other comprehensive income	338,000	(4,176,000)
Issuances, redemptions, and maturities	<u>-</u>	<u>5,650,000</u>
Balance, 30 June 2010	<u>\$ 31,345,000</u>	<u>\$ (314,505,000)</u>
The amount of total gains (losses) for the period included in earnings attributable to the change in net unrealized gains or losses relating to assets/liabilities still held at the reporting date	<u>\$ 2,424,000</u>	<u>\$ (19,552,000)</u>

## NOTE N—SUBSEQUENT EVENTS

ADB has evaluated subsequent events after 30 June 2010 through the date these Condensed Financial Statements are issued. During this period, ADB has raised additional borrowings of approximately \$343.8 million in various currencies.

**ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT FUND**  
**CONDENSED SPECIAL PURPOSE STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES**  
**30 June 2010 and 31 December 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<u>30 June</u> <u>(Unaudited)</u>	<u>31 December</u>
<b><u>ASSETS</u></b>		
DUE FROM BANKS	\$ 38,148	\$ 3,022
INVESTMENTS (Notes C and K)	5,330,155	5,477,925
SECURITIES PURCHASED UNDER RESALE ARRANGEMENT (Notes C, D, and K)	96,219	185,395
LOANS OUTSTANDING (Notes E, K, and L) (Net of provision for HIPC Debt Relief of \$80,413 - 30 June 2010; \$80,033 - 31 December 2009)	27,130,204	27,879,315
ACCRUED REVENUE	106,828	123,443
DUE FROM CONTRIBUTORS (Note B)	2,044,596	2,294,560
OTHER ASSETS	58,637	58,146
<b>TOTAL</b>	<b>\$ 34,804,787</b>	<b>\$ 36,021,806</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>		
ACCOUNTS PAYABLE AND OTHER LIABILITIES		
Payable to related funds (Note G)	\$ 70,862	\$ 48,470
Advance payments on contributions (Note B)	140,919	137,185
Undisbursed grant commitments (Notes J and K)	1,974,690	1,676,642
Deferred credits (Note B)	1,396	492
Total Liabilities	<u>2,187,867</u>	<u>1,862,789</u>
FUND BALANCES		
Amounts available for operational commitments		
Contributed resources (Notes B and H)	\$ 32,302,574	\$ 32,740,247
Unamortized discount (Note B)	<u>(79,087)</u>	<u>(85,798)</u>
Set-aside resources	70,231	74,366
Transfers from Ordinary Capital Resources and Technical Assistance Special Fund	<u>983,368</u>	<u>863,892</u>
	33,277,086	33,592,707
Accumulated surplus (ADF-4)	2,009,609	3,295,846
Accumulated other comprehensive income (ADF-4)	<u>(2,669,775)</u>	<u>(2,729,536)</u>
Total Fund Balance	<u>32,616,920</u>	<u>34,159,017</u>
<b>TOTAL</b>	<b>\$ 34,804,787</b>	<b>\$ 36,021,806</b>

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 Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	2010 (Unaudited)	2009 (Unaudited)
<b>REVENUE</b>		
From loans	\$ 141,768	\$ 130,285
From investments (Note C)	55,564	76,490
From other sources—net	8	61
<b>TOTAL REVENUE</b>	<u>197,340</u>	<u>206,836</u>
<b>EXPENSES</b>		
Grants (Note J)	413,242	443,230
Administrative expenses (Note I)	105,547	86,173
Amortization of discounts on contributions (Note B)	4,771	3,294
Provision for HIPC Debt Relief (Notes E and L)	(859)	—
Financial expenses	7	8
<b>TOTAL EXPENSES</b>	<u>522,708</u>	<u>532,705</u>
<b>NET REALIZED GAINS FROM LOANS (Note B)</b>	<u>—</u>	<u>146,812</u>
<b>NET UNREALIZED (LOSSES) GAINS (Note F)</b>	<u>(960,869)</u>	<u>47,288</u>
<b>REVENUE LESS THAN EXPENSES</b>	<u>\$ (1,286,237)</u>	<u>\$ (131,769)</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 CASH FLOWS**  
**For the Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	2010 (Unaudited)	2009 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest charges on loans received	\$ 137,956	\$ 107,088
Interest on investments received	59,159	62,107
Interest received for securities purchased under resale arrangement	83	200
Cash received from other sources	9	61
Administrative expenses paid	(91,901)	(73,323)
Grants disbursed	(119,601)	(102,713)
Financial expenses paid	(7)	(8)
Net Cash Used in Operating Activities	<u>(14,302)</u>	<u>(6,588)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Maturities of investments	36,144,408	45,977,960
Purchases of investments	(36,329,079)	(45,903,468)
Net receipts from securities purchased under resale arrangement	93,379	91,242
Net payments for forward contracts	-	(57,995)
Principal collected on loans	435,339	377,629
Loans disbursed	(791,739)	(838,067)
Net Cash Used in Investing Activities	<u>(447,692)</u>	<u>(352,699)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contributions received and encashed	379,208	292,561
Cash received from ordinary capital resources	120,000	120,000
Net Cash Provided by Financing Activities	<u>499,208</u>	<u>412,561</u>
Effect of Exchange Rate Changes on Due from Banks	<u>(2,088)</u>	<u>4,618</u>
Net Increase in Due from Banks	35,126	57,892
Due from Banks at Beginning of Period	<u>3,022</u>	<u>7,974</u>
Due from Banks at End of Period	<u>\$ 38,148</u>	<u>\$ 65,866</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 Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<b>2010</b>		<b>2009</b>	
	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
Balance at beginning of period		\$ 34,159,017		\$ 33,479,348
Comprehensive income for the period:				
Net loss for the period (ADF-2)	\$ (1,286,237)		\$ (131,769)	
Other comprehensive income for the period	59,761	(1,226,476)	74,429	(57,340)
Change in amount available for operational commitments				
from Contributed Resources		(437,673)		(187,085)
from Unamortized Discount for Accelerated Notes				
Encashment (ANE) of ADF IX and ADF X		6,711		(19,753)
Transfer from Ordinary Capital Resources		120,000		120,000
Change in SDR value of Set-Aside Resources		(4,135)		119
Change in value of transfers from TASF		(524)		6
<b>Balance at end of period</b>		<b>\$ 32,616,920</b>		<b>\$ 33,335,295</b>

**Accumulated Other Comprehensive Income**  
**For the Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	Accumulated Translation Adjustments (Unaudited)		Unrealized Investment Holding Gains (Losses) (Unaudited)		Accumulated Other Comprehensive Income (Unaudited)	
	2010	2009	2010	2009	2010	2009
Balance, 1 January	\$ (2,847,594)	\$ (2,210,003)	\$ 118,058	\$ 107,649	\$ (2,729,536)	\$ (2,102,354)
Other comprehensive income for the period	57,774	77,482	1,987	(3,053)	59,761	74,429
<b>Balance, 30 June</b>	<b>\$ (2,789,820)</b>	<b>\$ (2,132,521)</b>	<b>\$ 120,045</b>	<b>\$ 104,596</b>	<b>\$ (2,669,775)</b>	<b>\$ (2,027,925)</b>

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 Six-Month Periods Ended 30 June 2010 and 2009**  
**(Unaudited)**

**NOTE A—INTERIM FINANCIAL INFORMATION**

These unaudited condensed interim financial statements should be read in conjunction with the 31 December 2009 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 six-month periods ended 30 June 2010 and 2009 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 resources of ADF have been subsequently augmented by nine replenishments, the most recent (ADF X and the fourth regularized replenishment of the Technical Assistance Special Fund) of which was approved by the Board of Governors in August 2008 and became effective on 16 June 2009. The new replenishment provides a substantial replenishment of the ADF to finance ADB's concessional program for the four-year period from January 2009, and for a replenishment of the TASF in conjunction with the ADF replenishment, to finance technical assistance operations under the new fund. Total replenishment size is SDR7,419,094,000, of which SDR2,657,960,000 will come from new donor contributions. The donors agreed to allocate 3% of the total replenishment size (equivalent to 8% of total donor contributions) to TASF. As of 30 June 2010, ADB has received instruments of contributions from 27 donors with a total amount equivalent to SDR2,260,003,000, including qualified contributions amounting to SDR211,891,000.

**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 in US dollar equivalents at reporting date. With the adoption of the special purpose financial statements, loan loss provisioning, other than those for the debt relief loan write-off resulting from the implementation of the Heavily Indebted Poor Countries (HIPC) initiatives discussed in Note L, 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 accepted a resolution to adopt a full-fledged special drawing rights (SDR) approach to facilitate resource administration and operational planning for the benefit of borrowers. The currency management framework was implemented on 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.

In July 2007, as an application of the Board-approved currency management exercise, ADB decided to offer a full-fledged SDR approach to ADF legacy loans by providing ADF borrowers the option to convert their existing liability (i.e., disbursed and outstanding loan balance) in various currencies into SDR, while the undisbursed portions will be treated as new loans. The conversion was made available beginning 1 January 2008, and as of 30 June 2010, 17 out of 30 ADF borrowing countries have opted to convert their loans, which were carried out on the nearest loan service payment dates at least one month from their concurrence. There was no loan conversion for the period ended 30 June 2010.

The implementation of the full-fledged SDR framework is expected to change the primary economic environment of ADF. Until this process is completed, and a significant change in the primary economic environment becomes evident, the currencies of contributing member countries are functional currencies as

continued

these represent the currencies of the primary economic environment in which ADF generates and expends cash. The United States dollar is the reporting currency of the fund. The special purpose financial statements are expressed in thousands of current United States dollars.

In December 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2009-16, "*Transfers and Servicing (Topic 860) – Accounting for Transfers of Financial Assets.*" This update addresses the information that a reporting entity provides in its financial reports about transfers of financial assets including; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred assets. This update is applicable at the start of an entity's first fiscal year beginning after 15 November 2009, or 1 January 2010 for entities reporting earnings on a calendar-year basis. Notes D, F, and K provide the required disclosures in compliance with this update.

In January 2010, the FASB issued ASU No. 2010-06, "*Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements.*" ASU 2010-06 amends ASC 820 to add new disclosures requirements for transfers in and out of Levels 1 and 2 measurements and separate disclosures about gross purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosure requirements about the level of disaggregation and about inputs and valuation techniques used to measure fair value. ASU 2010-06 is effective for the first interim or annual period beginning after 31 December 2009 except for the requirement to provide the Level 3 activity of gross purchases, sales, issuances and settlements, which will be effective for fiscal years beginning after 15 December 2010 and for interim periods within those fiscal years. The application of updates for Levels 1 and 2 did not have a material impact ADF's 30 June 2010 special purpose financial statements. ADB is currently assessing the impact of this update relating to Level 3 on ADF's special purpose financial statements.

In February 2010, the FASB issued ASU No. 2010-09, "*Subsequent Events (Topic 855) – Amendments to Certain Recognition and Disclosure Requirements.*" ASU 2010-09 reiterates that an SEC filer is required to evaluate subsequent events through the date that the financial statements are issued and removes the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated. ASU 2010-09 is effective for interim or annual periods ending after 15 June 2010. The application of this update did not have a material impact on ADF's 30 June 2010 special purpose financial statements.

In March 2010, the FASB issued ASU No. 2010-11, "*Derivatives and Hedging (Topic 815) – Scope Exception Related to Embedded Credit Derivatives.*" ASU 2010-11 improves disclosures originally required under FAS 161. ASU 2010-11 is effective for each reporting entity at the beginning of its first fiscal quarter beginning after 15 June 2010. ADB is currently assessing the impact of this update on ADF's special purpose financial statements.

#### *Contributions and Contributed Resources*

Upon effectivity of replenishment, contributions committed are recorded in full as "Contributed Resources" when the Instruments of Contribution are received and are made available for operational commitment. 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 and ADF X, contributors have the option to pay their contributions under accelerated note encashment (ANE) program 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 and 9 years for ADF IX and ADF X, respectively.

continued

*Due from Contributors*

Included in "Due from Contributors" are notes of contributors and contributions receivable. Notes of contributors are non-negotiable, non-interest-bearing and, subject to certain restrictions imposed by applicable Board of Governors' resolutions, encashable by ADB at par upon demand.

*Advanced Payments and Deferred Credits*

Payments received in advance or as qualified contributions that cannot be made available for operational commitment are recorded as advance payments, provided that the donor's Instrument of Contribution has been acknowledged by ADB. Otherwise, payments are recorded as deferred credits. Advance payments and deferred credits are included under "Liabilities."

**NOTE C—INVESTMENTS**

Investment securities and negotiable certificates of deposit held as of 30 June 2010 are considered "Available for Sale" and are reported at estimated fair value, which represents their fair market value. Time deposits are reported at cost, which is a reasonable estimate of fair 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.

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 30 June 2010 and 31 December 2009 are as follows:

	<u>30 June 2010</u>	<u>31 December 2009</u>
Due in one year or less	\$ 3,085,366,000	\$ 2,765,978,000
Due after one year through five years	2,230,303,000	2,657,986,000
Due after five years through ten years	<u>14,486,000</u>	<u>53,961,000</u>
Total	<u>\$ 5,330,155,000</u>	<u>\$ 5,477,925,000</u>

The annualized rate of return on the average investments held during the six-month period ended 30 June 2010 including 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 1.95% (2.49% – 2009). If unrealized gains and losses were included, the annualized rate of return would have been 1.98% (2.43% – 2009).

continued

As of 30 June 2010, gross unrealized losses resulting from market movements amounted to \$605,000 (\$56,000 – 31 December 2009) for government or government-guaranteed obligations. Comparative details for six-month period ended 30 June 2010 and for year ended 31 December 2009 are as follows:

For the six-month period 30 June 2010

	One year or less		Over one year		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government or government - guaranteed obligations	\$ 574,072,000	\$ 605,000	\$ -	\$ -	\$ 574,072,000	\$ 605,000

For the year 2009

	One year or less		Over one year		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Government or government - guaranteed obligations	\$ 293,973,000	\$ 56,000	\$ -	\$ -	\$ 293,973,000	\$ 56,000

**NOTE D—SECURITIES TRANSFERRED UNDER REPURCHASE AGREEMENT AND SECURITIES PURCHASED UNDER RESALE ARRANGEMENT**

ADF accounts for transfers of financial assets in accordance with ASC 860, "Transfers and Servicing." 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. Under repurchase agreements, securities transferred are recorded as assets and reported at estimated fair value and cash collateral received are recorded as liabilities. ADB monitors the fair value of the securities transferred under repurchase agreements and the collateral. Under resale arrangements, securities purchased are recorded as assets and are not re-pledged.

There were no outstanding securities transferred under repurchase agreement as of 30 June 2010 and 31 December 2009.

continued

**NOTE E—LOANS**

As of 30 June 2010 and 31 December 2009, outstanding loans to borrowers are as follows:

	<u>30 June 2010</u>	<u>31 December 2009</u>
Pakistan	\$ 6,695,711,000	\$ 6,619,002,000
Bangladesh	5,629,361,000	5,944,165,000
Viet Nam	3,039,781,000	3,051,234,000
Sri Lanka	2,550,020,000	2,699,855,000
Nepal	1,487,471,000	1,594,779,000
Others (individually less than 5% of total loans)	<u>7,808,273,000</u>	<u>8,050,313,000</u>
Total Outstanding Loans	27,210,617,000	27,959,348,000
Provision for HIPC Debt Relief	<u>(80,413,000)</u>	<u>(80,033,000)</u>
Net outstanding loans	<u>\$ 27,130,204,000</u>	<u>\$ 27,879,315,000</u>

No nonsovereign loans were outstanding as of 30 June 2010 and 31 December 2009.

