

**PUBLIC DISCLOSURE AUTHORISED**

**CARIBBEAN DEVELOPMENT BANK**



Draft Statement of Financial Position

For the Year Ended December 31, 2015

*(Expressed in thousands of United States Dollars unless otherwise stated)*

This Document is being made publicly available in accordance with the Bank's Information Disclosure Policy.

**March 2016**

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

Index to the Financial Statements  
For the year ended December 31, 2015

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	Pages
Independent Auditors' Report	1
Statement of Financial Position	2-3
Statement of Changes in Equity	4
Statement of Comprehensive Income	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-83

## **Independent Auditors' Report**

### **To the Board of Governors of Caribbean Development Bank**

We have audited the accompanying financial statements of the **Ordinary Capital Resources** of the **Caribbean Development Bank** (the Bank) which comprise the statement of financial position as of December 31, 2015, statement of changes in equity, statement of comprehensive income, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements present fairly in all material respects the financial position of the Ordinary Capital Resources of the Bank as of December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants  
Barbados

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### STATEMENT OF FINANCIAL POSITION

As of December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

		<u>2015</u>	<u>2014</u>
<b>Assets</b>	<b>Notes</b>		
Cash and cash equivalents	<b>6</b>	<b>\$65,412</b>	\$34,202
Debt securities at fair value through profit or loss	<b>7</b>	<b>213,765</b>	232,766
Receivables and prepaid assets	<b>8</b>	<b>11,396</b>	7,607
Loans outstanding	<b>9</b>	<b>992,530</b>	982,671
Receivable from members			
Non-negotiable demand notes	<b>10</b>	45,746	45,032
Maintenance of value on currency holdings	<b>11</b>	4,606	3,711
Subscriptions in arrears	<b>12</b>	<u>5,590</u>	<u>11,234</u>
		<b>55,942</b>	<u>59,977</u>
Derivative financial instruments	<b>13</b>	<b>56,251</b>	52,403
Property and equipment	<b>14</b>	<u>11,767</u>	<u>8,879</u>
<b>Total Assets</b>		<b><u>\$1,407,063</u></b>	<b><u>\$1,378,505</u></b>

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### STATEMENT OF FINANCIAL POSITION...continued

As of December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

	Notes	<u>2015</u>	<u>2014</u>
<b>Liabilities and Equity</b>			
Liabilities			
Accounts payable and accrued liabilities	16	\$7,503	\$2,397
Subscriptions in advance	17	4,326	8,750
Deferred income	18	875	650
Post-employment obligations	19	17,655	14,856
Borrowings			
Short term facility	20	-	30,000
Long term borrowings	20	<u>502,752</u>	<u>500,301</u>
		<b>502,752</b>	<b>530,301</b>
<b>Total Liabilities</b>		<u><b>\$533,111</b></u>	<u><b>\$556,954</b></u>
Equity			
Subscriptions matured (net)	21(b)	\$343,324	\$299,468
Retained earnings and reserves	21(e)	<u>530,628</u>	<u>522,083</u>
<b>Total Equity</b>		<u><b>\$873,952</b></u>	<u><b>\$821,551</b></u>
<b>Total Liabilities and Equity</b>		<u><b>\$1,407,063</b></u>	<u><b>\$1,378,505</b></u>

Approved by the Board of Directors on March 9<sup>th</sup>, 2016 and signed on their behalf by:

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**W<sup>m</sup>. Warren Smith**  
**President**

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**Carlyle Assue**  
**Director, Finance & Corporate Planning**

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

	Notes	Capital Stock	Retained Earnings	Post Employment Obligations Reserve	Other Reserves	Total
<b>Balance as of January 1, 2014</b>		<b>\$256,374</b>	<b>\$477,963</b>	<b>\$(4,007)</b>	<b>\$13,260</b>	<b>\$743,590</b>
New capital subscriptions	21(b)	43,179	-	-	-	43,179
Prepayment discount	21(d)	(85)	-	-	-	(85)
Net income for the year, restated	24	-	42,637	-	-	42,637
Other comprehensive loss	19	-	-	(7,770)	-	(7,770)
<b>Balance as of December 31, 2014</b>		<b>\$299,468</b>	<b>\$520,600</b>	<b>\$(11,777)</b>	<b>\$13,260</b>	<b>\$821,551</b>
New capital subscriptions	21(b)	43,953	-	-	-	43,953
Prepayment discount	21(d)	(97)	-	-	-	(97)
Net income for the year		-	10,042	-	-	10,042
Other comprehensive loss	19	-	-	(1,497)	-	(1,497)
<b>Balance as of December 31, 2015</b>		<b>\$343,324</b>	<b>\$530,642</b>	<b>\$(13,274)</b>	<b>\$13,260</b>	<b>\$873,952</b>

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

		<u>2015</u>	<u>Restated 2014</u>
	<b>Notes</b>		
<b>Interest and similar income</b>			
Loans	<b>22(a)</b>	<b>\$37,730</b>	\$40,504
Investments and cash balances	<b>22(b)</b>	<b>2,449</b>	2,795
		<u><b>40,179</b></u>	<u>43,299</u>
<b>Interest expense and similar charges</b>			
Borrowings	<b>22(c)</b>	<b>20,018</b>	20,384
Net interest income from derivatives	<b>22(c)</b>	<b>(11,282)</b>	(9,612)
		<u><b>8,736</b></u>	<u>10,772</u>
<b>Net interest income</b>		<u><b>31,443</b></u>	<u>32,527</u>
<b>Other (income)/expenses</b>			
Other income		<b>(757)</b>	(326)
Realised and unrealised fair value gains		<b>(194)</b>	(1,990)
Provision for loan impairment	<b>9(c)</b>	<b>-</b>	1,543
Administrative expenses	<b>23</b>	<b>14,234</b>	11,253
Foreign exchange translation		<b>870</b>	350
		<u><b>14,153</b></u>	<u>10,830</u>
<b>Operating income</b>		<u><b>17,290</b></u>	<u>21,697</u>
Allocation from net income	<b>24</b>	<b>6,000</b>	6,000
<b>Net income before derivative and foreign exchange adjustments</b>		<u><b>11,290</b></u>	<u>15,697</u>
Derivative fair value adjustment	<b>25</b>	<b>4,817</b>	6,182
Foreign exchange (loss)/ gain in translation on Yen borrowings	<b>20(b)</b>	<b>(6,065)</b>	20,758
		<u><b>(1,248)</b></u>	<u>26,940</u>
<b>Net income for the year</b>		<u><b>10,042</b></u>	<u>42,637</u>
<b>Other comprehensive income</b>			
Re-measurements – Actuarial losses	<b>19</b>	<b>(1,497)</b>	(7,770)
<b>Total comprehensive income for the year</b>		<u><b>\$8,545</b></u>	<u>\$34,867</u>

