THE NEW DEVELOPMENT BANK
PROJECT PREPARATION FUND

Independent Auditor's Report and
Financial Statements
For the year ended December 31, 2019
(Prepared in accordance with International Financial
Reporting Standards)

THE NEW DEVELOPMENT BANK PROJECT PREPARATION FUND

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

CONTENTS

Deloitte. 德勤

Deloitte Touche Tohmatsu
Certified Public Accountants LLP
30/F Bund Center
222 Yan An Road East
Shanghai 200002, PRC

DTT(A)(20)I00065

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF GOVERNORS OF THE NEW DEVELOPMENT BANK (THE "BANK")

Opinion

We have audited the financial statements of the New Development Bank Project Preparation Fund (the "NDB-PPF"), which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the NDB-PPF as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the NDB-PPF in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Governors of the Bank for the Financial Statements

Management of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management of the Bank is responsible for assessing the NDB-PPF's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the NDB-PPF or to cease operations, or have no realistic alternative but to do so.

The Board of Governors of the Bank is responsible for overseeing the NDB-PPF's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NDB-PPF's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management of the Bank.

- Conclude on the appropriateness of the management of the Bank's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NDB-PPF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the NDB-PPF to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's Responsibility for the Audit of the Financial Statements - CONTINUED

We communicate with the Board of Governors of the Bank regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu CPA LLP

Deloitte Touche Tohmatsu
Certified Public Accountants LLP
Shanghai, People's Republic of China

April 20, 2020

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
EXPRESSED IN THOUSANDS OF USD

	Notes	Year ended December 31, 2019	From January 20, 2017 to December 31,2018
Interest income	6	192	119
Operating expenses	7	(46)	(30)
Profit for the year/period		146	89
Total comprehensive income for the year/period		146	89

THE NEW DEVELOPMENT BANK PROJECT PREPARATION FUND

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019
EXPRESSED IN THOUSANDS OF USD

	Notes	As at December 31, 2019	As at December 31, 2018
Assets			
Cash and cash equivalents	8	3,262	6,619
Due from banks other than cash and cash equivalents	9	4,000	-
Other assets		1	-
Total assets		7,263	6,619
Labilities			
Other liabilities		28	30
Total liabilities		28	30
Equity			
Contribution	10	7,000	6,500
Retained earnings		235	89
Total equity		7,235	6,589
Total equity and liabilities		7,263	6,619

The financial statements on pages 4 to 16 were approved and authorised for issuance by the Board of Governors on April 20, 2020 and signed on their behalf by:

President

Chief Financial Officer

THE NEW DEVELOPMENT BANK PROJECT PREPARATION FUND

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
EXPRESSED IN THOUSANDS OF USD

	Note	Contribution	Retained earnings	Total
As at January 1, 2019		6,500	89	6,589
Profit for the year		-	146	146
Total comprehensive income for the year		-	146	146
Contribution	10	500	-	500
As December 31, 2019		7,000	235	7,235

	Note	Contribution	Retained earnings	Total
As at January 20, 2017		-	-	-
Profit for the period		-	89	89
Total comprehensive income for the period		-	89	89
Contribution	10	6,500	-	6,500
As at December 31, 2018		6,500	89	6,589

THE NEW DEVELOPMENT BANK PROJECT PREPARATION FUND

STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2019
EXPRESSED IN THOUSANDS OF USD

	Year ended December 31, 2019	From January 20, 2017 to December 31, 2018
OPERATING ACTIVITIES		
Profit for the year/period	146	89
Operating cash flows before changes in operating assets and liabilities	146	89
Net increase in due from banks	(4,000)	-
Net increase in other assets	(1)	-
Net (decrease)/increase in other liabilities	(2)	30
NET CASH (USED IN) /FROM OPERATING ACTIVITIES	(3,857)	119
FINANCING ACTIVITIES		
Contribution received	500	6,500
NET CASH FROM FINANCING ACTIVITIES	500	6,500
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,357)	6,619
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	6,619	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	3,262	6,619

1. GENERAL INFORMATION

The Board of Governors of the New Development Bank ("NDB" or the "Bank") approved the establishment of the NDB Project Preparation Fund (the "NDB-PPF") on January 20, 2017 (the establishment date of the NDB-PPF) in accordance with Article 23a of the Agreement on the New Development Bank (the "Agreement").

The NDB-PPF is established as a multi-donor fund which is open to contributions by all the Bank's members (the "Contributors"). The objective of the NDB-PPF is to help NDB achieve its purpose of promoting infrastructure and sustainable development by supporting the preparation of bankable projects to facilitate borrowing member countries to raise funds for such projects from NDB and other financial institutions. As stipulated in Article 18c of the Agreement, the ordinary capital resources and the NDB-PPF resources of the Bank shall be held, used, committed, invested, or otherwise disposed of entirely separate from each other.