The principal amount outstanding of sovereign loans in non-accrual status as of 30 June 2010 was \$571,431,000 (\$560,183,000 – 31 December 2009) of which \$311,654,000 (\$292,050,000 – 31 December 2009) was overdue.

Provision for HIPC Debt Relief amounting to \$82,350,000 relating to the Afghanistan debt relief under the HIPC initiative was recognized and charged to income. Of this amount, a total of \$1,937,000 was written-off as the loan service payments of affected loans fell due. This brought the balance of Provision for HIPC Debt Relief as of 30 June 2010 to \$80,413,000 (\$80,033,000 – 31 December 2009).

The undisbursed balance of approved loans, including approved but not yet effective loans as of 30 June 2010 was \$5,846,355,000 (\$6,334,015,000 – 31 December 2009).

**NOTE F—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 ASC 815 for the purpose of financial statement reporting, ADB has elected not to define any qualifying hedging relationships. Rather, all derivative instruments, as defined by ASC 815, have been marked to fair value (FV), and all changes in the FV have been recognized in net income. ADB has elected not to define any qualifying hedging relationships, not because economic hedges do not exist, but because the application of ASC 815 hedging criteria does not make fully evident ADB's risk management strategies.

ADB engages in derivative instruments for overall liquidity management. From time to time, ADB enters into forward contracts to protect itself from the currency exchange risk.

continued

*Effect of Derivative Instruments on the Statement of Financial Performance*

ADB reports changes in the fair value of its derivative instruments as part of net unrealized gains and losses in its Statement of Income and Expenses while all interest income, expenses, and related amortization of discounts, premiums, and fees are reported as part of revenue and expenses. These are summarized below:

	Location of Gain (Loss) recognized in Income on Derivatives	Amount of Gain (Loss) recognized in income on Derivatives	
		30 June 2010	30 June 2009
Derivatives not designated as hedging instruments under ASC Subtopic 815-20			
Investment related swaps			
FX forward	Net Unrealized Losses	\$ -	\$ (692,000)
	Revenue from Investments	-	740,000
Total		\$ -	\$ 48,000

**NOTE G—RELATED PARTY TRANSACTIONS**

Included in "Payable to related funds" is the net amount of \$56,956,000 payable to Ordinary Capital Resources (OCR) (\$43,142,000 – 31 December 2009), and \$13,907,000 (\$4,349,000 – 31 December 2009) payable to TASF.

The payable to OCR represents the amount of administrative and operational expenses allocated to ADF pending settlement while the payable to TASF represents portion of installment payments received from eight donors under ADF X that were allocated to the fourth regularized replenishment of TASF.

**NOTE H—CONTRIBUTED RESOURCES**

As of 30 June 2010, contributions from 27 donor countries totaling \$3,400,249,000 were committed for ADF X. Of these, \$965,109,000 including amortized discount of \$1,477,000, were received and made available for operational commitments. These were recorded in "Contributed resources."

In May 2010, the Board of Governors approved the transfer of \$120,000,000 from OCR's 2009 allocable net income to ADF.

**NOTE I—ADMINISTRATIVE EXPENSES AND ADMINISTRATION CHARGE**

Administrative expenses represent administration charge from OCR which is an apportionment of all administrative expenses of ADB (other than those pertaining directly to ordinary and special operations) in proportion to the relative volume of operational activities of OCR and ADF.

**NOTE J—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, 6 grants totaling \$101,700,000 (4 grants totaling \$85,500,000 – 2009) were approved and 13 grants totaling \$413,242,000 (15 grants totaling \$443,230,000 – 2009) became effective, net of \$2,618,000 write back of undisbursed commitments for completed grant projects. Total undisbursed grant commitments represents effective grants, which have not been disbursed.

continued

**NOTE K—FAIR VALUE MEASUREMENTS**

ASC 820 defines fair value measurement to determine the price that would be received to sell an asset or paid to transfer a liability at measurement date (exit price) in an orderly transaction among willing participants with an assumption that the transaction takes place in the entity's principal market, the most advantageous market for the asset or liability. The most advantageous market is the market where the sale of the asset or transfer of liability would maximize the amount received for the asset or minimize the amount paid to transfer the liability. The fair value measurement is not adjusted for transaction cost.

ASC 820 also establishes a fair value hierarchy that gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), next priority to observable market inputs or market corroborated data (Level 2), and the lowest priority to unobservable inputs without market corroborated data (Level 3). ASC 820 requires the fair value measurement to maximize the use of market observable inputs.

The fair value of the following financial assets of ADF as of 30 June 2010 and 31 December 2009 were reported based on the following:

	30 June 2010	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investments				
Government or gov't. guaranteed obligations	\$ 3,473,148,000	\$ 3,252,817,000	\$ 220,331,000	\$ -
Time deposits	1,857,007,000	-	1,857,007,000	-
Securities purchased under resale arrangement	96,219,000	-	96,219,000	-
<b>Total assets at fair value</b>	<b>\$ 5,426,374,000</b>	<b>\$ 3,252,817,000</b>	<b>\$ 2,173,557,000</b>	<b>\$ -</b>

	31 December 2009	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investments				
Government or gov't. guaranteed obligations	\$ 3,728,364,000	\$ 3,315,132,000	\$ 413,232,000	\$ -
Time deposits	1,749,561,000	-	1,749,561,000	-
Securities purchased under resale arrangement	185,395,000	-	185,395,000	-
<b>Total assets at fair value</b>	<b>\$ 5,663,320,000</b>	<b>\$ 3,315,132,000</b>	<b>\$ 2,348,188,000</b>	<b>\$ -</b>

See Notes C, D, E, and J for discussions relating to investments, securities transferred under repurchase agreement, securities purchased under resale arrangement, loans, and undisbursed commitments. In all other cases, the carrying amounts of ADF's assets, liabilities, and fund balances are considered to approximate fair values for all significant financial instruments.

**NOTE L—HEAVILY INDEBTED POOR COUNTRIES (HIPC) INITIATIVE**

In April 2008, the Board of Governors adopted the resolution on Providing Heavily Indebted Poor Countries (HIPC) Relief from Asian Development Fund Debt, for ADB to participate in the HIPC debt relief initiative.

The HIPC debt relief initiative was launched in 1996 by the International Development Association (IDA) and International Monetary Fund (IMF) to address the debt problems of heavily indebted poor countries to ensure that reform efforts in these countries are not put at risk due to their high external debt burden.

continued

Under the HIPC debt relief initiative, all bilateral and multilateral creditors provide debt relief for countries that demonstrated good policy performance over an extended period to bring their debt service burden to sustainable level. As of 30 June 2010, Afghanistan is the only borrower that has requested and qualified for HIPC debt relief (See Note E).

**NOTE M—SUBSEQUENT EVENTS**

ADB has evaluated subsequent events after 30 June 2010 through the date these Condensed Special Purpose Financial Statements are issued. As a result of this evaluation, there are no subsequent events, as defined, that require recognition or disclosure in the ADF's Condensed Special Purpose Financial Statements as of 30 June 2010.

**ASIAN DEVELOPMENT BANK—TECHNICAL ASSISTANCE SPECIAL FUND**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**30 June 2010 and 31 December 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<u>30 June</u> <u>(Unaudited)</u>	<u>31 December</u>
<b><u>ASSETS</u></b>		
DUE FROM BANKS	\$ 7,135	\$ 2,327
INVESTMENTS (Notes C and H)	315,128	320,069
SECURITIES PURCHASED UNDER RESALE ARRANGEMENT (Notes C, D, and H)	—	8,005
ACCRUED REVENUE	61	27
DUE FROM CONTRIBUTORS (Note G)	220,489	236,091
ADVANCES FOR GRANTS AND OTHER ASSETS (Note E)	23,953	15,869
<b>TOTAL</b>	<b>\$ 566,766</b>	<b>\$ 582,388</b>
<b><u>LIABILITIES AND UNCOMMITTED BALANCES</u></b>		
ACCOUNTS PAYABLE AND OTHER LIABILITIES (Note E)	\$ 350	\$ 835
UNDISBURSED COMMITMENTS (Note F)	262,956	258,845
UNCOMMITTED BALANCES (TASF-2), represented by: Unrestricted net assets	303,460	322,708
<b>TOTAL</b>	<b>\$ 566,766</b>	<b>\$ 582,388</b>

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 Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<b>2010</b> <b>(Unaudited)</b>	<b>2009</b> <b>(Unaudited)</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
CONTRIBUTIONS (Note G)	\$ 40,734	\$ 264,717
REVENUE		
From investments (Note C)	998	1,611
From other sources	4	4
Total	<u>41,736</u>	<u>266,332</u>
EXPENSES		
Technical assistance—net (Note F)	50,410	46,609
Financial expenses	10	11
Total	<u>50,420</u>	<u>46,620</u>
CONTRIBUTIONS AND REVENUE (LESS THAN) IN EXCESS OF EXPENSES	(8,684)	219,712
EXCHANGE (LOSSES) GAINS	<u>(10,564)</u>	<u>13,841</u>
(DECREASE) INCREASE IN NET ASSETS	(19,248)	233,553
NET ASSETS AT BEGINNING OF PERIOD	322,708	102,707
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 303,460</b>	<b>\$ 336,260</b>

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 Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<u>2010</u> <u>(Unaudited)</u>	<u>2009</u> <u>(Unaudited)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Contributions received	\$ 42,503	\$ 25,329
Interest on investments received	964	1,503
Net cash (paid for) received from other activities	(8)	3
Technical assistance disbursed	(45,316)	(35,421)
Financial expenses paid	(10)	(11)
	<u>(1,867)</u>	<u>(8,597)</u>
<b>Net Cash Used in Operating Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Maturities of investments	3,953,464	5,124,126
Purchases of investments	(3,954,765)	(5,113,721)
Net receipts from securities purchased under resale arrangement	8,147	101
	<u>6,846</u>	<u>10,506</u>
<b>Net Cash Provided Investing Activities</b>		
Effect of Exchange Rate Changes on Due from Banks	(171)	(202)
	<u>4,808</u>	<u>1,707</u>
<b>Net Increase in Due from Banks</b>		
Due from Banks at Beginning of Period	2,327	1,692
	<u>\$ 7,135</u>	<u>\$ 3,399</u>
<b>Due from Banks at End of Period</b>		

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 Six-Month Periods Ended 30 June 2010 and 2009**  
**(Unaudited)**

**NOTE A—INTERIM FINANCIAL INFORMATION**

These unaudited condensed interim financial statements should be read in conjunction with the 31 December 2009 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 six-month periods ended 30 June 2010 and 2009 have been included. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

In August 2008, the Board of Governors adopted the resolution providing for the ninth replenishment of the Asian Development Fund (ADF X) and the fourth regularized replenishment of the TASF. In conjunction with the ADF replenishment, the resolution provides for a replenishment of the TASF to finance technical assistance operations under the fund. Total replenishment size is SDR7,419,094,000, of which SDR2,657,960,000 will come from new donor contributions. Donors agreed to allocate 3% of the total replenishment size (equivalent to 8% of total donor contributions) to TASF. The replenishment became effective on 16 June 2009. As of 30 June 2010, ADB received instruments of contributions from 27 donors with a total amount equivalent to SDR2,260,003,000, including qualified contribution amounting to about SDR211,891,000.

**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 organizations. TASF reports contributed cash and other assets as unrestricted assets 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 accounting principles generally accepted in the United States of America requires management to make reasonable estimates and assumptions that affect the reported amounts of assets, liabilities and uncommitted balances as of the end of the period and the reported amounts of revenue and expenses during the period. The actual results could differ from those estimates.

In December 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2009-16, "*Transfers and Servicing (Topic 860) – Accounting for Transfers of Financial Assets.*" This update addresses the information that a reporting entity provides in its financial reports about transfers of financial assets including; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred assets. This update is applicable at the start of an entity's first fiscal year beginning after 15 November 2009, or 1 January 2010 for entities reporting earnings on a calendar-year basis. Notes D and H provide the required disclosures in compliance with this update.

In January 2010, the FASB issued ASU No. 2010-06, "*Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements.*" ASU 2010-06 amends ASC 820 to add new disclosures requirements for transfers in and out of Levels 1 and 2 measurements and separate disclosures about gross purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosure requirements about the level of disaggregation and about inputs and valuation techniques used to measure fair value. ASU 2010-06 is effective for the first interim or annual period beginning after 31 December 2009 except for the requirement to provide the Level 3 activity of gross purchases, sales, issuances and settlements, which will be effective for fiscal years beginning after 15 December 2010 and for interim periods within those fiscal years. The application of

continued

updates for Levels 1 and 2 did not have a material impact TASF's 30 June 2010 financial statements. ADB is currently assessing the impact of this update relating to Level 3 on TASF's financial statements.

In February 2010, the FASB issued ASU No. 2010-09, "Subsequent Events (Topic 855) – Amendments to Certain Recognition and Disclosure Requirements." ASU 2010-09 reiterates that an SEC filer is required to evaluate subsequent events through the date that the financial statements are issued and removes the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated. ASU 2010-09 is effective for interim or annual periods ending after 15 June 2010. The application of this update did not have a material impact on TASF's 30 June 2010 financial statements.

#### NOTE C—INVESTMENTS

Investment securities and negotiable certificates of deposit held as of 30 June 2010 are considered "Available for Sale" and are reported at fair value, which represents their fair market value. Time deposits are recorded at cost, which is a reasonable estimate of fair value. Unrealized gains and losses are included in revenue from investments.

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

The annualized rate of return on the average investments held during the six-month period ended 30 June 2010 including securities purchased under resale arrangement, based on the portfolio held at the beginning and end of each month was 0.64% (1.13% – 2009).

#### NOTE D—SECURITIES PURCHASED UNDER RE SALE ARRANGEMENT

TASF accounts for the transfer of financial assets in accordance with ASC 860, "Transfers and Servicing." In general, transfers are accounted for as sales under ASC 860 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 recorded as assets and are not re-pledged.

#### NOTE E—RELATED PARTY TRANSACTIONS

Included in "ADVANCES FOR GRANTS AND OTHER ASSETS" and "ACCOUNTS PAYABLE AND OTHER LIABILITIES" are the following interfund balances:

	<u>30 June 2010</u>	<u>31 December 2009</u>
Receivable from:		
Asian Development Fund	\$ 13,907,000	\$ 4,349,000
Agency Trust Funds—net	210,000	177,000
Total	<u>\$ 14,117,000</u>	<u>\$ 4,526,000</u>
Payable to:		
Ordinary capital resources	\$ 162,000	\$ 231,000
Japan Special Fund	48,000	1,000
Regional Cooperation and Integration Fund	66,000	47,000
Total	<u>\$ 276,000</u>	<u>\$ 279,000</u>

The receivable from ADF represents the fourth regularized replenishment of TASF out of the ADF X contribution.

continued

#### NOTE F—TECHNICAL ASSISTANCE, GRANTS AND UNDISBURSED COMMITMENTS

Technical assistance (TA) and grants are recognized in the financial statements when the project is approved and becomes effective. Upon completion or cancellation of a 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 six-month period ended 30 June 2010, a net amount of \$5,456,000 (\$8,141,000 – 2009) was written back as a reduction in TA. Total undisbursed commitments are denominated in United States dollars and represent effective TAs which have not been disbursed.

#### NOTE G—CONTRIBUTIONS

With the effectivity of ADF X and the fourth regularized replenishment of TASF, contribution commitments from 27 donors totaling \$288,470,000 were allocated to TASF. Of this amount, \$212,387,000<sup>1</sup> was recorded as “DUE FROM CONTRIBUTORS” which are payable throughout the replenishment period of four years in accordance with encashment schedule.