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

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

		2015	2014
<b>Operating activities:</b>	<b>Notes</b>		
Net income for the year		<b>\$10,042</b>	<b>\$42,637</b>
Adjustments:			
Unrealised gain on debt securities		(154)	(1,785)
Depreciation	<b>14</b>	1,139	1,465
Gain on disposal of fixed assets		(70)	(1)
Derivative fair value adjustment		(4,817)	(6,182)
Interest income		(40,179)	(43,299)
Interest expense		8,736	10,772
Provision for loan impairment	<b>9(c)</b>	-	1,543
Foreign exchange loss/ (gain) in translation on Yen borrowings	<b>20(b)</b>	6,065	(20,758)
Increase in maintenance of value on currency holdings		(895)	(824)
<i>Total cash flows used in operating activities before changes in operating assets and liabilities</i>		<b>(20,133)</b>	<b>(16,432)</b>
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables and prepaid assets		(3,789)	3,172
Increase/(decrease) in accounts payable and accrued liabilities		5,106	(370)
Increase/ (decrease) in post-employment obligations		1,302	(2,546)
Net decrease in debt securities at fair value through profit and loss		18,926	58,216
<i>Cash provided by operating activities</i>		<b>1,412</b>	<b>42,040</b>
Disbursements on loans	<b>9(b)</b>	<b>(95,082)</b>	(100,783)
Principal repayments on loans	<b>9(b)</b>	<b>84,253</b>	84,519
Interest received		<b>41,379</b>	43,613
<i>Net cash provided by operating activities</i>		<b>31,962</b>	<b>69,389</b>
<b>Investing activities:</b>			
Purchase of property and equipment	<b>14</b>	(4,027)	(2,455)
Proceeds from sale of property and equipment		295	1
<i>Net cash used in investing activities</i>		<b>(3,732)</b>	<b>(2,454)</b>
<b>Financing activities:</b>			
New borrowings	<b>20(b)</b>	1,488	34,894
Repayments on borrowings	<b>20(b)</b>	(34,432)	(157,692)
Interest paid on borrowings		(8,438)	(11,324)
New capital subscriptions	<b>21(b)</b>	43,953	43,179
Prepayment discounts	<b>21(b)</b>	(97)	(85)
Decrease in subscriptions in advance		(4,424)	(4,560)
Decrease/ (increase) in receivables from members		4,930	(4,868)
<i>Net cash provided by/ (used in) financing activities</i>		<b>2,980</b>	<b>(100,456)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>31,210</b>	<b>(33,521)</b>
Cash and cash equivalents at beginning of year		<b>34,202</b>	<b>67,723</b>
<b>Cash and cash equivalents at end of year</b>	<b>6</b>	<b>\$65,412</b>	<b>\$34,202</b>

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



# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 1 – NATURE OF OPERATIONS**

##### *Corporate structure*

The Caribbean Development Bank (“CDB” or “the Bank”) is an international organisation established by an Agreement (“Charter”) signed in Kingston, Jamaica, on October 18, 1969 and accepted and ratified by all the member countries which are signatories thereto. The Charter is an international treaty which, together with the instruments of ratification and accession by member countries, is deposited with the United Nations Secretary-General. The Charter entered into force on January 26, 1970 and CDB commenced operations on January 31, 1970. Since then other countries have become members of CDB by acceding to the Charter.

The Bank’s headquarters is located in Wilkey in the parish of Saint Michael in the island of Barbados.

##### *Purpose and objectives*

CDB is a regional financial institution established for the purpose of contributing to the harmonious economic growth and development of the member countries in the Caribbean (“Region”) and to promote economic cooperation and integration among them, with special and urgent regard to the needs of the less developed members.

Reducing poverty in the region is CDB’s main objective and it finances development projects in its Borrowing Member Countries (“BMCs”) primarily through its Ordinary Capital Resources (“OCR”) which comprises shareholders’ paid-in capital, retained earnings and reserves and borrowings. In advancing this objective, the Bank participates in the selection, study and preparation of projects contributing to poverty reduction and where necessary, provides technical assistance. The BMCs are also shareholders of the OCR and are therefore considered related parties.

##### *Special fund resources*

Attainment of the Bank’s objectives are also supplemented by the Special Development Fund (“SDF”) and Other Special Funds (“OSF”) which comprise its Special Fund Resources (“SFR”) with distinct assets and liabilities and which are subject to different operational, financial and other rules as set out by the contributors (some of which are non-members of the Bank), to these funds. The SFR is independently managed from, and has no recourse to, the OCR for obligations in respect of any of the liabilities of the SDF or OSF.

Mobilising financial resources is an integral part of CDB’s operational activities as part of which alone or jointly, it administers funds restricted for specific uses such as technical assistance, grants and regional programmes. These funds are provided by donors, including members, some of their agencies and other development institutions.

##### *Membership*

The membership of the Bank is open to:

- (a) States and Territories of the Region;
- (b) Non-Regional States which are members of the United Nations or any of its specialised Agencies; or of the International Atomic Energy Agency.

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 2 – ACCOUNTING POLICIES (GENERAL)**

In December, 2015 Brazil completed all the legal and other requirements and became a regional, non-borrowing member of the Bank. The current membership of the Bank is comprised of twenty-three (23) regional states and territories and five (5) non-regional states (2014: 22 regional states and territories and 5 non-regional states). A detailed listing of the membership is provided at Note 21(c) - Equity.

Accounting policies which are specific in nature are included as part of the disclosures that are relevant to the particular item. The accounting policies that are of a general nature applied in the preparation of these financial statements are set out below.