On September 4, 2017, the Bank signed a contribution agreement with the People's Republic of China ("China") in respect of the commitment and contribution from China in an amount of USD 4,000,000 to the NDB-PPF. The Bank also signed a contribution agreement with the Ministry of Finance of the Russian Federation (the "Russian MOF") on October 15, 2017 in respect of the commitment and contribution from the Russian MOF in an amount of USD 1,500,000 which shall be paid in three instalments to the NDB-PPF. On April 19, 2018, the Bank signed a contribution agreement with the Republic of India ("India"), for USD 1,500,000 which was paid in one instalment.

As of December 31, 2019, all the contribution of USD 4,000,000, USD 1,500,000 and USD 1,500,000 has been received from China, India and the Russian MOF respectively by the NDB-PPF.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the financial statements, the NDB-PPF has applied International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs") (herein collectively referred to as the IFRSs) issued by the International Accounting Standards Board ("IASB") which are effective for the accounting year.

The NDB-PPF has applied the following amendments to IFRSs which are relevant to the NDB-PPF for the first time in the current year:

Amendments to IFRS 9	Prepayment Features with Negative Compensation

The application of the above amendments to IFRSs in the current year has had no material impact on the NDB-PPF's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS – continued

The NDB-PPF has not early adopted the following new and amendments to IFRSs that have been issued but not yet become effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

[1] Effective for annual periods beginning on or after January 1, 2021.
[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after January 1, 2020.
[5] Effective for annual periods beginning on or after January 1, 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The NDB-PPF anticipates that the application of these new and amendments to IFRSs will have no material impact on the financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Basis of preparation

The financial statements have been prepared on the historical cost basis in accordance with the accounting policies set out below, which are in conformity with IFRSs.

Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the NDB-PPF takes into account the characteristics of the asset or liability, if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Analysis of fair value disclosures uses a hierarchy that reflects the significant inputs used in measuring the fair value. For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety. The fair value hierarchy is as below.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the NDB-PPF can access at the measurement date;

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION – continued

Basis of preparation – continued

- Level 2: Inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

The preparation of the financial statements, in conformity with IFRSs, requires the use of certain accounting estimates. This requires management to exercise its judgement in preparing the financial statements.

The principal accounting policies adopted are set out below and have been applied consistently to the year/period presented.

Revenue

Interest income

Interest income is recognised in profit or loss for interest-bearing financial assets using the effective interest rate method, on the accrual basis.

The effective interest rate method is a method of calculating the amortised cost of a financial asset (including a group of financial assets) and of allocating the interest income or interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the NDB-PPF estimates cash flows considering all contractual terms of the financial instrument (but does not consider future credit losses). The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Financial instruments

Initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The NDB-PPF's financial instruments mainly consist of cash and cash equivalents and due from banks.

Financial assets and financial liabilities are recognised in the statement of financial position when the NDB-PPF becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or issue of financial liabilities at FVTPL are recognised immediately in profit or loss. All other financial assets and financial liabilities are recognised initially at fair value plus or minus transaction costs directly attributable to the acquisition of financial assets or the issue of financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION – continued

Financial instruments – continued

Classification of financial instruments

Financial assets

The NDB-PPF classifies its financial assets under IFRS 9, into the following measurement categories:

- Financial assets at FVTPL;
- Financial assets measured at amortised cost; and
- Financial assets measured at Fair Value Through Other Comprehensive Income ("FVTOCI");

The classification depends on the NDB-PPF's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets at FVTPL

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at FVTOCI. Upon initial recognition, financial instruments may be designated as FVTPL. A financial asset may only be designated at FVTPL if doing so eliminates or significantly reduces measurement or recognition inconsistencies (i.e. eliminates an accounting mismatch) that would otherwise arise from measuring financial assets or liabilities on a different basis.

Financial assets measured at amortised cost

The NDB-PPF classifies a financial asset at amortised cost when the following conditions have been met:

- The financial asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- The contractual terms of the financial asset gives rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets measured at FVTOCI

The NDB-PPF classifies a financial asset at FVTOCI if it is held within a business model whose objective is both to hold the financial asset to collect contractual cash flows and to sell the financial asset, and the contractual terms of the financial asset gives rise to cash flows on specified dates that are SPPI.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the NDB-PPF may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies. Financial assets at FVTPL are measured at fair value at the end of each reporting year/period, with any fair value gains or losses recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION – continued

Financial instruments – continued

Classification of financial instruments – continued

Financial liabilities and equity

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the NDB-PPF or a contract that will or may be settled in the NDB-PPF's own equity instruments and is a non-derivative contract for which the NDB-PPF is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over the NDB-PPF's own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the NDB-PPF's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the NDB-PPF are recognised at the proceeds received, net of direct issue costs.

The NDB-PPF's financial liabilities are measured at amortised cost, using the effective interest method.

The NDB-PPF recognises contributions as equity on the basis that the contribution agreement does not include a contractual obligation of the NDB-PPF to pay cash or another financial asset, and there are no other features that would meet the definition of a financial liability.