Total contributions for the period ended 30 June 2010 comprise the fourth regularized replenishment of TASF amounting to \$445,000, direct and voluntary contribution of India and Pakistan amounting to Rs10,000,000 (\$219,000 equivalent) and \$70,000, respectively, and allocation of \$40,000,000 from OCR’s 2009 allocable net income. In addition, the fund received \$13,230,000 from 12 donors as part of the fourth regularized replenishment of TASF.

#### NOTE H—FAIR VALUE MEASUREMENTS

ASC 820 defines fair value measurement to determine the price that would be received to sell an asset or paid to transfer a liability at measurement date (exit price) in an orderly transaction among willing participants with an assumption that the transaction takes place in the entity’s principal market, the most advantageous market for the asset or liability. The most advantageous market is the market where the sale of the asset or transfer of liability would maximize the amount received for the asset or minimize the amount paid to transfer the liability. The fair value measurement is not adjusted for transaction cost.

ASC 820 also establishes a fair value hierarchy that gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), next priority to observable market inputs or market corroborated data (Level 2), and the lowest priority to unobservable inputs without market corroborated data (Level 3). ASC 820 requires the fair value measurement to maximize the use of market observable inputs.

The fair value of the following financial assets of TASF as of 30 June 2010 and 31 December 2009 were reported based on the following:

	30 June 2010	Fair Value Measurements		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investments				
Time deposits	\$ 315,128,000	\$ –	\$ 315,128,000	\$ –

<sup>1</sup> US dollar equivalent at 30 June 2010 exchange rates.

continued

	<b>Fair Value Measurements</b>			
	31 December 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investments				
Time deposits	\$ 320,069,000	\$ -	\$ 320,069,000	\$ -
Securities purchased under resale arrangement	8,005,000	-	8,005,000	-
<b>Total assets at fair value</b>	<b>\$ 328,074,000</b>	<b>\$ -</b>	<b>\$ 328,074,000</b>	<b>\$ -</b>

See Notes C, D, and F for discussions relating to investments, securities purchased under resale arrangement, and undisbursed commitments. In all other cases, the carrying amounts of TASF's assets, liabilities, and fund balances are considered to approximate fair values for all significant financial instruments.

#### **NOTE I—SUBSEQUENT EVENTS**

ADB has evaluated subsequent events after 30 June 2010 through the date these Condensed Financial Statements are issued. As a result of this evaluation, there are no subsequent events, as defined, that require recognition or disclosure in the TASF's Condensed Financial Statements as of 30 June 2010.

**ASIAN DEVELOPMENT BANK—JAPAN SPECIAL FUND**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**30 June 2010 and 31 December 2009**  
Expressed in Thousands of United States Dollars (Note B)

	30 June (Unaudited)			31 December		
	ACCSF	JSF Regular and Supplementary	Total	ACCSF	JSF Regular and Supplementary	Total
	<b>ASSETS</b>					
DUE FROM BANKS	\$ 570	\$ 3,436	\$ 4,006	\$ 77	\$ 315	\$ 392
INVESTMENTS (Notes C and G)	36,036	137,163	173,199	36,492	158,488	194,980
ACCRUED REVENUE	—	17	17	1	9	10
ADVANCES FOR GRANTS AND OTHER ASSETS (Note D) <sup>1</sup>	—	3,594	3,594	—	3,321	3,314
<b>TOTAL<sup>1</sup></b>	<b>\$ 36,606</b>	<b>\$ 144,210</b>	<b>\$ 180,816</b>	<b>\$ 36,570</b>	<b>\$ 162,133</b>	<b>\$ 198,696</b>
<b>LIABILITIES AND UNCOMMITTED BALANCES</b>						
ACCOUNTS PAYABLE AND OTHER LIABILITIES (Note D) <sup>1</sup>	\$ —	\$ 15	\$ 15	\$ 7	\$ 211	\$ 211
UNDISBURSED COMMITMENTS Technical assistance (Note E)	—	93,515	93,515	—	94,081	94,081
<b>TOTAL LIABILITIES<sup>1</sup></b>	<b>—</b>	<b>93,530</b>	<b>93,530</b>	<b>7</b>	<b>94,292</b>	<b>94,292</b>
NET ASSETS (JSF-2) (Note F), represented by:						
Uncommitted Balances						
Unrestricted	—	50,680	50,680	—	67,841	67,841
Temporarily restricted	28,199	—	28,199	28,199	—	28,199
	28,199	50,680	78,879	28,199	67,841	96,040
Net Accumulated Investment Income Temporarily restricted	8,407	—	8,407	8,364	—	8,364
	36,606	50,680	87,286	36,563	67,841	104,404
<b>TOTAL<sup>1</sup></b>	<b>\$ 36,606</b>	<b>\$ 144,210</b>	<b>\$ 180,816</b>	<b>\$ 36,570</b>	<b>\$ 162,133</b>	<b>\$ 198,696</b>

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

<sup>1</sup> Totals may not add up due to elimination of interfund account (\$7,000 - 31 December 2009).

**ASIAN DEVELOPMENT BANK—JAPAN SPECIAL FUND**  
**CONDENSED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Six-Month Periods Ended 30 June 2010 and 2009  
Expressed in Thousands of United States Dollars (Note B)

	2010 (Unaudited)			2009 (Unaudited)		
	ACCSF	JSF Regular and Supplementary	Total	ACCSF	JSF Regular and Supplementary	Total
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>						
REVENUE FROM INVESTMENTS (Note C)	\$ -	\$ 180	\$ 180	\$ -	\$ 948	\$ 948
REVENUE FROM OTHER SOURCES	0	17	17	-	11	11
NET ASSETS REVERTED TO TEMPORARILY RESTRICTED ASSETS	-	-	-	(223)	-	(223)
Total	0	197	197	(223)	959	736
<b>EXPENSES</b>						
Technical assistance—net (Note E)	-	17,070	17,070	(223)	18,595	18,372
Administrative expenses	-	282	282	-	704	704
Total	-	17,352	17,352	(223)	19,299	19,076
REVENUE LESS THAN EXPENSES	0	(17,155)	(17,155)	-	(18,340)	(18,340)
EXCHANGE LOSSES	-	(6)	(6)	-	(15)	(15)
DECREASE IN UNRESTRICTED NET ASSETS	-	(17,161)	(17,161)	-	(18,355)	(18,355)
<b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</b>						
REVENUE FROM INVESTMENTS AND OTHER SOURCES	43	-	43	118	-	118
NET ASSETS REVERTED TO TEMPORARILY RESTRICTED ASSETS	-	-	-	223	-	223
INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	43	-	43	341	-	341
INCREASE (DECREASE) IN NET ASSETS	43	(17,161)	(17,118)	341	(18,355)	(18,014)
NET ASSETS AT BEGINNING OF PERIOD	36,563	67,841	104,404	36,186	105,930	142,116
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 36,606</b>	<b>\$ 50,680</b>	<b>\$ 87,286</b>	<b>\$ 36,527</b>	<b>\$ 87,575</b>	<b>\$ 124,102</b>

0 = Less than \$500.

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 Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	2010 (Unaudited)			2009 (Unaudited)		
	JSF			JSF		
	ACCSF	Regular and Supplementary	Total	ACCSF	Regular and Supplementary	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Interest on investments received	\$ 44	\$ 171	\$ 215	\$ 206	\$ 1,166	\$ 1,372
Technical assistance disbursed	(7)	(17,932)	(17,939)	(42)	(21,796)	(21,838)
Administrative and financial expenses paid	—	(458)	(458)	—	(1,006)	(1,006)
Net cash received from other sources	0	15	15	0	13	13
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>37</b>	<b>(18,204)</b>	<b>(18,167)</b>	<b>164</b>	<b>(21,623)</b>	<b>(21,459)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Maturities of investments	900,748	1,865,558	2,766,306	475,596	2,368,433	2,844,029
Purchases of investments	(900,292)	(1,844,233)	(2,744,525)	(475,407)	(2,342,200)	(2,817,607)
<b>Net Cash Provided by Investing Activities</b>	<b>456</b>	<b>21,325</b>	<b>21,781</b>	<b>189</b>	<b>26,233</b>	<b>26,422</b>
Effect of Exchange Rate Changes on Due from Banks	—	0	0	—	(0)	(0)
<b>Net Increase in Due from Banks</b>	<b>493</b>	<b>3,121</b>	<b>3,614</b>	<b>353</b>	<b>4,610</b>	<b>4,963</b>
Due from Banks at Beginning of Period	77	315	392	224	489	713
<b>Due from Banks at End of Period</b>	<b>\$ 570</b>	<b>\$ 3,436</b>	<b>\$ 4,006</b>	<b>\$ 577</b>	<b>\$ 5,099</b>	<b>\$ 5,676</b>

0 = Less than \$500.

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 Six-Month Periods Ended 30 June 2010 and 2009**  
**(Unaudited)**

**NOTE A—INTERIM FINANCIAL INFORMATION**

These unaudited condensed interim financial statements should be read in conjunction with the 31 December 2009 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 six-month periods ended 30 June 2010 and 2009 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 financial statements are expressed in thousands of current United States dollars. The United States dollar is the functional and reporting currency of JSF, representing the currency of the primary economic operating environment.

The financial statements are presented on the basis of those for not-for-profit organizations and as unrestricted and temporarily restricted net assets. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make reasonable estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the end of the period and the reported amounts of income and expenses during the period. The actual results could differ from those estimates.

In January 2010, the FASB issued ASU No. 2010-06, *"Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements."* ASU 2010-06 amends ASC 820 to add new disclosures requirements for transfers in and out of Levels 1 and 2 measurements and separate disclosures about gross purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosure requirements about the level of disaggregation and about inputs and valuation techniques used to measure fair value. ASU 2010-06 is effective for the first interim or annual period beginning after 31 December 2009 except for the requirement to provide the Level 3 activity of gross purchases, sales, issuances and settlements, which will be effective for fiscal years beginning after 15 December 2010 and for interim periods within those fiscal years. The application of updates for Levels 1 and 2 did not have a material impact JSF's 30 June 2010 financial statements. ADB is currently assessing the impact of this update relating to Level 3 on JSF's financial statements.

In February 2010, the FASB issued ASU No. 2010-09, *"Subsequent Events (Topic 855) – Amendments to Certain Recognition and Disclosure Requirements."* ASU 2010-09 reiterates that an SEC filer is required to evaluate subsequent events through the date that the financial statements are issued and removes the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated. ASU 2010-09 is effective for interim or annual periods ending after 15 June 2010. The application of this update did not have a material impact on JSF's 30 June 2010 financial statements.

**NOTE C—INVESTMENTS**

Investment securities and negotiable certificates of deposit held as of 30 June 2010 are considered "Available for Sale" and are reported at fair value, which represents their fair market value. Time deposits are recorded at cost, which is a reasonable estimate of fair value. Unrealized gains and losses are included in revenue from investments.

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

continued

The annualized rates of return on the average investments held under ACCSF and JSF during the six-month period ended 30 June 2010, based on the portfolio held at the beginning and end of each month, were 0.23% and 0.24%, respectively (0.75% and 1.09% respectively – 2009).

#### NOTE D—RELATED PARTY TRANSACTIONS

The OCR and special fund resources are at all times used, committed, and invested entirely separate from each other. The administrative and operational expenses pertaining to JSF are settled on a regular basis with OCR and other funds. Regional technical assistance projects and programs may be combined activities financed by special and trust funds.

Included in “ADVANCES FOR GRANTS AND OTHER ASSETS” and “ACCOUNTS PAYABLE AND OTHER LIABILITIES” are the following interfund balances:

	<u>30 June 2010</u>	<u>31 December 2009</u>
Amounts Receivable by:		
JSF from: ACCSF	\$ -	\$ 7,000
OCR	123,000	-
TASF	48,000	1,000
Agency Trust Funds—net	52,000	-
Total	<u>\$ 223,000</u>	<u>\$ 8,000</u>
Amounts Payable by:		
JSF to: OCR	\$ -	\$ 115,000
Agency Trust Funds—net	-	1,000
Total	<u>\$ -</u>	<u>\$ 116,000</u>
ACCSF to: JSF	<u>\$ -</u>	<u>\$ 7,000</u>

#### NOTE E—TECHNICAL ASSISTANCE AND UNDISBURSED COMMITMENTS

Technical assistance (TA) is recognized in the financial statements when the project is approved and becomes effective. Upon completion of a TA project or cancellation of a grant, any undisbursed amount is written back as a reduction in TA for the period and the corresponding undisbursed commitment is eliminated accordingly. During the six-month period ended 30 June 2010, an amount of \$5,860,000 (\$2,458,000 – 2009) was thus written back as a reduction in TA. None of these amounts corresponded to ACCSF. Total undisbursed commitments are denominated in United States dollars and represent effective TA that have not been disbursed.

#### NOTE F—CONTRIBUTIONS AND TEMPORARILY RESTRICTED NET ASSETS

Contributions received for specific TA projects/programs are classified as temporarily restricted support. As of 30 June 2010, the remaining temporarily restricted uncommitted balance pertains to ACCSF amounting to \$28,199,000 (\$28,199,000 – 31 December 2009).

#### NOTE G—FAIR VALUE MEASUREMENTS

ASC 820 defines fair value measurement to determine the price that would be received to sell an asset or paid to transfer a liability at measurement date (exit price) in an orderly transaction among willing participants with an assumption that the transaction takes place in the entity's principal market, the most advantageous market for the asset or liability. The most advantageous market is the market where the

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sale of the asset or transfer of liability would maximize the amount received for the asset or minimize the amount paid to transfer the liability. The fair value measurement is not adjusted for transaction cost.

ASC 820 also establishes a fair value hierarchy that gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), next priority to observable market inputs or market corroborated data (Level 2), and the lowest priority to unobservable inputs without market corroborated data (Level 3). ASC 820 requires the fair value measurement to maximize the use of market observable inputs.

The fair value of the following financial assets of JSF as of 30 June 2010 and 31 December 2009 were reported based on the following:

	Fair Value Measurements			
	30 June 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investments				
Time deposits	\$ 173,199,000	\$ —	\$ 173,199,000	\$ —

	Fair Value Measurements			
	31 December 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investments				
Time deposits	\$ 194,980,000	\$ —	\$ 194,980,000	\$ —

See Notes C and E for discussions relating to investments and undisbursed commitments. In all other cases, the carrying amounts of JSF's assets, liabilities, and fund balances are considered to approximate fair values for all significant financial instruments.

#### NOTE H—SUBSEQUENT EVENTS

ADB has evaluated subsequent events after 30 June 2010 through the date these Condensed Financial Statements are issued. As a result of this evaluation, there are no subsequent events, as defined, that require recognition or disclosure in the JSF's Condensed Financial Statements as of 30 June 2010.