All policies have been consistently applied to the years presented, except where otherwise stated. Prior year comparatives have been adjusted or amended to conform with the presentation in the current year where applicable.

#### **Basis of preparation**

##### *Reporting standards*

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost basis, except as modified by the revaluation of debt securities at fair value through profit or loss and derivative financial instruments (cross currency interest rate swaps and interest rate swaps) which are reflected at fair value. The financial statements are presented in United States dollars and all values are rounded to the nearest thousand, except where otherwise indicated.

##### *Content of financial statements*

The financial statements comprise the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the financial statements for the year ended December 31, 2015 (the reporting date).

##### *Presentation format*

The presentation format of the Bank's statement of comprehensive income reflects the operating income from the Bank's core activities. In the opinion of management, this enhances the information to the users of the Bank's financial statements as operating income represents the basis upon which the Bank's financial, liquidity, capital adequacy, efficiency and other performance ratios and measures are determined.

##### *Critical judgments and estimates*

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. All estimates and assumptions required in conformity with IFRS are applied in accordance with the applicable standard. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 2 – ACCOUNTING POLICIES (GENERAL)...***continued*

##### **Basis of preparation...***continued*

Management's judgment for certain items that are especially critical for the Bank's results and financial situation due to their materiality is included in the relevant note disclosures in these financial statements, except as stated below:

##### *Going concern*

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern and therefore the financial statements continue to be prepared on this basis.

##### **New and amended standards and interpretations which are applicable to the Bank**

The Bank applied for the first time certain standards and amendments, which are effective for the reporting period. The nature and the impact of each new standard and amendment is described below:

##### *IAS 19 – Defined Benefit Plans: Employee Contributions – Amendments to IAS 19 (Effective July 1, 2014)*

This amendment requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. IAS 19 requires such contributions that are linked to service to be attributed to periods of service as a negative benefit. If the amount of the contribution is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service was rendered, instead of allocating the contributions to the periods of service. The Bank has always treated members' contributions as a reduction to service cost as they are independent of the number of year of service. There was therefore no impact on the financial statements.

##### **Standards in issue not yet effective and which are applicable to the Bank**

The following is a list of standards and interpretations issued that are not yet effective up to the date of the issuance of the Bank's financial statements. The Bank intends to adopt these standards, if applicable, when they become effective. The impact of adoption depends on the assets held by the Bank at the date of adoption and it is therefore not practical to quantify the effect at this time.

- *IAS 1 – Disclosure Initiative – Amendments to IAS 1* (Effective January 1, 2016)
- *IFRS 9 – Financial Instruments* (Effective January 1, 2018)
- *IFRS 15 – Revenue from contracts with customers* (Effective January 1, 2017)

# **CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES**

## **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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### **NOTE 2 – ACCOUNTING POLICIES (GENERAL)...***continued*

#### **Standards in issue not yet effective and which are applicable to the Bank...***continued*

- *IAS 16 and IAS 38 – Clarification of Acceptable Methods for Depreciation and Amortisation* (Amendments) (Effective date January 1, 2016)
- Annual Improvements to IFRSs 2012-2014 Cycle

#### **Foreign currency translation**

##### *Functional and presentation currency*

The functional and presentation currency of the Bank is the United States dollar. Monetary assets and liabilities in currencies other than United States dollars are translated into United States dollars at market rates of exchange prevailing at the reporting date. Non-monetary items measured at historical cost in currencies other than United States dollars are translated into United States dollars using the exchange rates at the dates of the initial transactions.

Foreign currency transactions are initially translated into United States dollars at applicable rates of exchange on the transaction dates. Any gains or losses arising as a result of differences in rates applied to income or expenses and to assets or liabilities are shown as an exchange gain or loss in the determination of net income for the year.

#### **Taxation**

Under the provisions of Article 55 of the Charter and the provisions of the Caribbean Development Bank Act, 1970-71 of Barbados, the Bank's assets, property, income and its operations and transactions are exempt from all direct and indirect taxation and from all custom duties on goods imported for its official use.

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 3 – RISK MANAGEMENT**

The Bank's principal financial liabilities, other than derivatives, comprise borrowings and trade and other payables, the main purpose of which is to finance the Bank's operations. The Bank also provides guarantees to its borrowers under set terms and conditions. The Bank's principal financial assets are loans, trade and other receivables, cash and short-term deposits and debt securities at fair value through profit and loss that are all derived directly from its operations. The Bank also holds derivative contracts and enters into derivative transactions when deemed necessary by senior management.

The Bank's Board of Directors (BOD) sets the governance framework for the Bank by setting the risk and risk appetite framework, and the underlying policies and procedures. Financial risk activities are governed by the policies and procedures and financial risks are identified, measured and managed in accordance with the Bank's approved policies and risk objectives

The ability to manage these risks is supported by an enterprise wide risk management framework which was approved by the Board of Directors. Operationally, CDB seeks to minimise its risks via the implementation of robust mitigating controls aimed at reducing exposure to achieve adherence to approved Risk Appetite portfolio limits. The Bank's risk mitigation approaches include adopting processes, systems, policies, guidelines and practices which are reviewed and modified periodically in line with the institution's changing circumstances.

The Bank's Office of Risk Management (ORM) manages, coordinates, monitors and reports on the mitigation of all risks that the Bank faces including additional risks such as strategic, financial, operational, and reputational risks. The ORM also has the responsibility for recommending and implementing new or amended policies and procedures for effective risk management to the BOD for approval and to ensure that risk awareness is embedded among the Bank's employees and in the Bank's operations. CDB's risk management framework is built around its governance, policies and processes. The risk management governance structure supports the Bank's senior management in their oversight function in the coordination of different aspects of risk management.

The Bank's governance is built around the following committees:

- (i) The Enterprise Risk Committee (ERC);
- (ii) The Loans Committee;
- (iii) The Oversight and Assurance Committee (OAC) [formerly the Audit and Post-Evaluation Committee (APEC)], which operates under a new Charter approved by the BOD in October 2015; and
- (iv) The Advisory Management Team (AMT).