Impairment

IFRS 9 requires recognition of Expected Credit Losses ("ECL") on the financial assets accounted for at amortised cost, FVTOCI and certain unrecognised financial instruments such as loan commitments. ECL of a financial instrument should be measured in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The NDB-PPF applies a three-stage approach to measuring ECL on financial assets accounted for at amortised cost. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

i) *Stage 1: 12-month ECL*

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events, occurring within the next 12 months, is recognised.

ii) *Stage 2: Lifetime ECL – not credit impaired*

For credit exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION – continued

Financial instruments – continued

Impairment – continued

iii) Stage 3: Lifetime ECL – credit impaired

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. For financial assets that are credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost rather than the gross carrying amount. The NDB-PPF identifies financial assets as being credit impaired when one or more events that could have a detrimental impact on future cash flows of the financial asset have occurred.

More details about credit risk analysis are provided in Note 4.

Derecognition of financial instruments

The NDB-PPF derecognises a financial asset when the contractual rights to the cash flows from the asset expire. The NDB-PPF derecognises financial liabilities when the NDB-PPF's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial instruments derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Cash comprises deposits that can be readily withdrawn on demand. Cash equivalents are the NDB-PPF's short-term, highly-liquid investments that are readily convertible to known amounts of cash within three months and are not subject to a significant risk of change in value.

4. FINANCIAL RISK MANAGEMENT

Overview

The NDB-PPF follows the risk management policies of the Bank. The Bank has established various risk management policies approved by the Board of Directors in line with its Agreement, which are designed to identify and analyse risks of particular categories, and to set up appropriate risk limits and controls. The Board of Directors set out the risk management strategy and the risk tolerance level in different risk management policies.

The primary responsibility for risk management at an operational level rests with the management. Management and various specialist committees are tasked with integrating the management of risk into the day-to-day activities of NDB-PPF, by monitoring related risk parameters and tolerance through policies and procedures under the strategy approved by designated committees.

The NDB-PPF was not exposed to many financial risks with the exception of credit risk and interest rate risk associated with the financial institutions with which it deposited its cash resources for the year ended December 31, 2019. The impact of a change in interest rates during the reporting year/period is not considered significant by management.

4. FINANCIAL RISK MANAGEMENT – continued

Credit risk

The NDB-PPF takes on exposure to credit risk, which is a risk that one counterparty to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. The NDB-PPF placed its cash equivalents and deposits with highly-rated banks (senior investment grade credit ratings) in mainland China. There has been no significant increase in credit risk since initial recognition associated with the amounts due from banks up to December 31, 2019. All the financial instruments of the NDB-PPF as of December 31, 2019 and December 31, 2018 are measured at amortised cost.

5. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of the NDB-PPF's financial instruments that are not measured at fair value on a recurring basis

The NDB-PPF considered that the carrying amounts of financial assets and financial liabilities measured at amortised cost, in the NDB-PPF's statements of financial position, approximate their fair values.

6. INTEREST INCOME

	Year ended December 31,2019 USD'000	For the period from January 20, 2017 to December 31, 2018 USD'000
Interest income from banks	192	119
Total	192	119

7. OPERATING EXPENSES

	Year ended December 31,2019 USD'000	For the period from January 20, 2017 to December 31, 2018 USD'000
Auditor's remuneration	46	28
Other expenses	-	2
Total	46	30

8. CASH AND CASH EQUIVALENTS

	As at December 31, 2019 USD'000	As at December 31, 2018 USD'000
Demand deposit	172	218
Time deposit with original maturity within three months	3,090	6,401
Total	3,262	6,619

9. DUE FROM BANKS OTHER THAN CASH AND CASH EQUIVALENTS

	As at December 31, 2019 USD'000	As at December 31, 2018 USD'000
Commercial banks	7,090	6,401
Total	7,090	6,401
Less: time deposit with original maturity within three months	(3,090)	(6,401)
Total	4,000	-

10. CONTRIBUTIONS

As at December 31, 2019	Contribution Committed USD'000	Contribution Received USD'000
China	4,000	4,000
Russia	1,500	1,500
India	1,500	1,500
Total	7,000	7,000

As at December 31, 2018	Contribution Committed USD'000	Contribution Received USD'000
China	4,000	4,000
Russia	1,500	1,000
India	1,500	1,500
Total	7,000	6,500

11. RELATED PARTY DISCLOSURES

The NDB-PPF's related parties are the Bank and the Contributors.

The contributions received from the Contributors as of December 31, 2019 and December 31, 2018 are detailed in Note 10.

12. SUBSEQUENT EVENTS

Up to the date of the issuance of the financial statements, there has been no material subsequent events since December 31, 2019 that would require additional disclosure or adjustment to the financial statements.

13. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Management and the Board of Governors of the Bank and authorised for issuance on April 20, 2020.

* * * End of the Financial Statements * * *