**ASIAN DEVELOPMENT BANK—ASIAN DEVELOPMENT BANK INSTITUTE SPECIAL FUND**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**30 June 2010 and 31 December 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<u>30 June</u> <u>(Unaudited)</u>	<u>31 December</u>
<b><u>ASSETS</u></b>		
DUE FROM BANKS	\$ 1,025	\$ 453
SECURITIES PURCHASED UNDER RESALE ARRANGEMENT (Notes C, D, and E)	2,822	2,055
PROPERTY, FURNITURE, AND EQUIPMENT	141	177
DUE FROM CONTRIBUTORS (Note F)	7,928	8,038
OTHER ASSETS	2,538	2,460
<b>TOTAL</b>	<b>\$ 14,454</b>	<b>\$ 13,183</b>
<b><u>LIABILITIES AND UNCOMMITTED BALANCES</u></b>		
ACCOUNTS PAYABLE AND OTHER LIABILITIES	\$ 5,835	\$ 5,921
UNCOMMITTED BALANCES (ADBISF-2), represented by: Unrestricted net assets	8,619	7,262
<b>TOTAL</b>	<b>\$ 14,454</b>	<b>\$ 13,183</b>

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 Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	2010 (Unaudited)	2009 (Unaudited)
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
CONTRIBUTIONS (Note F)	\$ 8,368	\$ -
REVENUE		
From rental (Note F)	234	245
From investments (Note C)	2	5
From other sources—net	0	2
Total	8,604	252
EXPENSES		
Administrative expenses	\$ 5,306	\$ 5,075
Program expenses	2,202	2,016
CONTRIBUTIONS AND REVENUE IN EXCESS OF (LESS THAN) EXPENSES	1,096	(6,839)
NET EXCHANGE GAINS (LOSSES)	101	(218)
TRANSLATION ADJUSTMENTS	160	(931)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	1,357	(7,988)
NET ASSETS AT BEGINNING OF PERIOD	7,262	15,723
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 8,619</b>	<b>\$ 7,735</b>

0 = Less than \$500.

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 Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	2010 <u>(Unaudited)</u>	2009 <u>(Unaudited)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Contributions received	\$ 8,397	\$ 7,871
Interest on investments received	2	5
Expenses paid	(7,631)	(6,788)
Others—net	335	29
	<u>1,103</u>	<u>1,117</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net payments for securities purchased under resale arrangement	(484)	(604)
Effect of Exchange Rate Changes on Due from Banks	(47)	(522)
	<u>572</u>	<u>(9)</u>
Net Increase (Decrease) in Due from Banks		
Due from Banks at Beginning of Period	453	304
Due from Banks at End of Period	<u>\$ 1,025</u>	<u>\$ 295</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 Six-Month Periods Ended 30 June 2010 and 2009**  
**(Unaudited)**

**NOTE A—INTERIM FINANCIAL INFORMATION**

These unaudited condensed interim financial statements should be read in conjunction with the 31 December 2009 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 six-month periods ended 30 June 2010 and 2009 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, contributions from Japan and Australia have been received. Australia became the second donor of the Institute, making its first contribution in June 2010. 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the end of the period and the reported amounts of income and expenses during the period. The actual results could differ from those estimates.

In December 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2009-16, "*Transfers and Servicing (Topic 860) – Accounting for Transfers of Financial Assets.*" This update addresses the information that a reporting entity provides in its financial reports about transfers of financial assets including; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement in transferred assets. This update is applicable at the start of an entity's first fiscal year beginning after 15 November 2009, or 1 January 2010 for entities reporting earnings on a calendar-year basis. Notes D and E provide the required disclosures in compliance with this update.

In January 2010, the FASB issued ASU No. 2010-06, "*Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements.*" ASU 2010-06 amends ASC 820 to add new disclosures requirements for transfers in and out of Levels 1 and 2 measurements and separate disclosures about gross purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosure requirements about the level of disaggregation and about inputs and valuation techniques used to measure fair value. ASU 2010-06 is effective for the first interim or annual period beginning after 31 December 2009 except for the requirement to provide the Level 3 activity of gross purchases, sales, issuances and settlements, which will be effective for fiscal years beginning after 15 December 2010 and for interim periods within those fiscal years. The application of updates for Levels 1 and 2 did not have a material impact ADBISF's 30 June 2010 financial statements. The Institute is currently assessing the impact of this update relating to Level 3 on ADBISF's financial statements.

In February 2010, the FASB issued ASU No. 2010-09, "*Subsequent Events (Topic 855) – Amendments to Certain Recognition and Disclosure Requirements.*" ASU 2010-09 reiterates that an SEC filer is required to evaluate subsequent events through the date that the financial statements are issued and removes the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated. ASU 2010-09 is effective for interim or annual periods ending after 15 June 2010. The application of this update did not have a material impact on ADBISF's 30 June 2010 financial statements.

continued

### NOTE C—INVESTMENTS

All investment securities held by the Institute are reported at estimated fair value, with realized and unrealized gains and losses included in revenue. Estimated fair value generally represents market value.

The annualized rate of return on the average investments held during the six-month period ended 30 June 2010 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 0.06% (0.08% – 2009).

### NOTE D—SECURITIES PURCHASED UNDER RE SALE ARRANGEMENTS

The Institute accounts for transfer of financial assets in accordance with ASC 860, "Transfers and Servicing." In general, transfers are accounted for as sales under ASC 860 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 recorded as assets and are not re-pledged.

### NOTE E—FAIR VALUE MEASUREMENTS

ASC 820 defines fair value measurement to determine the price that would be received to sell an asset or paid to transfer a liability at measurement date (exit price) in an orderly transaction among willing participants with an assumption that the transaction takes place in the entity's principal market, the most advantageous market for the asset or liability. The most advantageous market is the market where the sale of the asset or transfer of liability would maximize the amount received for the asset or minimize the amount paid to transfer the liability. The fair value measurement is not adjusted for transaction cost.

ASC 820 also establishes a fair value hierarchy that gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), next priority to observable market inputs or market corroborated data (Level 2), and the lowest priority to unobservable inputs without market corroborated data (Level 3). ASC 820 requires the fair value measurement to maximize the use of market observable inputs.

The fair value of the following financial assets of ADBISF as of 30 June 2010 and 31 December 2009 were reported based on the following:

	Fair Value Measurements			
	30 June 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Securities purchased under resale arrangement	\$ 2,822,000	\$ —	\$ 2,822,000	\$ —

	Fair Value Measurements			
	31 December 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Securities purchased under resale arrangement	\$ 2,055,000	\$ —	\$ 2,055,000	\$ —

continued

See Notes C and D for discussions relating to investments and securities purchased under resale arrangement. In all other cases, the carrying amounts of ADBISF's assets, liabilities, and fund balances are considered to approximate fair values for all significant financial instruments.

#### **NOTE F—CONTRIBUTIONS**

In June 2010, the Government of Australia committed its 1<sup>st</sup> contribution to the Institute amounting to A\$500,000 (\$439,000 equivalent), which was transferred to the Fund on 23 June 2010. The amount was included and reported under "DUE FROM BANKS" in the Statement of Financial Position. Australia became the second donor of the Institute.

On the same month of June 2010, Government of Japan committed its 15<sup>th</sup> contribution to the Institute amounting to ¥702,461,500 (\$7,928,000 equivalent), which was transferred to the Fund on 12 July 2010. At 30 June 2010, the amount contributed was reported in the Statement of Financial Position as "DUE FROM CONTRIBUTORS."

#### **NOTE G—REVENUE**

Revenue from rental consists of sublease rental income totaling \$234,000 (\$245,000 – 2009) received according to a space sharing agreement with the Japan Representative Office of ADB.

#### **NOTE H—SUBSEQUENT EVENTS**

The Institute has evaluated subsequent events after 30 June 2010 through the date these Condensed Financial Statements are issued. As a result of this evaluation, there are no subsequent events, as defined, that require recognition or disclosure in the ADBISF's Condensed Financial Statements as of 30 June 2010.

**ASIAN DEVELOPMENT BANK—ASIAN TSUNAMI FUND**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**30 June 2010 and 31 December 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<u>30 June</u> <u>(Unaudited)</u>	<u>31 December</u>
<b><u>ASSETS</u></b>		
DUE FROM BANKS	\$ 8,514	\$ 449
INVESTMENTS (Notes C and F)	62,983	97,896
ACCRUED REVENUE	1	2
ADVANCES FOR GRANTS	12,447	23,565
<b>TOTAL</b>	<b>\$ 83,945</b>	<b>\$ 121,912</b>
<b><u>LIABILITIES AND UNCOMMITTED BALANCES</u></b>		
ACCOUNTS PAYABLE AND OTHER LIABILITIES (Note D)	\$ 198	\$ 597
UNDISBURSED COMMITMENTS (Note E)	79,893	116,784
UNCOMMITTED BALANCES (ATF-2), represented by: Unrestricted net assets	3,854	4,531
<b>TOTAL</b>	<b>\$ 83,945</b>	<b>\$ 121,912</b>

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 Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	2010 (Unaudited)	2009 (Unaudited)
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
REVENUE		
From investments (Note C)	\$ 86	\$ 712
From other sources	2	4
Total	<u>88</u>	<u>716</u>
EXPENSES		
Administrative expenses (Note D)	738	1,015
Financial expenses	0	1
Total	<u>738</u>	<u>1,016</u>
REVENUE LESS THAN EXPENSES	(650)	(300)
TRANSFER TO ASIA PACIFIC DISASTER RESPONSE FUND	-	(40,000)
NET EXCHANGE LOSSES	<u>(27)</u>	<u>(45)</u>
DECREASE IN NET ASSETS	(677)	(40,345)
NET ASSETS AT BEGINNING OF PERIOD	4,531	46,387
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 3,854</b>	<b>\$ 6,042</b>

0 = Less than \$500.

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 Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<u>2010</u> <u>(Unaudited)</u>	<u>2009</u> <u>(Unaudited)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest on investments received	\$ 87	\$ 1,663
Grants/Technical assistance disbursed	(25,871)	(39,947)
Transfer to Asia Pacific Disaster Response Fund	—	(40,000)
Administrative and financial expenses paid	(1,066)	(1,507)
Cash received from other sources	<u>2</u>	<u>4</u>
Net Cash Used in Operating Activities	<u>(26,848)</u>	<u>(79,787)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Maturities of investments	4,871,297	4,570,222
Purchases of investments	<u>(4,836,384)</u>	<u>(4,481,885)</u>
Net Cash Provided by Investing Activities	<u>34,913</u>	<u>88,337</u>
Net Increase in Due from Banks	8,065	8,550
Due from Banks at Beginning of Period	<u>449</u>	<u>383</u>
Due from Banks at End of Period	<u>\$ 8,514</u>	<u>\$ 8,933</u>

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 Six-Month Periods Ended 30 June 2010 and 2009  
(Unaudited)**

**NOTE A—INTERIM FINANCIAL INFORMATION**

These unaudited condensed interim financial statements should be read in conjunction with the 31 December 2009 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 six-month periods ended 30 June 2010 and 2009 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 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 those for not-for-profit organizations. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make reasonable estimates and assumptions that affect the reported amounts of assets, liabilities and uncommitted balances as of the end of the period and the reported amounts of revenue and expenses during the period. The actual results could differ from those estimates.

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, *"Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements."* ASU 2010-06 amends ASC 820 to add new disclosures requirements for transfers in and out of Levels 1 and 2 measurements and separate disclosures about gross purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosure requirements about the level of disaggregation and about inputs and valuation techniques used to measure fair value. ASU 2010-06 is effective for the first interim or annual period beginning after 31 December 2009 except for the requirement to provide the Level 3 activity of gross purchases, sales, issuances and settlements, which will be effective for fiscal years beginning after 15 December 2010 and for interim periods within those fiscal years. The application of updates for Levels 1 and 2 did not have a material impact ATF's 30 June 2010 financial statements. ADB is currently assessing the impact of this update relating to Level 3 on ATF's financial statements.

In February 2010, the FASB issued ASU No. 2010-09, *"Subsequent Events (Topic 855) – Amendments to Certain Recognition and Disclosure Requirements."* ASU 2010-09 reiterates that an SEC filer is required to evaluate subsequent events through the date that the financial statements are issued and removes the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated. ASU 2010-09 is effective for interim or annual periods ending after 15 June 2010. The application of this update did not have a material impact on ATF's 30 June 2010 financial statements.

**NOTE C—INVESTMENTS**

Investment securities and negotiable certificates of deposit held as of 30 June 2010 are considered "Available for Sale" and are reported at fair value, which represents their fair market value. Time deposits are recorded at cost, which is a reasonable estimate of fair value. Unrealized gains and losses are included in revenue from investments.

continued

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

The annualized rate of return on the average investments held during the six-month period ended 30 June 2010, based on the portfolio held at the beginning and end of each month, was 0.23% (0.81% – 2009).

#### **NOTE D—RELATED PARTY TRANSACTIONS**

The OCR and special fund resources are at all times used, committed, and invested entirely separate from each other. The administrative and operational expenses pertaining to ATF are settled on a regular basis with OCR and the other funds. Regional technical assistance projects and programs may be combined activities financed by special and trust funds. ADB charges a service fee to cover ADB's cost for the administration, management, supervision and operation of the ATF. The service fee is currently 2% of the amount disbursed for technical assistance and investment projects. As of 30 June 2010, \$198,000 (\$590,000 – 31 December 2009) was payable to OCR which is included in "ACCOUNTS PAYABLE AND OTHER LIABILITIES."

#### **NOTE E—TECHNICAL ASSISTANCE, GRANTS AND UNDISBURSED COMMITMENTS**

Technical assistance (TA) and grants are recognized in the financial statements when the project is approved and becomes effective. Upon completion of the TA project or cancellation of a grant, any undisbursed amount is written back as a reduction in TA or grants for the period and the corresponding undisbursed commitment is eliminated accordingly. There were no grants which became effective or completed/cancelled during the periods ended 30 June 2010 and 2009.

Total undisbursed commitments are denominated in United States dollars and represent effective grants which have not been disbursed.

#### **NOTE F—FAIR VALUE MEASUREMENTS**

ASC 820 defines fair value measurement to determine the price that would be received to sell an asset or paid to transfer a liability at measurement date (exit price) in an orderly transaction among willing participants with an assumption that the transaction takes place in the entity's principal market, the most advantageous market for the asset or liability. The most advantageous market is the market where the sale of the asset or transfer of liability would maximize the amount received for the asset or minimize the amount paid to transfer the liability. The fair value measurement is not adjusted for transaction cost.

ASC 820 also establishes a fair value hierarchy that gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), next priority to observable market inputs or market corroborated data (Level 2), and the lowest priority to unobservable inputs without market corroborated data (Level 3). ASC 820 requires the fair value measurement to maximize the use of market observable inputs.

continued

The fair value of the following financial assets of ATF as of 30 June 2010 and 31 December 2009 were reported based on the following:

	Fair Value Measurements			
	30 June 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investments				
Time deposits	\$ 62,983,000	\$ -	\$ 62,983,000	\$ -
	Fair Value Measurements			
	31 December 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investments				
Time deposits	\$ 97,896,000	\$ -	\$ 97,896,000	\$ -

See Notes C and E for discussions relating to investments and undisbursed commitments. In all other cases, the carrying amounts of ATF's assets, liabilities, and fund balances are considered to approximate fair values for all significant financial instruments.

#### NOTE G—SUBSEQUENT EVENTS

ADB has evaluated subsequent events after 30 June 2010 through the date these Condensed Financial Statements are issued. As a result of this evaluation, there are no subsequent events, as defined, that require recognition or disclosure in the ATF's Condensed Financial Statements as of 30 June 2010.