In May 2015, the Board of Directors approved a new strategic framework for integrity, compliance and accountability and the establishment of a new independent office to operationalise the strategic framework. The Office of Institutional Integrity, Compliance and Accountability (ICA) will be responsible for managing institutional integrity, compliance, anti-money laundering (AML), countering the financing of terrorism (CFT) and financial sanctions, ethics, whistleblowing, and project accountability.

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 3 – RISK MANAGEMENT**...continued

In October 2015, the Board of Directors also approved a Code of Conduct for the Board of Directors, and a new Charter for the Internal Audit Division (IAD).

The Bank is exposed to market risk, credit risk, liquidity risk and operational risk which is overseen by its senior management through established committees with defined roles and responsibilities. Market risk includes currency, interest rate and price risk. The most important types of risk faced by CDB are associated with the borrowing member countries and relate to country credit risk and concentration risk.

The Bank manages limits and controls concentration of credit risk in relation to loans, debt securities, cash and investments, derivative and borrowing counterparties based upon policies approved by the BOD. These financial policies limit the amount of exposure in relation to a single borrower and to groups of borrowers, by counterparties and by type of investments and they are monitored on a monthly basis.

All derivative activities for risk management purposes are undertaken by senior management in accordance with approved BOD policy which includes the provision that no trading in derivatives for speculative purposes may be undertaken.

#### **Credit risk**

The major risk to CDB as a multilateral development bank is its exposure to country credit risk. This risk relates to potential losses in the event that a borrowing member is unable or unwilling to service its obligations to the Bank. CDB manages its country credit risk through its financial policies and lending strategies, including the setting of individual country exposure limits and evaluation of overall creditworthiness. Individual BMC exposure to the Bank on outstanding loans as at December 31, 2015 is reported in Note 4 and Note 9.

The Bank manages its credit risk in liquid funds and derivative financial instruments by ensuring that all individual investments carry a minimum credit rating of A-/A3 (by Standard & Poor's Rating Agency and Moody's Investors Service respectively) for commercial bank obligations and AA-/ Aa3 for government obligations. Additionally, CDB can invest in non-freely convertible currencies in unconditional obligations issued or guaranteed by indigenous commercial banks provided that no such bank holds more than \$1 million of the investible amount of the given currency or 10% of CDB's capital, whichever is smaller. In relation to derivative transactions, all counterparties must have a minimum rating of A/A2 at the commencement of the transactions.

In October 2015, the Board of Directors approved an amended policy to limit its counterparties to institutions with a minimum rating of BBB / Baa2 (by Standard & Poor's and Moody's respectively), with a minimum rating for new transactions of A-/ A3 (stable outlook) respectively.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

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#### NOTE 3 – RISK MANAGEMENT...continued

##### Credit risk...continued

##### *Credit risk measurement*

The Bank assesses borrowers based upon their external credit ratings. For borrowers without an external rating, judgment and bench-marking against similar credits are used to assign an appropriate internal rating. Borrowers are segmented into four rating classes. The rating scale, shown below, reflects the range of default probabilities defined for each rating class and related exposures can migrate between classes based on the results of the re-assessments of their probability of default.

Internal ratings scale and mapping of external ratings are as follows:

CDB's Rating	Description of the grade	External rating: Standard & Poor's equivalent
1	Basic monitoring	AAA, AA+, AA, AA- A+, A-
2	Standard monitoring	BBB+, BBB, BBB-, BB+, BB, BB-, B+, B, B-
3	Special monitoring	CCC to C
4	Sub-standard	D

The ratings of the major rating agency shown in the table above are mapped to the rating classes based on the long-term average default rates for each external grade. External ratings where available, are used to benchmark the internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

##### *Risk limit control and mitigation measures*

##### *Loans*

Currently the approved exposure limit to the single largest borrower is 40% of total outstanding loans or 50% of total available capital, whichever is greater. The limit for the three largest borrowers is 60% of total outstanding loans or 90% of total available capital whichever is greater.

	2015	2014
Single largest borrower's exposure to total outstanding loans	22.8%	23.9%
Three largest borrowers' exposure to total outstanding loans	45.5%	48.1%

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

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#### NOTE 3 – RISK MANAGEMENT...continued

##### Credit risk...continued

##### *Risk limit control and mitigation measures...continued*

*Cash and cash equivalents and Debt securities through profit and loss*

The Bank's results as at December 31<sup>st</sup> against the BOD approved policy ratios were as follows:

Investment Type	Policy Limit (Based upon total investment portfolio)	2015	2014
Single entity	Maximum 10%	7.4%	9.1%
US Treasury or Government Agency	Maximum 30%	28.7%	30.8%
Commercial entity	Maximum 50%	33.6%	21.2%

##### *Credit related commitments*

Guarantees and standby letters of credit represent irrevocable assurances that the Bank will make payment. The primary purpose of these instruments is to ensure that funds are available to a borrower as required. The Bank currently has guarantees not exceeding the equivalent of \$12.0 million with respect to bonds issued by the Government of St. Kitts and Nevis.

##### *Master netting arrangements*

All of the Bank's derivatives are executed under International Swap Dealers' Association (ISDA) and the Schedule to the Master Agreement in order to limit exposure to credit risk through the provisions in these agreements for netting of amounts due to or by both counterparties. Under the provisions of these agreements both parties compute amounts owing to and by each other and the party with net amount owing makes payment to the second party. The ISDA and related Schedule also makes provision for the voluntary netting of currencies and transactions and for the computation methodology of and settlement of final net payment in the event of termination. CDB currently has four swaps with three counterparties.



# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 3 – RISK MANAGEMENT...continued

##### Credit risk...continued

##### *Maximum exposure to credit risk before collateral held or other credit enhancements*

Credit risk exposure relating to assets included on the statement of financial position is as follows:

As at December 31	2015	2014
Cash and cash equivalents	\$65,412	\$34,202
Debt securities at fair value through profit or loss	213,765	232,766
Sovereign loans outstanding	962,259	952,194
Non-sovereign loans outstanding	30,271	30,477
Derivative financial instruments	56,251	52,403
Non-negotiable demand notes	45,746	45,032
Maintenance of value on currency holdings	4,606	3,711
Subscriptions in arrears	5,590	11,234
Receivables	11,131	7,304
	<u>1,395,031</u>	<u>1,460,323</u>
<i>Commitments</i>		
Undisbursed sovereign loan balances	322,965	289,823
Undisbursed non-sovereign loan balances	14,097	17,314
Commitments	6,000	12,000
Guarantees	12,000	12,000
	<u><b>\$1,750,093</b></u>	<u><b>\$1,791,460</b></u>

The above table represents a worst case scenario of credit risk exposure as at December 31, 2015 and 2014, without taking account of any collateral held or other credit enhancements attached.

The Bank's policy in relation to collateral is disclosed in Note 9 to these financial statements.

For assets included on the statement of financial position, the exposures set out above are based on net carrying amounts as reported in the statement of financial position. As shown, the total maximum exposure from loans and commitments to the sovereign was 73.6% (2014: 72.8%), and to the non-sovereign was 2.5% (2014: 2.8%).

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 3 – RISK MANAGEMENT...continued

##### Credit risk...continued

##### Credit quality

##### Debt securities, treasury bills and other eligible bills

The main investment management objectives are to maintain capital preservation and liquidity. Subject to these parameters, CDB seeks the highest possible return on its investments. CDB's Investment Policy restricts its investments to government and government-related debt instruments and time deposits. Investments may also be made in unconditional obligations issued or guaranteed by commercial banks rated A-/A3, or better, AAA rated asset-backed securities, and AAA-rated mortgage-backed securities. Adherence to the investment policy guidelines is monitored on a continuous basis by the ERC.

The following tables present an analysis of the credit quality of debt securities, treasury bills and other eligible bills, neither past due nor impaired by rating agency designation at December 31, 2015 and 2014, based on Standard & Poor's Rating Agency ratings or their equivalent:

	2015				
	Ratings				Total
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	
Obligations guaranteed by Governments <sup>1</sup>	\$49,397	\$76,962	\$5,036	\$-	\$131,395
Time Deposits	-	4,974	21,478	1,324	27,776
Sovereign Bonds	2,043	1,517	-	-	3,560
Supranational Bonds <sup>2</sup>	51,034	-	-	-	51,034
	<b>\$102,474</b>	<b>\$83,453</b>	<b>\$26,514</b>	<b>\$1,324</b>	<b>\$213,765</b>
	2014				
	Ratings				Total
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	
Obligations guaranteed by Governments <sup>1</sup>	\$60,220	\$96,093	\$-	\$-	\$156,313
Time Deposits	-	4,968	-	1,314	6,282
Sovereign Bonds	5,969	1,532	-	-	7,501
Supranational Bonds	57,659	5,011	-	-	62,670
	<b>\$123,848</b>	<b>\$107,604</b>	<b>\$-</b>	<b>\$1,314</b>	<b>\$232,766</b>

<sup>1</sup> Freely convertible currencies in Government and Government-guaranteed obligations which are members of the G7 or EU and its agencies.

<sup>2</sup> An international organization, or union, whereby member states transcend national boundaries or interests to share in the decision-making and vote on issues pertaining to the wider grouping.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 3 – RISK MANAGEMENT...continued

##### Credit risk...continued

##### Credit quality...continued

##### Debt securities, treasury bills and other eligible bills...continued

In accordance with the Bank's internal rating scale 99.4% (2014: 99.4%) of debt securities, treasury bills and other eligible bills are classified as 'Basic monitoring'. The residual securities are rated as 'Standard monitoring'.

##### Loans and advances

Loans are summarised as follows:

	December 31, 2015		December 31, 2014	
	Sovereign	Non-sovereign	Sovereign	Non-sovereign
Neither past due nor impaired	\$962,259	\$31,219	\$945,885	\$37,734
Past due but not impaired	-	-	-	-
Impaired	-	5,361	-	5,361
Gross	962,259	36,580	945,885	43,095
Less: allowance for impairment	-	(6,309)	-	(6,309)
Net	<b>\$962,259</b>	<b>\$30,271</b>	<b>\$945,885</b>	<b>\$36,786</b>

As of December 31, 2015, loans that were neither past due nor impaired represented 99.5% (2014: 99.5%) of gross loans outstanding.

##### Loans and advances neither past due nor impaired

The credit quality of the loan portfolio that was neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank. The amounts below exclude the provision for loan impairment.

	2015		
	Sovereign	Non-Sovereign	Total Loans
Basic monitoring	\$42,422	\$1,909	\$44,331
Standard monitoring	449,119	1,960	451,079
Special monitoring	470,718	27,350	498,068
Sub-standard	-	-	-
	<b>\$962,259</b>	<b>\$31,219</b>	<b>\$993,478</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 3 – RISK MANAGEMENT...continued

##### Credit risk...continued

##### Credit quality...continued

##### Loans and advances...continued

	<b>2014</b>		
	Sovereign	Non-Sovereign	Total Loans
Basic monitoring	\$46,013	\$-	\$46,013
Standard monitoring	558,238	-	558,238
Special monitoring	341,634	37,734	379,368
Sub-standard	-	-	-
	<b>\$945,885</b>	<b>\$37,734</b>	<b>\$983,619</b>

As at December 31, 2015, there were no financial assets past due but not impaired (2014 – Nil).

##### Other financial assets

Other financial assets comprise amounts due from local institutions and staff as well as the Bank's member countries.

##### Other financial assets neither past due nor impaired

	<b>2015</b>				
	Basic Monitoring	Standard Monitoring	Special Monitoring	Sub-standard	Total
Cash and cash equivalents	\$65,412	\$-	\$-	\$-	\$65,412
Receivables	-	11,131	-	-	11,131
Derivative financial instruments	56,251	-	-	-	56,251
Non-negotiable demand notes	18,593	19,310	7,843	-	45,746
Maintenance of value on currency holdings	1,508	3,040	58	-	4,606
Subscriptions in arrears	-	4,142	1,448	-	5,590
	<b>\$141,764</b>	<b>\$37,152</b>	<b>\$9,349</b>	<b>\$-</b>	<b>\$188,265</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 3 – RISK MANAGEMENT...continued

*Credit risk...continued*

*Credit quality...continued*

*Other financial assets...continued*

	<b>2014</b>				
	Basic Monitoring	Standard Monitoring	Special Monitoring	Sub- standard	Total
Cash and cash equivalents	\$34,202	\$	\$-	\$-	\$34,202
Receivables	-	7,304	-	-	7,304
Derivative financial instruments	52,403	-	-	-	52,403
Non-negotiable demand notes	19,396	17,854	7,782	-	45,032
Maintenance of value on currency holdings	3,128	555	28	-	3,711
Subscriptions in arrears	4,487	6,747	-	-	11,234
	<b>\$113,616</b>	<b>\$32,460</b>	<b>\$7,810</b>	<b>\$-</b>	<b>\$153,886</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 3 – RISK MANAGEMENT...continued

##### Credit risk...continued

##### *Risk concentration of financial assets with exposure to credit risk*

Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The Bank manages risk concentration by counterparty and geography.