**ASIAN DEVELOPMENT BANK—PAKISTAN EARTHQUAKE FUND**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**30 June 2010 and 31 December 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<u>30 June</u> <u>(Unaudited)</u>	<u>31 December</u>
<b><u>ASSETS</u></b>		
DUE FROM BANKS	\$ 8,136	\$ 551
INVESTMENTS (Notes C and G)	28,919	49,195
ACCRUED REVENUE	53	59
ADVANCES FOR GRANTS	6,216	3,007
<b>TOTAL</b>	<b>\$ 43,324</b>	<b>\$ 52,812</b>
<b><u>LIABILITIES AND UNCOMMITTED BALANCES</u></b>		
ACCOUNTS PAYABLE AND OTHER LIABILITIES (Note D)	\$ 40	\$ 52
UNDISBURSED COMMITMENTS (Note E)	39,842	49,446
UNCOMMITTED BALANCES (PEF-2), represented by: Unrestricted net assets	3,442	3,314
<b>TOTAL</b>	<b>\$ 43,324</b>	<b>\$ 52,812</b>

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 Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<u>2010</u> <u>(Unaudited)</u>	<u>2009</u> <u>(Unaudited)</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
<b>REVENUE</b>		
From investments (Note C)	\$ 652	\$ 1,241
From other sources	58	72
Total	<u>710</u>	<u>1,313</u>
<b>EXPENSES</b>		
Administrative and financial expenses	<u>192</u>	<u>105</u>
REVENUE IN EXCESS OF EXPENSES	518	1,208
NET EXCHANGE LOSSES	<u>(390)</u>	<u>(219)</u>
INCREASE IN NET ASSETS	128	989
NET ASSETS AT BEGINNING OF PERIOD	3,314	2,203
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 3,442</b>	<b>\$ 3,192</b>

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 Six-Month Periods Ended 30 June 2010 and 2009

Expressed in Thousands of United States Dollars (Note B)

	2010 (Unaudited)	2009 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Contributions received	\$ —	\$ 3,385
Interest on investments received	657	1,292
Net cash received from other sources	58	72
Grants and technical assistance disbursed	(12,814)	(5,485)
Administrative and financial expenses paid	(204)	(108)
Net Cash Used in Operating Activities	<u>(12,303)</u>	<u>(844)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Maturities of investments	555,428	818,832
Acquisition of investments	(535,499)	(810,173)
Net Cash Provided by Investing Activities	<u>19,929</u>	<u>8,659</u>
Effect of Exchange Rate Changes on Due from Banks	<u>(41)</u>	<u>(59)</u>
Net Increase in Due from Banks	7,585	7,756
Due from Banks at Beginning of Period	<u>551</u>	<u>823</u>
Due from Banks at End of Period	<u>\$ 8,136</u>	<u>\$ 8,579</u>

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 Six-Month Periods Ended 30 June 2010 and 2009**  
**(Unaudited)**

**NOTE A—INTERIM FINANCIAL INFORMATION**

These unaudited condensed interim financial statements should be read in conjunction with the 31 December 2009 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 six-month periods ended 30 June 2010 and 2009 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 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 are presented on the basis of those for not-for-profit organizations. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make reasonable estimates and assumptions that affect the reported amounts of assets, liabilities and uncommitted balances as of the end of the period and the reported amounts of revenue and expenses during the period. The actual results could differ from those estimates.

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, "*Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements.*" ASU 2010-06 amends ASC 820 to add new disclosures requirements for transfers in and out of Levels 1 and 2 measurements and separate disclosures about gross purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosure requirements about the level of disaggregation and about inputs and valuation techniques used to measure fair value. ASU 2010-06 is effective for the first interim or annual period beginning after 31 December 2009 except for the requirement to provide the Level 3 activity of gross purchases, sales, issuances and settlements, which will be effective for fiscal years beginning after 15 December 2010 and for interim periods within those fiscal years. The application of updates for Levels 1 and 2 did not have a material impact PEF's 30 June 2010 financial statements. ADB is currently assessing the impact of this update relating to Level 3 on PEF's financial statements.

In February 2010, the FASB issued ASU No. 2010-09, "*Subsequent Events (Topic 855) – Amendments to Certain Recognition and Disclosure Requirements.*" ASU 2010-09 reiterates that an SEC filer is required to evaluate subsequent events through the date that the financial statements are issued and removes the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated. ASU 2010-09 is effective for interim or annual periods ending after 15 June 2010. The application of this update did not have a material impact on PEF's 30 June 2010 financial statements.

**NOTE C—INVESTMENTS**

Investment securities and negotiable certificates of deposit held as of 30 June 2010 and 31 December 2009 are considered "Available for Sale" and are reported at fair value, which represents their fair market value. Time deposits are recorded at cost, which is a reasonable estimate of fair value. Unrealized gains and losses are included in revenue from investments.

continued

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

The annualized rate of return on the average investments held during the six-month period ended 30 June 2010, based on the portfolio held at the beginning and end of each month, was 3.69% (4.57% – 2009).

#### **NOTE D—RELATED PARTY TRANSACTIONS**

The OCR and special fund resources are at all times used, committed, and invested entirely separate from each other. The administrative and operational expenses pertaining to PEF are settled on a regular basis with OCR and the other funds. Regional technical assistance projects and programs may be combined activities financed by special and trust funds. ADB charges a service fee to cover ADB's cost for the administration, management, supervision and operation of the PEF. The service fee is currently 2% of the amount disbursed for technical assistance and investment projects. As of 30 June 2010, \$40,000 (\$45,000 – 31 December 2009) was payable to OCR which is included in "ACCOUNTS PAYABLE AND OTHER LIABILITIES."

#### **NOTE E—TECHNICAL ASSISTANCE, GRANTS AND UNDISBURSED COMMITMENTS**

Technical assistance (TA) and grants are recognized in the financial statements when the project is approved and becomes effective. Upon completion of a TA project or cancellation of a grant, any undisbursed amount is written back as a reduction in TA or grants for the period and the corresponding undisbursed commitment is eliminated accordingly. There were no TA or grants which became effective or completed/cancelled during the period ended 30 June 2010.

Total undisbursed commitments are denominated in United States dollars and represent effective TAs/grants which have not been disbursed.

#### **NOTE F—CONTRIBUTIONS**

In 2006 and 2007, instruments of contributions were received from the Government of Norway and the Kingdom of Belgium which undertake to make contributions to the PEF a maximum amount of \$20,000,000 and €9,924,000, respectively. This is by way of a debt-for development swap arrangement with Pakistan, where Pakistan shall match the value of debt and debt service cancellations with equivalent amounts in Pakistan rupees, which shall be transferred to the Fund as Norway's and Belgium's contributions.

In 2008, PEF received the remaining contributions due from Norway and Belgium amounting to \$5,000,000 and €3,308,000 (\$5,225,000 equivalent), respectively.

In 2006, the Government of Australia committed A\$20,000,000 (\$15,036,000 equivalent). PEF received in full the remaining contributions due from Australia amounting to A\$4,300,000 (\$3,184,000 equivalent) in 2009.

#### **NOTE G—FAIR VALUE MEASUREMENTS**

ASC 820 defines fair value measurement to determine the price that would be received to sell an asset or paid to transfer a liability at measurement date (exit price) in an orderly transaction among willing participants with an assumption that the transaction takes place in the entity's principal market, the most advantageous market for the asset or liability. The most advantageous market is the market where the sale of the asset or transfer of liability would maximize the amount received for the asset or minimize the amount paid to transfer the liability. The fair value measurement is not adjusted for transaction cost.

ASC 820 also establishes a fair value hierarchy that gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), next priority to observable market inputs or market corroborated data (Level 2), and the lowest priority to unobservable inputs without market corroborated

continued

data (Level 3). ASC 820 requires the fair value measurement to maximize the use of market observable inputs.

The fair value of the following financial assets of PEF as of 30 June 2010 and 31 December 2009 were reported based on the following:

	Fair Value Measurements			
	30 June 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investments				
Time deposits	\$ 28,919,000	\$ -	\$ 28,919,000	\$ -

	Fair Value Measurements			
	31 December 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investments				
Time deposits	\$ 49,195,000	\$ -	\$ 49,195,000	\$ -

See Notes C and E for discussions relating to investments and undisbursed commitments. In all other cases, the carrying amounts of PEF's assets, liabilities, and fund balances are considered to approximate fair values for all significant financial instruments.

#### NOTE H—SUBSEQUENT EVENTS

ADB has evaluated subsequent events after 30 June 2010 through the date these Condensed Financial Statements are issued. As a result of this evaluation, there are no subsequent events, as defined, that require recognition or disclosure in the PEF's Condensed Financial Statements as of 30 June 2010.

**ASIAN DEVELOPMENT BANK—REGIONAL COOPERATION AND INTEGRATION FUND**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**30 June 2010 and 31 December 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<u>30 June</u> <u>(Unaudited)</u>	<u>31 December</u>
<b><u>ASSETS</u></b>		
DUE FROM BANKS	\$ 1,220	\$ 270
INVESTMENTS (Notes C and G)	40,140	34,856
ACCRUED REVENUE	16	11
ADVANCES FOR GRANTS AND OTHER ASSETS	1,654	610
<b>TOTAL</b>	<b>\$ 43,030</b>	<b>\$ 35,747</b>
<b><u>LIABILITIES AND UNCOMMITTED BALANCES</u></b>		
ACCOUNTS PAYABLE AND OTHER LIABILITIES (Note D)	\$ 45	\$ 62
UNDISBURSED COMMITMENTS (Note E)	29,007	23,148
UNCOMMITTED BALANCES (RCIF-2), represented by: Unrestricted net assets	13,978	12,537
<b>TOTAL</b>	<b>\$ 43,030</b>	<b>\$ 35,747</b>

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

**ASIAN DEVELOPMENT BANK—REGIONAL COOPERATION AND INTEGRATION FUND**  
**CONDENSED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	2010 (Unaudited)	2009 (Unaudited)
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
CONTRIBUTIONS (Note E)	\$ 10,000	\$ —
REVENUE		
From investments (Note C)	61	161
From other sources—net	0	1
Total	<u>61</u>	<u>162</u>
EXPENSES		
Technical assistance (Note E)	8,487	6,500
Administrative expenses	132	155
Total	<u>8,619</u>	<u>6,655</u>
CONTRIBUTIONS AND REVENUE IN EXCESS OF (LESS THAN) EXPENSES	1,442	(6,493)
NET EXCHANGE (LOSSES) GAINS	<u>(1)</u>	<u>3</u>
INCREASE (DECREASE) IN NET ASSETS	1,441	(6,490)
NET ASSETS AT BEGINNING OF PERIOD	12,537	24,588
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 13,978</b>	<b>\$ 18,098</b>

0 = Less than \$500.

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

**ASIAN DEVELOPMENT BANK—REGIONAL COOPERATION AND INTEGRATION FUND**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**For the Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	2010 (Unaudited)	2009 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Contributions received	\$ 10,000	\$ -
Interest on investments received	69	321
Technical assistance disbursed	(3,667)	(2,345)
Administrative and financial expenses paid	(154)	(118)
Net cash received from other sources	0	1
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>6,248</u>	<u>(2,141)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Maturities of investments	196,277	210,703
Purchases of Investments	(201,575)	(208,663)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<u>(5,298)</u>	<u>2,040</u>
<b>Net Increase (Decrease) in Due From Banks</b>	950	(101)
<b>Due from Banks at Beginning of Period</b>	<u>270</u>	<u>1,446</u>
<b>Due from Banks at End of Period</b>	<u>\$ 1,220</u>	<u>\$ 1,345</u>

0 = Less than \$500.

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

**ASIAN DEVELOPMENT BANK—REGIONAL COOPERATION AND INTEGRATION FUND**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**For the Six-Month Periods Ended 30 June 2010 and 2009**  
**(Unaudited)**

**NOTE A—INTERIM FINANCIAL INFORMATION**

These unaudited condensed interim financial statements should be read in conjunction with the 31 December 2009 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 six-month periods ended 30 June 2010 and 2009 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 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 are presented on the basis of those for not-for-profit organizations. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make reasonable estimates and assumptions that affect the reported amounts of assets, liabilities and uncommitted balances as of the end of the period and the reported amounts of revenue and expenses during the period. The actual results could differ from those estimates.

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, "*Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements.*" ASU 2010-06 amends ASC 820 to add new disclosures requirements for transfers in and out of Levels 1 and 2 measurements and separate disclosures about gross purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosure requirements about the level of disaggregation and about inputs and valuation techniques used to measure fair value. ASU 2010-06 is effective for the first interim or annual period beginning after 31 December 2009 except for the requirement to provide the Level 3 activity of gross purchases, sales, issuances and settlements, which will be effective for fiscal years beginning after 15 December 2010 and for interim periods within those fiscal years. Note G provides the required disclosures in compliance to the updates for Levels 1 and 2. ADB is currently assessing the impact of this update relating to Level 3 on RCIF's financial statements.

In February 2010, the FASB issued ASU No. 2010-09, "*Subsequent Events (Topic 855) – Amendments to Certain Recognition and Disclosure Requirements.*" ASU 2010-09 reiterates that an SEC filer is required to evaluate subsequent events through the date that the financial statements are issued and removes the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated. ASU 2010-09 is effective for interim or annual periods ending after 15 June 2010. The application of this update did not have a material impact on RCIF's 30 June 2010 financial statements.

**NOTE C—INVESTMENTS**

Investment securities and negotiable certificates of deposit held as of 30 June 2010 are considered "Available for Sale" and are reported at fair value, which represents their fair market value. Time deposits are reported at cost, which is a reasonable estimate of fair value. Unrealized gains and losses are included in revenue from investments.

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

continued

The annualized rate of return on the average investments held during the six-month period ended 30 June 2010, based on the portfolio held at the beginning and end of each month, was 0.40% (1.18% – 2009).

#### NOTE D—RELATED PARTY TRANSACTIONS

The OCR and special fund resources are at all times used, committed, and invested entirely separate from each other. The administrative and operational expenses pertaining to RCIF are settled on a regular basis with OCR and the other funds. Regional technical assistance projects and programs may be combined activities financed by special and trust funds. ADB charges a service fee to cover ADB's incremental cost for the administration, management, supervision and operation of the RCIF and RCI Trust Fund, a trust fund administered by ADB. The service fee is currently 5% of the amount disbursed for technical assistance and 2% of the amount disbursed for grant components of investment projects.

Included in "ADVANCES FOR GRANTS AND OTHER ASSETS" and "ACCOUNTS PAYABLE AND OTHER LIABILITIES" are the following interfund balances:

	<u>30 June 2010</u>	<u>31 December 2009</u>
Receivable from:		
Technical Assistance Special Fund	\$ 66,000	\$ 47,000
Payable to:		
Ordinary capital resources	\$ 45,000	\$ 40,000
Agency Trust Funds—net	—	16,000
Total	<u>\$ 45,000</u>	<u>\$ 56,000</u>

#### NOTE E—TECHNICAL ASSISTANCE, GRANTS AND UNDISBURSED COMMITMENTS

Technical assistance (TA) and grants are recognized in the financial statements when the project is approved and becomes effective. Upon completion of the TA project or cancellation of a grant, any undisbursed amount is written back as a reduction in TA or grants for the period and the corresponding undisbursed commitment is eliminated accordingly. During the period, there were eight TA grants and one supplementary approval totaling \$8,500,000 (six TA grants and one supplementary approval totaling \$6,500,000 – 2009) which became effective, and \$13,000 undisbursed amounts were written back (nil – 2009).

Total undisbursed commitments are denominated in United States dollars and represent effective TAs which have not been disbursed.

#### NOTE F—CONTRIBUTIONS

In May 2010, the Board of Governors approved the transfer of \$10,000,000 to the RCIF from the 2009 OCR allocable net income.