##### *Geographical sectors*

The following table presents CDB's main credit exposures at their carrying amounts, as categorised by BMC and non-regional members, USA, and other countries. For this table, the exposures are allocated to regions based on the country of domicile of the counterparties. A further analysis of the Bank's exposure to loans by geographical region is provided at Note 9.

	2015				
	Borrowing Member Countries	Non- Regional Members	USA	Other	Total
Cash and cash equivalents	\$2,277	\$10,754	\$33,755	\$18,626	\$65,412
Debt securities at fair value through profit or loss	1,324	68,511	74,493	69,437	213,765
Sovereign loans outstanding	962,259	-	-	-	962,259
Non-sovereign loans outstanding	30,271	-	-	-	30,271
Derivative financial instruments	-	29,662	26,589	,	56,251
Maintenance of value on currency Holdings	690	3,916	-	-	4,606
Non-negotiable demand notes	37,448	8,298	-	-	45,746
Subscriptions in arrears	1,452	4,138	-	-	5,590
Receivables	11,131	-	-	-	11,131
	<b>\$1,046,852</b>	<b>\$125,279</b>	<b>\$134,837</b>	<b>\$88,063</b>	<b>\$1,395,031</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 3 – RISK MANAGEMENT...continued

##### Credit risk...continued

##### *Risk concentration of financial assets with exposure to credit risk...continued*

##### *Geographical sectors...continued*

	<b>2014</b>				
	Borrowing Member Countries	Non- Regional Members	USA	Other	Total
Cash and cash equivalents	\$2,762	\$12,142	\$8,023	\$11,275	\$34,202
Debt securities at fair value through profit or loss	1,314	59,442	79,417	92,593	232,766
Sovereign loans outstanding	945,885	-	-	-	945,885
Non-sovereign loans outstanding	36,786	-	-	-	36,786
Derivative financial instruments	-	28,653	23,750	-	52,403
Maintenance of value on currency Holdings	776	2,935	-	-	3,711
Non-negotiable demand notes	36,665	8,367	-	-	45,032
Subscriptions in arrears	6,747	4,487	-	-	11,234
Receivables	7,304	-	-	-	7,304
	<b>\$1,038,239</b>	<b>\$116,026</b>	<b>\$111,190</b>	<b>\$103,868</b>	<b>\$1,369,323</b>

##### Market risk

CDB takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. CDB is exposed to two types of market risk - foreign currency risk and interest rate risk. Financial instruments affected by market risk include loans, debt securities at fair value through profit or loss, borrowings and derivative financial instruments.

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 3 – RISK MANAGEMENT...continued**

##### **Market risk...continued**

##### ***Foreign currency risk***

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Bank manages currency risk by ensuring that all loans by the Bank are made either from currencies available from members' subscriptions or from currencies borrowed, and the principal amounts are repayable to the Bank in the currencies lent. It also manages this risk by entering into currency swaps. The following table summarises the exposure to foreign currency exchange rate risk. Included in the table are the financial instruments at carrying amounts, categorised by currency.

All of the Bank's loans are denominated in United States dollars.



# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 3 – RISK MANAGEMENT...continued

##### Market risk...continued

##### Concentrations of foreign currency risk

As at December 31	2015			
	US\$	Yen	Other	Total
<b>Assets</b>				
Cash and cash equivalents	\$33,755	\$(1)	\$31,658	\$65,412
Debt securities at fair value through profit and loss	194,788	-	18,977	213,765
Loans outstanding	992,530	-	-	992,530
Derivative financial instruments	56,251	-	-	56,251
Receivable from members	39,424	-	16,518	55,942
Receivables	8,593	-	2,538	11,131
<b>Total financial assets</b>	<b>\$1,325,340</b>	<b>\$(1)</b>	<b>\$69,691</b>	<b>\$1,395,030</b>
<b>Liabilities</b>				
Accounts payable	\$4,145	\$-	\$-	\$4,145
Subscriptions in advance	4,326	-	-	4,326
Borrowings	339,832	162,920	-	502,752
<b>Total financial liabilities</b>	<b>\$348,303</b>	<b>\$162,920</b>	<b>\$-</b>	<b>\$511,223,</b>
<b>Net on-balance sheet financial position</b>	<b>\$977,037</b>	<b>\$(162,921)</b>	<b>\$69,691</b>	<b>\$883,807</b>
<b>Credit commitments</b>	<b>\$355,062</b>	<b>\$-</b>	<b>\$-</b>	<b>\$355,062</b>
As at December 31	2014			
	US\$	Yen	Other	Total
<b>Assets</b>				
Cash and cash equivalents	\$24,273	\$-	\$9,929	\$34,202
Debt securities at fair value through profit and loss	213,134	-	19,632	232,766
Loans outstanding	982,671	-	-	982,671
Derivative financial instruments	52,403	-	-	52,403
Receivable from members	43,512	-	16,465	59,977
Receivables	4,755	-	2,549	7,304
<b>Total financial assets</b>	<b>\$1,320,748</b>	<b>\$-</b>	<b>\$48,575</b>	<b>\$1,369,323</b>
<b>Liabilities</b>				
Accounts payable	\$37	\$-	\$-	\$37
Subscriptions in advance	8,750	-	-	8,750
Borrowings	372,478	157,823	-	530,301
<b>Total financial liabilities</b>	<b>\$381,265</b>	<b>\$157,823</b>	<b>\$-</b>	<b>\$539,088</b>
<b>Net on-balance sheet financial position</b>	<b>\$939,483</b>	<b>\$(157,823)</b>	<b>\$48,575</b>	<b>\$830,235</b>
<b>Credit commitments</b>	<b>\$307,137</b>	<b>\$-</b>	<b>\$-</b>	<b>\$307,137</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 3 – RISK MANAGEMENT...continued

##### Market risk...continued

##### *Foreign currency sensitivity*

In calculating these sensitivities management made the assumptions that the sensitivity of the relevant item within profit or loss is the effect of the assumed changes in respect of market risks based on the financial assets and liabilities at the reporting period.

The Bank entered into currency swap agreements by which proceeds of two borrowings were converted into US dollars in order to hedge against ongoing operational currency risks.

The following is the estimated impact on profit or loss that would have resulted as a result of management's estimate of reasonable possible changes in the Yen exchange rate:

<u>Exchange rate movements</u>	<b>Effect on profit or loss (Income)/ Expense</b>	
	<b>2015</b>	<b>2014</b>
Increase of 5%	\$(22,584)	\$(7,852)
Decrease of 5%	\$9,297	\$8,067
Increase of 10%	\$(15,763)	\$(14,726)
Decrease of 10%	\$33	\$17,353

The 'Other' currency category comprises various individual currencies which management does not consider to be material and sensitivity analysis has therefore not been applied.

##### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rate will affect future cash flows on the fair value of financial instruments. CDB manages its interest rate exposure by ensuring that the changes in the cash flow of its assets closely match those of its liabilities. This relationship is maintained by the use of interest rate swaps which converts, where applicable, its liabilities from fixed rate into floating rate obligations.

The following table summarises the exposure to interest rate risks including financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 3 – RISK MANAGEMENT...continued

##### Market risk...continued

##### Exposure to interest rate risk

At December 31	2015					Total
	0-3 months	3-12 months	1-5 years	Over 5 years	Non-interest generating/bearing	
<b>Assets</b>						
Cash and cash equivalents	\$65,412	-	-	-	-	\$65,412
Debt securities at fair value through profit and loss	22,550	43,923	122,758	24,534	-	213,765
Loans outstanding	992,530	-	-	-	-	992,530
Derivative financial instruments	39,811	16,440	-	-	-	56,251
Receivable from members	-	-	-	-	55,942	55,942
Receivables	-	-	-	-	11,131	11,131
<b>Total Assets</b>	<b>\$1,120,303</b>	<b>\$60,363</b>	<b>\$122,758</b>	<b>\$24,534</b>	<b>\$67,073</b>	<b>\$1,395,031</b>
<b>Liabilities</b>						
Accounts payable	-	-	-	-	-	4,145
Subscriptions in advance	-	-	-	-	4,326	4,326
Borrowings	2,107	3,876	18,275	478,494	-	502,752
<b>Total Liabilities</b>	<b>\$5,419</b>	<b>\$3,878</b>	<b>\$18,279</b>	<b>\$478,513</b>	<b>\$4,326</b>	<b>\$511,223</b>
<b>Total interest sensitivity Gap</b>	<b>\$1,114,884</b>	<b>\$56,485</b>	<b>\$104,479</b>	<b>\$(453,979)</b>		
At December 31	2014					Total
	0-3 months	3-12 months	1-5 years	Over 5 years	Non-interest generating/bearing	
<b>Assets</b>						
Cash and cash equivalents	\$34,202	\$-	\$-	\$-	\$-	\$34,202
Debt securities at fair value through profit and loss	37,065	26,216	139,149	30,336	-	232,766
Loans outstanding	982,671	-	-	-	-	982,671
Derivative financial instruments	40,719	11,684	-	-	-	52,403
Receivable from members	-	-	-	-	59,977	59,977
Receivables	-	-	-	-	7,304	7,304
<b>Total Assets</b>	<b>\$1,094,657</b>	<b>\$37,900</b>	<b>\$139,149</b>	<b>\$30,336</b>	<b>\$67,281</b>	<b>\$1,369,323</b>
<b>Liabilities</b>						
Accounts payable	\$-	\$-	\$-	\$-	\$37	\$37
Subscriptions in advance	-	-	-	-	8,750	8,750
Borrowings	39,821	7,038	16,599	466,843	-	530,301
<b>Total Liabilities</b>	<b>\$39,821</b>	<b>\$7,038</b>	<b>\$16,599</b>	<b>\$466,843</b>	<b>\$8,787</b>	<b>\$539,088</b>
<b>Total interest sensitivity Gap</b>	<b>\$1,054,836</b>	<b>\$30,862</b>	<b>\$122,550</b>	<b>\$(436,507)</b>		

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 3 – RISK MANAGEMENT**...continued

##### **Market risk**...continued

##### ***Interest rate sensitivity***

All other variables held constant (and including the effects of the derivative instruments), if interest rates had been 50 bps higher OCR net income for the year would have decreased by \$8,995 (2014: \$16,855) and if 50 bps lower would have increased OCR net income by \$9,736 (2014: \$17,107).

The sensitivity analyses are inclusive of the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. The 50 bps movement represents management's assessment of a reasonable possible change in interest rates.

##### **Liquidity risk**

Liquidity risk relates to the probability that the Bank will be unable to meet the payment obligations associated with its financial liabilities when they fall due. The consequence may be the failure to meet obligations or to disburse on its commitments. This risk is managed by conformity to the Bank's policy of maintaining a net three years' funding requirement of \$48 million (2014: \$33 million) or 40% of undisbursed loan commitments and loans not yet effective (comprising loans approved by the BOD for which all conditions precedent have not yet been met) of \$473 million (2014: \$393 million), whichever is greater.