#### NOTE G—FAIR VALUE MEASUREMENTS

ASC 820 defines fair value measurement to determine the price that would be received to sell an asset or paid to transfer a liability at measurement date (exit price) in an orderly transaction among willing participants with an assumption that the transaction takes place in the entity's principal market, the most advantageous market for the asset or liability. The most advantageous market is the market where the sale of the asset or transfer of liability would maximize the amount received for the asset or minimize the amount paid to transfer the liability. The fair value measurement is not adjusted for transaction cost.

continued

ASC 820 also establishes a fair value hierarchy that gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), next priority to observable market inputs or market corroborated data (Level 2), and the lowest priority to unobservable inputs without market corroborated data (Level 3). ASC 820 requires the fair value measurement to maximize the use of market observable inputs.

The fair value of the following financial assets of RCIF as of 30 June 2010 and 31 December 2009 were reported based on the following:

	Fair Value Measurements			
	30 June 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investments				
Government or gov't. guaranteed obligations	\$ 15,016,000	\$ 15,016,000	\$ -	\$ -
Time deposits	25,124,000	-	25,124,000	-
<b>Total assets at fair value</b>	<b>\$ 40,140,000</b>	<b>\$ 15,016,000</b>	<b>\$ 25,124,000</b>	<b>\$ -</b>
	Fair Value Measurements			
31 December 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<b>Assets</b>				
Investments				
Government or gov't. guaranteed obligations	\$ 15,030,000	\$ -	\$ 15,030,000	\$ -
Time deposits	19,826,000	-	19,826,000	-
<b>Total assets at fair value</b>	<b>\$ 34,856,000</b>	<b>\$ -</b>	<b>\$ 34,856,000</b>	<b>\$ -</b>

Starting 2010, investments under government or government-guaranteed obligations have been categorized from Level 2 to Level 1 by the Bloomberg Valuation Services (BVAL):

See Notes C and E for discussions relating to investments and undisbursed commitments. In all other cases, the carrying amounts of RCIF's assets, liabilities, and fund balances are considered to approximate fair values for all significant financial instruments.

#### NOTE H—SUBSEQUENT EVENTS

ADB has evaluated subsequent events after 30 June 2010 through the date these Condensed Financial Statements are issued. As a result of this evaluation, there are no subsequent events, as defined, that require recognition or disclosure in the RCIF's Condensed Financial Statements as of 30 June 2010.

**ASIAN DEVELOPMENT BANK—CLIMATE CHANGE FUND**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**30 June 2010 and 31 December 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<u>30 June</u> <u>(Unaudited)</u>	<u>31 December</u>
<b><u>ASSETS</u></b>		
DUE FROM BANKS	\$ 1,596	\$ 209
INVESTMENTS (Notes C and G)	45,624	39,232
ACCRUED REVENUE	18	13
ADVANCES FOR GRANTS AND OTHER ASSETS	421	339
<b>TOTAL</b>	<b>\$ 47,659</b>	<b>\$ 39,793</b>
<b><u>LIABILITIES AND UNCOMMITTED BALANCES</u></b>		
ACCOUNTS PAYABLE AND OTHER LIABILITIES (Notes D)	\$ 60	\$ 102
UNDISBURSED COMMITMENTS (Note E)	19,812	12,989
UNCOMMITTED BALANCES (CCF-2), represented by: Unrestricted net assets	27,787	26,702
<b>TOTAL</b>	<b>\$ 47,659</b>	<b>\$ 39,793</b>

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

**ASIAN DEVELOPMENT BANK—CLIMATE CHANGE FUND**  
**CONDENSED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	2010 (Unaudited)	2009 (Unaudited)
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
CONTRIBUTIONS (Note F)	\$ 10,000	\$ -
REVENUE		
From investments (Note C)	70	123
From other sources	0	0
Total	<u>10,070</u>	<u>123</u>
EXPENSES		
Technical assistance (Note E)	8,750	5,600
Administrative expenses	234	44
Total	<u>8,984</u>	<u>5,644</u>
CONTRIBUTIONS AND REVENUE IN EXCESS OF (LESS THAN) EXPENSES	1,086	(5,521)
NET EXCHANGE (LOSSES) GAINS	<u>(1)</u>	<u>4</u>
INCREASE (DECREASE) IN NET ASSETS	1,085	(5,517)
NET ASSETS AT BEGINNING OF PERIOD	26,702	37,427
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 27,787</b>	<b>\$ 31,910</b>

0 = Less than \$500.

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

**ASIAN DEVELOPMENT BANK—CLIMATE CHANGE FUND**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**For the Six-Month Periods Ended 30 June 2010 and 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<b>2010</b> <b>(Unaudited)</b>	<b>2009</b> <b>(Unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Contributions received	\$ 10,000	\$ -
Interest on investments received	80	218
Technical assistance disbursed	(2,010)	(404)
Administrative and financial expenses paid	(276)	(99)
Cash received from other activities	0	0
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>7,794</b>	<b>(285)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Maturities of investments	351,894	220,642
Purchases of investments	(358,301)	(220,289)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(6,407)</b>	<b>353</b>
<b>Net Increase in Due From Banks</b>	<b>1,387</b>	<b>68</b>
<b>Due from Banks at Beginning of Period</b>	<b>209</b>	<b>1,564</b>
<b>Due from Banks at End of Period</b>	<b>\$ 1,596</b>	<b>\$ 1,632</b>

0 = Less than \$500.

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

**ASIAN DEVELOPMENT BANK—CLIMATE CHANGE FUND**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**For the Six-Month Periods Ended 30 June 2010 and 2009**  
**(Unaudited)**

**NOTE A—INTERIM FINANCIAL INFORMATION**

These unaudited condensed interim financial statements should be read in conjunction with the 31 December 2009 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 six-month periods ended 30 June 2010 and 2009 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 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 are presented on the basis of those for not-for-profit organizations. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make reasonable estimates and assumptions that affect the reported amounts of assets, liabilities and uncommitted balances as of the end of the period and the reported amounts of revenue and expenses during the period. The actual results could differ from those estimates.

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, *"Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements."* ASU 2010-06 amends ASC 820 to add new disclosures requirements for transfers in and out of Levels 1 and 2 measurements and separate disclosures about gross purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosure requirements about the level of disaggregation and about inputs and valuation techniques used to measure fair value. ASU 2010-06 is effective for the first interim or annual period beginning after 31 December 2009 except for the requirement to provide the Level 3 activity of gross purchases, sales, issuances and settlements, which will be effective for fiscal years beginning after 15 December 2010 and for interim periods within those fiscal years. Note G provides the required disclosures in compliance to the updates for Levels 1 and 2. ADB is currently assessing the impact of this update relating to Level 3 on CCF's financial statements.

In February 2010, the FASB issued ASU No. 2010-09, *"Subsequent Events (Topic 855) – Amendments to Certain Recognition and Disclosure Requirements."* ASU 2010-09 reiterates that an SEC filer is required to evaluate subsequent events through the date that the financial statements are issued and removes the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated. ASU 2010-09 is effective for interim or annual periods ending after 15 June 2010. The application of this update did not have a material impact on CCF's 30 June 2010 financial statements.

**NOTE C—INVESTMENTS**

Investment securities and negotiable certificates of deposit held as of 30 June 2010 are considered "Available for Sale" and are reported at fair value, which represents their fair market value. Time deposits are recorded at cost, which is a reasonable estimate of fair value. Unrealized gains and losses are included in revenue from investments.

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

continued

The annualized rate of return on the average investments held during the six-month period ended 30 June 2010, based on the portfolio held at the beginning and end of each month, was 0.40% (0.89% – 2009).

#### **NOTE D—RELATED PARTY TRANSACTIONS**

The OCR and special fund resources are at all times used, committed, and invested entirely separate from each other. The administrative and operational expenses pertaining to CCF are settled on a regular basis with OCR and the other funds. Regional technical assistance projects and programs may be combined activities financed by special and trust funds. ADB charges a service fee to cover ADB's incremental cost for the administration, management, supervision and operation of the CCF. The service fee is currently 5% of the amount disbursed for technical assistance and 2% of the amount disbursed for grant components of investment projects. As of 30 June 2010, \$60,000 (\$95,000 – 31 December 2009) was payable to OCR which is included in "ACCOUNTS PAYABLE AND OTHER LIABILITIES."

#### **NOTE E—TECHNICAL ASSISTANCE, GRANTS AND UNDISBURSED COMMITMENTS**

Technical assistance (TA) and grants are recognized in the financial statements when the project is approved and becomes effective. Upon completion of the TA project or cancellation of a grant, any undisbursed amount is written back as a reduction in TA or grants for the period and the corresponding undisbursed commitment is eliminated accordingly. During the period, there were seven TA/grants totaling to \$8,750,000 (six TA/grants totaling \$5,600,000 – 2009) which became effective, and no undisbursed amounts were written back (nil – 2009).

Total undisbursed commitments are denominated in United States dollars and represent effective TAs/grants which have not been disbursed.

#### **NOTE F—CONTRIBUTIONS**

In May 2010, the Board of Governors approved the transfer of \$10,000,000 to the CCF from the 2009 OCR allocable net income.

#### **NOTE G—FAIR VALUE MEASUREMENTS**

ASC 820 defines fair value measurement to determine the price that would be received to sell an asset or paid to transfer a liability at measurement date (exit price) in an orderly transaction among willing participants with an assumption that the transaction takes place in the entity's principal market, the most advantageous market for the asset or liability. The most advantageous market is the market where the sale of the asset or transfer of liability would maximize the amount received for the asset or minimize the amount paid to transfer the liability. The fair value measurement is not adjusted for transaction cost.

ASC 820 also establishes a fair value hierarchy that gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), next priority to observable market inputs or market corroborated data (Level 2), and the lowest priority to unobservable inputs without market corroborated data (Level 3). ASC 820 requires the fair value measurement to maximize the use of market observable inputs.

continued

The fair value of the following financial assets of CCF as of 30 June 2010 and 31 December 2009 were reported based on the following:

	Fair Value Measurements			
	30 June 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investments				
Government or gov't. guaranteed obligations	\$ 18,020,000	\$ 18,020,000	\$ -	\$ -
Time deposits	27,604,000	-	27,604,000	-
<b>Total assets at fair value</b>	<b>\$ 45,624,000</b>	<b>\$ 18,020,000</b>	<b>\$ 27,604,000</b>	<b>\$ -</b>
	Fair Value Measurements			
	31 December 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Investments				
Government or gov't. guaranteed obligations	\$ 18,035,000	\$ -	\$ 18,035,000	\$ -
Time deposits	21,197,000	-	21,197,000	-
<b>Total assets at fair value</b>	<b>\$ 39,232,000</b>	<b>\$ -</b>	<b>\$ 39,232,000</b>	<b>\$ -</b>

Starting 2010, investments under government or government-guaranteed obligations have been categorized from Level 2 to Level 1 by the Bloomberg Valuation Services (BVAL).

See Notes C and E for discussions relating to investments and undisbursed commitments. In all other cases, the carrying amounts of CCF's assets, liabilities, and fund balances are considered to approximate fair values for all significant financial instruments.

#### NOTE H—SUBSEQUENT EVENTS

ADB has evaluated subsequent events after 30 June 2010 through the date these Condensed Financial Statements are issued. As a result of this evaluation, there are no subsequent events, as defined, that require recognition or disclosure in the CCF's Condensed Financial Statements as of 30 June 2010.

**ASIAN DEVELOPMENT BANK—ASIA PACIFIC DISASTER RESPONSE FUND**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**30 June 2010 and 31 December 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<u>30 June</u> <u>(Unaudited)</u>	<u>31 December</u>
<b><u>ASSETS</u></b>		
DUE FROM BANKS	\$ 3,489	\$ 3,501
INVESTMENTS (Notes C and G)	27,095	29,563
ACCRUED REVENUE	2	1
ADVANCES FOR GRANTS	9,500	7,000
<b>TOTAL</b>	<b>\$ 40,086</b>	<b>\$ 40,065</b>
<b><u>LIABILITIES AND UNCOMMITTED BALANCES</u></b>		
ACCOUNTS PAYABLE AND OTHER LIABILITIES	\$ —	\$ 13
UNDISBURSED COMMITMENTS (Note F)	9,500	7,000
UNCOMMITTED BALANCES (APDRF-2), represented by: Unrestricted net assets	30,586	33,052
<b>TOTAL</b>	<b>\$ 40,086</b>	<b>\$ 40,065</b>

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

**ASIAN DEVELOPMENT BANK—ASIA PACIFIC DISASTER RESPONSE FUND**  
**CONDENSED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the Six-Month Period Ended 30 June 2010 and for the Period 1 April to 30 June 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<b>2010</b> <b>(Unaudited)</b>	<b>2009</b> <b>(Unaudited)</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
CONTRIBUTIONS (Note E)	\$ —	\$ 40,000
REVENUE		
From investments (Note C)	33	19
From other sources	1	—
Total	<u>34</u>	<u>40,019</u>
EXPENSES		
Technical Assistance (Note F)	2,500	—
Financial expenses	0	—
Total	<u>2,500</u>	<u>—</u>
CONTRIBUTIONS AND REVENUE (LESS THAN) IN EXCESS OF EXPENSES	(2,466)	40,019
NET ASSETS AT BEGINNING OF PERIOD	33,052	—
<b>NET ASSETS AT END OF PERIOD</b>	<b>\$ 30,586</b>	<b>\$ 40,019</b>

0 = Less than \$500.

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

**ASIAN DEVELOPMENT BANK—ASIA PACIFIC DISASTER RESPONSE FUND**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**For the Six-Month Period Ended 30 June 2010 and for the Period 1 April to 30 June 2009**  
Expressed in Thousands of United States Dollars (Note B)

	<u>2010</u> <u>(Unaudited)</u>	<u>2009</u> <u>(Unaudited)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Contributions received	\$ —	\$ 40,000
Technical assistance disbursed	(2,500)	—
Administrative and financial expenses paid	(13)	—
Interest on investments received	32	10
Cash received from other sources	1	—
	<u>(2,480)</u>	<u>40,010</u>
<b>Net Cash (Used in) Provided by Operating Activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Maturities of investments	1,027,408	114,064
Purchases of investments	(1,024,940)	(152,574)
	<u>2,468</u>	<u>(38,510)</u>
<b>Net Cash Provided by (Used in) Investing Activities</b>		
<b>Net (Decrease) Increase in Due From Banks</b>	(12)	1,500
<b>Due from Banks at Beginning of Period</b>	<u>3,501</u>	<u>—</u>
<b>Due from Banks at End of Period</b>	<u>\$ 3,489</u>	<u>\$ 1,500</u>

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

**ASIAN DEVELOPMENT BANK—ASIA PACIFIC DISASTER RESPONSE FUND**  
**NOTES TO CONDENSED FINANCIAL STATEMENTS**  
**For the Six-Month Periods Ended 30 June 2010**  
**(Unaudited)**

**NOTE A—INTERIM FINANCIAL INFORMATION**

These unaudited condensed interim financial statements should be read in conjunction with the 31 December 2009 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 six-month periods ended 30 June 2010 and 2009 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 Asia Pacific Disaster Response Fund (APDRF) was established on 1 April 2009, to provide, in a timely fashion, incremental grant resources to developing member countries (DMCs) affected by a natural disaster. The APDRF will help bridge the gap between existing ADB arrangements that assist DMCs to reduce disaster risk through hazard mitigation loans and grants, and longer-term post-disaster reconstruction lending. The APDRF will provide quick-disbursing grants to assist DMCs in meeting immediate expenses to restore life-saving services to affected populations following a declared disaster and in augmenting aid provided by other donors in times of national crisis

Financial assistance will be provided in the form of untied grants for components of investment projects, for advisory, project preparatory, and regional technical assistance; as well as for any other activities that may be agreed between external contributors and ADB.

APDRF's resources may consist of contributions from ADB and other bilateral, multilateral, and individual sources, including companies and foundations.

**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 of the Fund, representing the currency of the primary economic operating environment.

The financial statements are presented on the basis of those for not-for-profit organizations. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make reasonable estimates and assumptions that affect the reported amounts of assets, liabilities and uncommitted balances as of the end of the period and the reported amounts of revenue and expenses during the period. The actual results could differ from those estimates.

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements.* ASU 2010-06 amends ASC 820 to add new disclosures requirements for transfers in and out of Levels 1 and 2 measurements and separate disclosures about gross purchases, sales, issuances, and settlements relating to Level 3 measurements. It also clarifies existing fair value disclosure requirements about the level of disaggregation and about inputs and valuation techniques used to measure fair value. ASU 2010-06 is effective for the first interim or annual period beginning after 31 December 2009 except for the requirement to provide the Level 3 activity of gross purchases, sales, issuances and settlements, which will be effective for fiscal years beginning after 15 December 2010 and for interim periods within those fiscal years. The application of updates for Levels 1 and 2 did not have a material impact APDRF's 30 June 2010 financial statements. ADB is currently assessing the impact of this update relating to Level 3 on APDRF's financial statements.

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In February 2010, the FASB issued ASU No. 2010-09, "*Subsequent Events (Topic 855) – Amendments to Certain Recognition and Disclosure Requirements.*" ASU 2010-09 reiterates that an SEC filer is required to evaluate subsequent events through the date that the financial statements are issued and removes the requirement for an SEC filer to disclose the date through which subsequent events have been evaluated. ASU 2010-09 is effective for interim or annual periods ending after 15 June 2010. The application of this update did not have a material impact on APDRF's 30 June 2010 financial statements.

#### **NOTE C—INVESTMENTS**

Investment securities and negotiable certificates of deposit held as of 30 June 2010 are considered "Available for Sale" and are reported at fair value, which represents their fair market value. Time deposits are recorded at cost, which is a reasonable estimate of fair value. Unrealized gains and losses are included in revenue from investments.

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

The annualized rate of return on the average investments held during the period ended 30 June 2010, based on the portfolio held at the beginning and end of each month, was 0.23% (0.26% – 2009).

#### **NOTE D—RELATED PARTY TRANSACTIONS**

The OCR and special fund resources are at all times used, committed, and invested entirely separate from each other. The administrative and operational expenses pertaining to APDRF are settled on a regular basis with OCR and the other funds. Regional technical assistance projects and programs may be combined activities financed by special and trust funds. ADB charges a service fee to cover ADB's cost for the administration, management, supervision and operation of the APDRF. The service fee is currently 2% of the amount disbursed for technical assistance and investment projects. As of 30 June 2010, no amounts payable to OCR were included in "ACCOUNTS PAYABLE AND OTHER LIABILITIES" (nil – 31 December 2009).

#### **NOTE E—CONTRIBUTIONS**

In May 2009, \$40,000,000 was transferred from the Asian Tsunami Fund.

#### **NOTE F—TECHNICAL ASSISTANCE, GRANTS AND UNDISBURSED COMMITMENTS**

Technical assistance (TA) and grants are recognized in the financial statements when the applicable project is approved and becomes effective. Upon completion of the TA project or cancellation of a grant, any undisbursed amount is written back as a reduction in TA or grants for the period and the corresponding undisbursed commitment is eliminated accordingly. During the period, there was one grant amounting to \$2,500,000 which became effective (nil – 2009), and no undisbursed amounts were written back (nil – 2009).

Total undisbursed commitments are denominated in United States dollars and represent effective TAs which have not been disbursed.

#### **NOTE G—FAIR VALUE MEASUREMENTS**

ASC 820 defines fair value measurement to determine the price that would be received to sell an asset or paid to transfer a liability at measurement date (exit price) in an orderly transaction among willing participants with an assumption that the transaction takes place in the entity's principal market, the most advantageous market for the asset or liability. The most advantageous market is the market where the

continued

sale of the asset or transfer of liability would maximize the amount received for the asset or minimize the amount paid to transfer the liability. The fair value measurement is not adjusted for transaction cost.

ASC 820 also establishes a fair value hierarchy that gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1), next priority to observable market inputs or market corroborated data (Level 2), and the lowest priority to unobservable inputs without market corroborated data (Level 3). ASC 820 requires the fair value measurement to maximize the use of market observable inputs.

The fair value of the following financial assets of APDRF as of 30 June 2010 and 31 December 2009 were reported based on the following:

	Fair Value Measurements		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
30 June 2010			
<b>Assets</b>			
Investments			
Time deposits	\$ 27,095,000	\$ -	\$ 27,095,000
			\$ -

	Fair Value Measurements		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Market Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
31 December 2009			
<b>Assets</b>			
Investments			
Time deposits	\$ 29,563,000	\$ -	\$ 29,563,000
			\$ -

See Notes C and E for discussions relating to investments and undisbursed commitments. In all other cases, the carrying amounts of APDRF's assets, liabilities, and fund balances are considered to approximate fair values for all significant financial instruments.

#### NOTE H—SUBSEQUENT EVENTS

ADB has evaluated subsequent events after 30 June 2010 through the date these Condensed Financial Statements are issued. As a result of this evaluation, there are no subsequent events, as defined, that require recognition or disclosure in the APDRF's Condensed Financial Statements as of 30 June 2010.

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CORPORATE FINANCE

SEP 24 2010

Washington, DC  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
100 F Street, N.E.  
Washington, D.C. 20549

REPORT OF  
ASIAN DEVELOPMENT BANK

In respect of the issue of the ADB's BRL100,000,000  
8.00 per cent. Notes due 7 December 2012  
payable in United States dollars

Filed pursuant to Rule 3 of Regulation AD  
Dated: September 24, 2010

The following information is filed pursuant to Rule 3 of Regulation AD in respect of the issue of BRL100,000,000 principal amount of 8.00 per cent. Notes due 7 December 2012 payable in United States dollars (the “Notes”) of the Asian Development Bank (the “ADB”) under its Global Medium-Term Note Program (the “Program”). Certain information specified in Schedule A to Regulation AD is not available at the date of this report, but when available, will be filed as promptly as possible.

Item 1.        Description of Obligations

The terms and conditions of the Notes are set forth in the Prospectus to the ADB’s Global Medium-Term Note Program dated July 20, 2005 (the “Prospectus”), previously filed under a report of the ADB dated July 20, 2005, and in the Pricing Supplement relating to the Notes dated September 24, 2010 (the “Pricing Supplement”), which is filed herewith. Certain other information about the ADB is provided in the form of an Information Statement, the latest version of which, dated April 28, 2010, was filed under a report of the ADB dated April 28, 2010. The global agent of the ADB with respect to the Notes is Citibank, N.A., 21st Floor, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom.

Item 2.        Distribution of Obligations

See the Prospectus, pages 58 to 60 and the Pricing Supplement.

As of September 24, 2010, the ADB entered into a Terms Agreement, filed herewith, with The Toronto-Dominion Bank (the “Manager”), pursuant to which the ADB has agreed to issue, and the Manager has agreed to purchase, a principal

amount of the Notes aggregating BRL100,000,000 for an issue price of 100.725 per cent. of the principal amount less a management and underwriting fee of 0.15 per cent. of the principal amount and a selling concession of 0.975 per cent. of the principal amount, translated into U.S. dollars at the USD/BRL exchange rate of 1.710.

The Notes will be offered for sale subject to issuance and acceptance by the Manager and subject to prior sale. It is expected that the delivery of the Notes will be made on or about September 28, 2010.

The Manager proposes to offer all the Notes to the public at the public offering price of 100.725%.

Item 3. Distribution Spread

See the Pricing Supplement, pages 3 and 8 and the Terms Agreement.

	<u>Price to the Public</u>	<u>Commissions and Concessions</u>	<u>Proceeds to ADB</u>
Per Unit	100.725%	1.125%	99.600%
Total in BRL	BRL100,725,000.00	BRL1,125,000.00	BRL99,600,000.00
Total in U.S.\$	U.S.\$58,903,508.77	U.S.\$657,894.73	U.S.\$58,245,614.04

Item 4. Discounts and Commissions to Sub-Underwriters and Dealers

See Item 3.

Item 5. Other Expenses of Distribution

<u>Item</u>	<u>Amount</u>
Legal Fees.....	\$7,000*
Listing Fees (Luxembourg) .....	\$ 5,000*

\*Asterisks indicate that expenses itemized above are estimates.

Item 6. Application of Proceeds

See the Prospectus, page 5.

Item 7. Exhibits

- (a) (i) Prospectus to the Global-Medium Term Note Program dated July 20, 2005, previously filed under a report of the ADB dated July 20, 2005.
- (ii) Standard Provisions relating to the issuance of Notes by the ADB under the Program dated as of May 17, 2004, previously filed under a report of the ADB dated October 15, 2004.
- (b) Copy of an opinion of counsel as to the legality of the Notes (to be filed at a later date).
- (c) Terms Agreement dated September 24, 2010.
- (d) (i) Information Statement dated April 28, 2010, previously filed under a report of the ADB dated April 28, 2010.
- (ii) Pricing Supplement dated September 24, 2010.

TERMS AGREEMENT NO. 571-00-1

under the

ASIAN DEVELOPMENT BANK

GLOBAL MEDIUM-TERM NOTE PROGRAM

BRL100,000,000

8.00 per cent. Notes due 7 December 2012 payable in United States dollars

24 September 2010

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Attention: Assistant Treasurer, Funding Division

The undersigned manager The Toronto-Dominion Bank (the "Manager") agrees to purchase from the Asian Development Bank ("ADB") its BRL100,000,000 8.00 per cent. Notes due 7 December 2012 payable in United States dollars (the "Notes") described in the pricing supplement dated as of the date hereof relating thereto (the "Pricing Supplement") and the related Prospectus dated 20 July 2005 (the "Prospectus") at 10:00 a.m., London time, on 28 September 2010 (the "Settlement Date") at an aggregate purchase price of U.S.\$58,245,614.04 on the terms set forth herein and in the Standard Provisions dated as of 17 May 2004 (the "Standard Provisions") relating to the issuance of Notes by ADB. The Standard Provisions are incorporated herein by reference, except that all references therein to the Prospectus shall be deemed to refer to the Prospectus referred to herein. In so purchasing the Notes, the Manager understands and agrees that it is not acting as an agent of ADB in the sale of the Notes.

When used herein and in the Standard Provisions as so incorporated, the term "Notes" refers to the Notes as defined herein. All other terms defined in the Prospectus, the Pricing Supplement relating to the Notes and the Standard Provisions shall have the same meanings when used herein.

ADB represents and warrants to the Manager that the representations and warranties of ADB set forth in Section 2 of the Standard Provisions are true and correct as though made at and as of the date hereof and will be true and accurate as of the Settlement Date.

The obligation of the Manager to purchase Notes hereunder is subject to the continued accuracy, on each date from the date hereof to and including the Settlement Date, of ADB's representations and warranties contained herein and in the Standard Provisions and to ADB's performance and observance of all applicable covenants and agreements contained herein

and therein. The obligation of the Manager to purchase Notes hereunder is further subject to the receipt by the Manager of the document specified in Section 6(b)(ii) of the Standard Provisions.

ADB certifies to the Manager that, as of the Settlement Date, (i) ADB has performed all of its obligations under the Standard Provisions and this Terms Agreement required to be performed or satisfied on or prior to the Settlement Date and (ii) the Prospectus, as supplemented by the Pricing Supplement, contains all material information relating to the assets and liabilities, financial position, and net income of ADB, and nothing has happened or is expected to happen that would require the Prospectus, as supplemented by the Pricing Supplement, to be further supplemented or updated.

The Manager hereby waives its right to receive each of the documents described in paragraphs (i) and (iii) through (v) of Section 6(b) of the Standard Provisions.

1. ADB agrees that it will issue the Notes and the Manager agrees to purchase the Notes at the aggregate purchase price specified above, calculated as follows: the issue price of 100.725 per cent. of the principal amount less a management and underwriting fee of 0.15 per cent. of the principal amount and a selling concession of 0.975 per cent. of the principal amount, translated into U.S. dollars at the BRL/U.S.\$ exchange rate of 1.710. For the avoidance of doubt, the Manager's purchase price after the above adjustments and translation into U.S. dollars shall be U.S.\$58,245,614.04.
2. Each of payment for and delivery of the Notes shall be made against the other on the Settlement Date. Payment for the Notes shall be made on the Settlement Date by the Manager to Citibank Europe plc, as common depository for Euroclear and Clearstream, Luxembourg, for transfer in immediately available funds to an account designated by ADB. Delivery of the Notes shall be made to Citibank Europe plc, as common depository for Euroclear and Clearstream, Luxembourg, for the account of the Manager.
3. ADB hereby appoints the Manager as a Dealer under the Standard Provisions solely for the purpose of the issue of Notes to which this Terms Agreement pertains. The Manager shall be vested, solely with respect to this issue of Notes, with all authority, rights and powers of a Dealer purchasing Notes as principal set out in the Standard Provisions, a copy of which it acknowledges it has received, and this Terms Agreement. The Manager acknowledges having requested and received, or waived its receipt of, copies of the Prospectus and the Global Agency Agreement, duly executed by the parties thereto.
4. In consideration of ADB appointing the Manager as a Dealer solely with respect to this issue of Notes, the Manager hereby undertakes for the benefit of ADB that, in relation to this issue of Notes, it will perform and comply with all of the duties and obligations specified to be assumed by a Dealer under the Standard Provisions.

5. The Manager acknowledges that such appointment is limited to this particular issue of Notes and is not for any other issue of notes of ADB pursuant to the Standard Provisions and that such appointment will terminate upon this issue of Notes, but without prejudice to any rights (including, without limitation, any indemnification rights), duties or obligations of the Manager that have arisen prior to such termination.
6. The Manager represents, warrants and agrees that it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.
7. The Manager represents and agrees that it has not offered or sold and will not offer or sell any Notes in Brazil. The Notes have not been and will not be registered with the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários*).
8. For purposes hereof, the notice details of ADB and the Manager are as follows:

For ADB:

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Attention: Funding Division, Treasury Department  
Telephone: +632 632-4713  
Facsimile: +632 632-4120 or 636-2625

For the Manager:

The Toronto-Dominion Bank  
60 Threadneedle Street  
London EC2R 8AP  
United Kingdom

Attention: Head of Syndication and Origination  
Telephone: +44 207 628 2262  
Facsimile: +44 207 628 1054

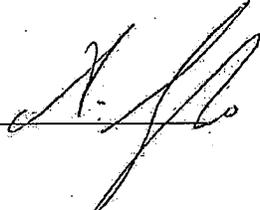
9. All notices and other communications hereunder shall be in writing and shall be transmitted in accordance with Section 10 of the Standard Provisions.

This Terms Agreement shall be governed by and construed in accordance with the laws of the State of New York.

This Terms Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts together shall constitute one and the same instrument.

THE TORONTO-DOMINION BANK

By: \_\_\_\_\_  
Name:  
Title:

  
Alf Costanzo  
Managing Director, Origination & Syndication  
The Toronto-Dominion Bank

CONFIRMED AND ACCEPTED,  
as of the date first written above:

ASIAN DEVELOPMENT BANK

By: \_\_\_\_\_  
Name: KAZUKI FUKUNAGA  
Title: Assistant Treasurer

**PRICING SUPPLEMENT**



**ASIAN DEVELOPMENT BANK  
GLOBAL MEDIUM-TERM NOTE PROGRAM**

**Series No: 571-00-1**

**BRL100,000,000**

**8.00 per cent. Notes due 7 December 2012**

**payable in United States dollars**

**Issue price: 100.725 per cent.**

**TD Securities**

The date of this Pricing Supplement is 24 September 2010.

This pricing supplement (the "Pricing Supplement") is issued to give details of an issue of BRL100,000,000 8.00 per cent. Notes due 7 December 2012 payable in United States dollars (the "Notes") by the Asian Development Bank ("ADB") under its Global Medium-Term Note Program and to provide information supplemental to the Prospectus referred to below.

This Pricing Supplement supplements the terms and conditions of the Notes set forth in the Prospectus dated 20 July 2005 (as amended and supplemented and together with the documents incorporated by reference therein, the "Prospectus") and should be read in conjunction with the Prospectus. Unless otherwise defined in this Pricing Supplement, capitalized terms used herein have the meanings given to them in the Prospectus.

The issue of the Notes was authorized pursuant to a global borrowing authorization of the Board of Directors of ADB dated 10 December 2009.

This Pricing Supplement does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Pricing Supplement in any jurisdiction where such action is required.

**The Notes are not required to be and have not been registered under the U.S. Securities Act of 1933, as amended. The Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission or any state securities commission nor has the Commission or any state securities commission passed upon the accuracy or adequacy of this Pricing Supplement. Any representation to the contrary is a criminal offense in the United States.**

The distribution of this Pricing Supplement or the Prospectus and the offer and sale of the Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Pricing Supplement or the Prospectus comes are required by ADB and the Manager to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of Notes and on the distribution of this Pricing Supplement or the Prospectus, see "Plan of Distribution" in the Prospectus.

The Notes are not the obligation of any government.

## TERMS AND CONDITIONS

The following items are the particular terms and conditions of the Notes to which this Pricing Supplement relates. In case of any conflict between such terms and conditions and the terms and conditions set forth in the Prospectus, the terms and conditions set forth in this Pricing Supplement shall govern.

### General Provisions

1. Issuer: Asian Development Bank.
2. Series Number: 571-00-1.
3. (i) Specified Currency (Condition 1(c)): Brazilian real ("BRL"), being the lawful currency of the Federative Republic of Brazil.
- (ii) Specified Principal Payment Currency if different from Specified Currency (Condition 1(c)): United States dollars ("U.S.\$" or "U.S. dollars").
- (iii) Specified Interest Payment Currency if different from Specified Currency (Condition 1(c)): U.S. dollars
- (iv) Alternative Currency (Condition 7(i)) (if applicable): Not applicable.
4. Aggregate Nominal Amount: BRL100,000,000 payable in U.S.\$
5. (i) Issue Price: 100.725 per cent. of the Aggregate Nominal Amount.
- (ii) Net proceeds: BRL99,600,000 (payable as U.S.\$58,245,614.04, using the BRL/U.S.\$ exchange rate of 1.710).
6. Specified Denominations (Condition 1(a)): BRL1,000 payable in U.S.\$.
7. (i) Issue Date (Condition 5(d)): 28 September 2010.
- (ii) Interest Commencement Date (if different from the Issue Date) (Condition 5(d)): Not applicable.
8. Maturity Date or Redemption Month (Condition 6(a)): 7 December 2012.

- |   |   |
|---|---|
| 9. Interest Basis (Condition 5):                    | Fixed Rate (Condition 5(a)) (further particulars specified in paragraph 16 below).  |
| 10. Redemption/Payment Basis (Condition 6(a)):      | Redemption at par; <i>provided</i> that the Final Redemption Amount shall be payable in U.S. dollars in accordance with paragraph 23 below. |
| 11. Change of Interest or Redemption/Payment Basis: | Not applicable.   |
| 12. Put/Call Options (Conditions 6(e) and (f)):     | Not applicable.   |
| 13. Status of the Notes (Condition 3):              | Senior.   |
| 14. Listing:  | Luxembourg Stock Exchange.  |
| 15. Method of distribution:                         | Non-syndicated.   |

**Provisions Relating to Interest Payable**

- |  |  |
|--|--|
| 16. Fixed Rate Note Provisions (Condition 5(a)): | Applicable.  |
| (i) Rate(s) of Interest:                         | 8.00 per cent. per annum, payable annually in arrear.  |
| (ii) Interest Payment Date(s):                   | 7 December of each year, from and including 7 December 2011 to and including the Maturity Date.  |
| (iii) Fixed Coupon Amount(s):                    | BRL80.00 per Specified Denomination payable on each Interest Payment Date except for the first Interest Payment Date on 7 December 2011, which is subject to the Broken Amount per paragraph 16(iv) below; <i>provided</i> that the Fixed Coupon Amount shall be payable in U.S. dollars in accordance with paragraph 16(vii) below. |
| (iv) Broken Amount(s):                           | BRL95.34 per Specified Denomination payable in respect of the period from and including the Issue Date to but excluding 7 December 2011 <i>provided</i> that the Broken Amount shall be payable in U.S. dollars in accordance with paragraph 16(vii) below.  |
| (v) Day Count Fraction (Condition 5(d)):         | Actual/Actual – ICMA.  |

- (vi) Determination Date(s): Not applicable.
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: Actual/Actual – ICMA has the meaning given to Actual/Actual – ISMA in the Prospectus.

As soon as practicable and in accordance with the procedures specified herein, the Calculation Agent will determine the Reference Rate (as defined in the Appendix) and calculate the amount of interest payable (the "Interest Amount") with respect to each Specified Denomination for the relevant Interest Period or Calculation Period as follows:

The Interest Amount with respect to each Specified Denomination at any Interest Period shall be a U.S. dollar amount calculated on the relevant Rate Fixing Date (as defined in the Appendix) as follows:

BRL80.00 (or a Broken Amount of BRL95.34 with respect to the initial Interest Period) *divided by* Reference Rate,

and rounding, if necessary, the entire resulting figure to the nearest cent with U.S. dollar 0.005 being rounded upwards.

No Calculation Period shall be adjusted in the event that the first day or last day of such period falls on a day that is not a Business Day.

17. Floating Rate Note Provisions (Condition 5(b)): Not applicable.
18. Zero Coupon/Deep Discount Note Provisions (Conditions 5(c) and 6(c)): Not applicable.
19. Index-Linked Interest Note Provisions: Not applicable.
20. Dual Currency Note Provisions: Not applicable.

#### **Provisions Relating to Redemption**

21. Call Option (Condition 6(e)): Not applicable.

22. Put Option (Condition 6(f)): Not applicable.
23. Final Redemption Amount: The Final Redemption Amount with respect to each Specified Denomination will be a U.S. dollar amount calculated by the Calculation Agent on the Rate Fixing Date with respect to the Maturity Date as follows:
- Specified Denomination *divided by* Reference Rate (as defined in the Appendix),
- and rounding, if necessary, the entire resulting figure to the nearest cent with U.S. dollar 0.005 being rounded upwards.
- (i) Alternative Payment Mechanism (Conditions 7(a) and (c)): Not applicable.
- (ii) Long Maturity Note (Condition 7(f)): Not applicable.
- (iii) Variable Redemption Amount (Condition 6(d)): Not applicable.
24. Early Redemption Amount:
- (i) Early Redemption Amount(s) payable on an Event of Default (Condition 9) and/or the method of calculating the same (if required or if different from that set out in the Conditions): In the event that the Notes become due and payable as provided in Condition 9, the Early Redemption Amount with respect to each Specified Denomination will be a U.S. dollar amount equal to the Redemption Amount that is determined in accordance with "23. Final Redemption Amount" above plus accrued and unpaid interest, if any, as determined in accordance with "16. Fixed Rate Note Provisions (Condition 5(a))"; *provided* that for the purposes of such determination, the "Rate Fixing Date" shall be the date that is five (5) Business Days prior to the date upon which the Notes become due and payable as provided in Condition 9.
- (ii) Unmatured Coupons to become void (Condition 7(f)): Not applicable.

### **Additional General Provisions Applicable to the Notes**

25. Form of Notes: Registered Notes.  
Definitive Registered Notes: Global Registered Note available on Issue Date; not exchangeable for individual Definitive Registered Notes.
26. Talons for future Coupons to be attached to definitive Bearer Notes (and dates on which such Talons mature): Not applicable.
27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of ADB to forfeit the Notes and interest due on late payment: Not applicable.
28. Details relating to Installment Notes: Not applicable.
29. Redenomination, renominalization and reconventioning provisions: Not applicable.
30. Consolidation provisions: Not applicable.
31. Other terms or special conditions: If any date for payment of any principal or interest in respect of the Notes is not a Business Day, ADB shall not be obliged to pay such principal or interest until the first following day that is a Business Day and shall not be obliged to pay any interest or other payment in respect of such postponed payment.
- “Business Day” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London, New York and São Paulo.
- (i) Relevant Financial Centers: São Paulo.

(ii) Additional Business Centers: New York and London.

### Distribution

32. (i) If syndicated, names of Managers: Not applicable.
- (ii) Stabilizing Manager (if any): Not applicable.
- (iii) Commissions and Concessions: 1.125 per cent.
33. If non-syndicated, name of Dealer: The Toronto-Dominion Bank.
34. Additional selling restrictions: The following paragraph shall be deemed to be set out under the heading "Brazil" in the section entitled "Plan of Distribution" in the Prospectus:
- "The Manager has represented and agreed that it has not offered or sold and will not offer or sell any Notes in Brazil. The Notes have not been and will not be registered with the Brazilian Securities and Exchange Commission (*Comissão de Valores Mobiliários*)."

### Operational Information

35. (i) ISIN: XS0543469489.
- (ii) CUSIP: Not applicable.
- (iii) CINS: Not applicable.
- (iv) Other: Not applicable.
36. Common Code: 054346948.
37. Any clearing system(s) other than Euroclear, Clearstream, Luxembourg and DTC and the relevant identification number(s): Euroclear and Clearstream, Luxembourg only.
38. Delivery: Delivery against payment.
39. Additional Paying Agent(s) (if any): Not applicable.
40. Governing Law: English.

### **Additional Information**

The Notes are denominated in BRL. Since Brazil is not an ADB member country, ADB will not enjoy in Brazil its usual rights, immunities, privileges and exemptions which are conferred upon ADB by the Agreement Establishing the Asian Development Bank and by statutes, laws and regulations of member countries. Such privileges include immunity with respect to exchange controls and an exemption from withholding taxes with respect to payments on ADB's debt securities.

### **Listing Application**

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the listing of the Global Medium-Term Note Program of ADB.

### **Material Adverse Change Statement**

There has been no material adverse change in the financial position or prospects of ADB since the date of the financial statements included in the most recently published Information Statement of ADB. ADB's latest Information Statement was issued on 28 April 2010.

### **Recent Developments**

On 4 May 2010, ADB's Board of Governors approved the following with respect to its 2009 ordinary capital resources net loss:

- a) U.S.\$447.6 million, representing unrealized losses as of 31 December 2009, be added from the cumulative revaluation adjustments account;
- b) U.S.\$247.2 million, representing the adjustment to the loan loss reserve as of 31 December 2009, be added from the loan loss reserve and then be allocated to surplus;
- c) U.S.\$230.9 million be allocated to the ordinary reserve;
- d) U.S.\$120.0 million be allocated to the Asian Development Fund;
- e) U.S.\$40.0 million be allocated to the Technical Assistance Special Fund;
- f) U.S.\$10.0 million be allocated to the Climate Change Fund; and
- g) U.S.\$10.0 million be allocated to the Regional Cooperation and Integration Fund.

With effect from 7 June 2010, Lakshmi Venkatachalam has been appointed as ADB's Vice-President (Private Sector and Cofinancing Operations).

**Responsibility**

ADB accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Prospectus referred to above, contains all information that is material in the context of the issue of the Notes.

ASIAN DEVELOPMENT BANK

By   
Name: KAZUKI FUKUNAGA  
Title: Assistant Treasurer

## Appendix

The Broken Amount or Fixed Coupon Amount, as applicable, payable on each Interest Payment Date and the Final Redemption Amount payable on the Maturity Date shall be payable in U.S. dollars, in an amount determined by the Calculation Agent as follows, on applicable Rate Fixing Date. The Broken Amount per Specified Denomination so payable shall be BRL95.34 *divided* by the Reference Rate, rounded to the nearest cent with U.S. dollar 0.005 being rounded upwards. The Fixed Coupon Amount per Specified Denomination so payable shall be BRL80.00 *divided* by the Reference Rate, rounded to the nearest cent with U.S. dollar 0.005 being rounded upwards. The Final Redemption Amount per Specified Denomination payable in U.S. dollars shall be the Specified Denomination *divided* by the Reference Rate, rounded to the nearest cent with U.S. dollar 0.005 being rounded upwards.

**“Rate Fixing Date”** means the date five Business Days before the applicable Interest Payment Date or the Maturity Date.

**“Reference Rate”** means the PTAX rate that is equal to the U.S.\$/BRL spot Ask rate (i.e., the rate at which banks buy BRL and sell U.S.\$) expressed as the amount of BRL per one U.S.\$, for settlement in two São Paulo and New York business days, as announced by the Banco Central do Brasil at approximately 6:00 p.m. Sao Paulo time and published on Bloomberg page <BZFXPTAX><INDEX> and available on the Central Bank of Brazil website (<http://www.bcb.gov.br/?english>) on the Rate Fixing Date; *provided* that the PTAX rate found on the Central Bank website shall prevail in case of conflict with the PTAX rate appearing on Bloomberg page <BZFXPTAX><INDEX>. If the PTAX Rate is not available for any reason on either Bloomberg page <BZFXPTAX><INDEX> (or on any successor page) or on the web site of the Central Bank of Brazil (<http://www.bcb.gov.br/?english>) on any relevant Rate Fixing Date, then BRL12 shall be used to determine the Reference Rate on such Rate Fixing Date.

**“BRL12”** means the EMTA BRL Industry Survey Rate, which is the U.S.\$/BRL specific foreign exchange rate for U.S.\$ expressed as the amount of BRL per one U.S.\$, for settlement in two São Paulo and New York business days, as published on EMTA’s website ([www.emta.org](http://www.emta.org)) at around 15:45 São Paulo time or as soon thereafter as practicable, on the applicable Rate Fixing Date. BRL12 is calculated by EMTA pursuant to the EMTA BRL Industry Survey Methodology (which means a methodology, dated as of 1 March, 2004, as amended from time to time, for a centralized industry-wide survey of financial institutions in São Paulo that are active participants in the U.S.\$/BRL spot markets for the purpose of determining the EMTA BRL Industry Survey Rate).

**“Business Day”** means a day (other than a Saturday or Sunday) on which the banks and foreign exchange markets are open for general business (including dealings in foreign exchange and foreign currency deposits) in each of São Paulo, London and New York.

**“Calculation Agent”** means The Toronto-Dominion Bank.

***Additional Fallback Provisions.*** In the event that the PTAX Rate and the BRL 12 are not available on any Rate Fixing Date, the Reference Rate will be determined by the Calculation Agent on such Rate Fixing Date in its sole discretion, acting in good faith and in a commercially reasonable manner, having taken into account relevant market practice.

***Determinations by the Calculation Agent.*** The determination by the Calculation Agent of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Calculation Agent under the Notes and pursuant to the Calculation Agent Agreement shall (in the absence of manifest error) be final and binding on all parties (including, but not limited to, ADB and the holders of the Notes) and shall be made in its sole discretion in good faith and in a commercially reasonable manner in accordance with the Calculation Agent Agreement.

**ISSUER**

**Asian Development Bank**

6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

**GLOBAL AGENT, REGISTRAR AND TRANSFER AGENT**

**Citibank, N.A.**

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