The Bank holds a diversified portfolio of cash and high-quality, highly-liquid securities to support payment obligations and contingent funding in the event of a highly stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with commercial banks;
- Time deposits;
- Government bonds and other securities that are easily traded; and
- Secondary sources of liquidity including a line of credit with a commercial bank.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 3 – RISK MANAGEMENT...continued

##### Liquidity risk...continued

##### Non-derivative cash flows

The table below presents the cash flows by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At December 31	2015				Total
	0 – 3 months	3-12 months	1-5 years	Over 5 years	
<b>Assets</b>					
Cash and cash equivalents	\$65,412	\$-	\$-	\$-	\$65,412
Debt securities at fair value through profit and loss	22,953	44,728	125,245	25,356	218,282
Loans outstanding	44,448	92,752	443,237	592,718	1,173,155
Receivable from members	10,196	-	-	45,746	55,942
Receivables	9,018	507	1,491	115	11,131
<b>Total Assets</b>	<b>\$152,027</b>	<b>\$137,987</b>	<b>\$569,973</b>	<b>\$663,935</b>	<b>\$1,523,922</b>
<b>Liabilities</b>					
Accounts payable	\$6,646	\$2	\$4	\$19	\$6,671
Borrowings	7,094	16,800	94,837	578,477	697,208
<b>Total Liabilities</b>	<b>\$13,740</b>	<b>\$16,802</b>	<b>\$94,841</b>	<b>\$578,496</b>	<b>\$703,879</b>
At December 31	2014				Total
	0 - 3 months	3-12 months	1-5 years	Over 5 years	
<b>Assets</b>					
Cash and cash equivalents	\$34,205	\$-	\$-	\$-	\$34,205
Debt securities at fair value through profit and loss	30,847	28,108	151,719	32,337	243,011
Loans outstanding	43,440	88,347	473,237	619,899	1,224,923
Receivable from members	11,234	-	-	48,743	59,977
Receivables	5,345	723	1,400	139	7,304
<b>Total Assets</b>	<b>\$125,071</b>	<b>\$117,178</b>	<b>\$626,356</b>	<b>\$701,118</b>	<b>\$1,569,723</b>
<b>Liabilities</b>					
Accounts payable	\$15	\$-	\$3	\$19	\$37
Borrowings	37,120	16,795	107,667	589,139	750,721
<b>Total Liabilities</b>	<b>\$37,135</b>	<b>\$16,795</b>	<b>\$107,670</b>	<b>\$589,158</b>	<b>\$750,758</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 3 – RISK MANAGEMENT...continued

##### Liquidity risk...continued

##### Derivative cash flows

The following table shows the derivative financial instruments that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

	2015				Total
	0 - 3 months	3-12 months	1-5 years	Over 5 years	
<b>At December 31</b>					
<b>Derivative asset:</b>					
Derivative financial instruments	\$3,353	\$3,050	\$17,936	\$40,929	\$65,268
	2014				Total
	0 - 3 months	3 – 12 months	1 – 5 years	Over 5 years	
<b>At December 31</b>					
<b>Derivative asset:</b>					
Derivative financial instruments	\$3,545	\$6,485	\$13,715	\$41,401	\$65,146
<b>Derivative liability</b>					
Derivative financial instruments	\$-	\$3,996	\$3,006	\$(19,440)	\$(12,438)

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 3 – RISK MANAGEMENT...continued

##### Liquidity risk...continued

##### Commitments, guarantees and contingent liabilities

##### Loan and capital commitments

The table below summarises the amounts of the Bank's commitments and guarantees to which it has committed for the extension of credit to its BMCs.

Loan commitments represent amounts undrawn against loans approved by the BOD, Capital commitments represent obligations in respect of ongoing capital projects and Other commitments comprise the contribution of \$18 million from OCR to the operations of the Special Development Fund (SDF (U)) in respect of the 4 year cycle (Cycle 8) covering the period 2013 to 2016.

	2015		
	0-12 months	1-5 years	Total
<b>At December 31</b>			
Loan commitments	\$120,000	\$217,062	\$337,062
Capital commitments	-	-	-
Other commitments	6,000	-	6,000
Guarantees	12,000	-	12,000
	<b>\$138,000</b>	<b>\$217,062</b>	<b>\$355,062</b>
	2014		
<b>At December 31</b>			
Loan commitments	\$105,000	\$202,137	\$307,137
Capital commitments	1,214	-	1,214
Other commitments	6,000	6,000	12,000
Guarantees	12,000	-	12,000
	<b>\$124,214</b>	<b>\$208,137</b>	<b>\$332,351</b>

##### Fair value of financial assets and liabilities

##### Fair value hierarchy

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 3 – RISK MANAGEMENT...continued

##### Fair value of financial assets and liabilities...continued

##### Fair value hierarchy...continued

Level 2 – Inputs other than quoted prices included in Level 1 for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Inputs for the asset or liability for which the lowest level input that is significant to the fair value measurement is unobservable.

##### Financial assets and liabilities measured at fair value:

December 31	2015			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<i>Financial assets at fair value through profit or loss</i>				
Derivative financial instruments	\$-	\$56,251	-	\$56,251
<i>Financial assets designated at fair value through profit or loss</i>				
Debt securities	-	213,765	-	213,765
	<b>\$-</b>	<b>\$270,016</b>	<b>-</b>	<b>\$270,016</b>

There were no transfers between Level 2 and Level 3 during the year.

December 31	2014			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<i>Financial assets at fair value through profit or loss</i>				
Derivative financial instruments	\$-	\$52,403	\$-	\$52,403
<i>Financial assets designated at fair value through profit or loss</i>				
Debt securities	-	232,766	-	232,766
	<b>\$-</b>	<b>\$285,169</b>	<b>\$-</b>	<b>\$285,169</b>



# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 3 – RISK MANAGEMENT...continued

##### Fair value of financial assets and liabilities...continued

##### Financial instruments not measured at fair value

The fair value measurement using valuation techniques for the Bank's assets and liabilities which are not measured at fair value but for which fair value is disclosed are as follows:

	Carrying value		Fair value	
	2015	2014	2015	2014
<b>Financial assets – loans and receivables</b>				
Loans outstanding	\$992,530	\$982,671	\$749,368	\$774,007
<b>Financial liabilities – amortised cost</b>				
Borrowings	\$502,752	\$530,301	\$558,179	\$577,016

The fair value hierarchy for assets and liabilities for which fair value is disclosed is as follows:

	2015			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets for which fair values are disclosed</b>				
Loans outstanding	\$992,530	\$-	\$992,530	\$-
	<b>\$992,530</b>	<b>\$-</b>	<b>\$992,530</b>	<b>\$992,530</b>

There were no transfers between Level 2 and Level 3 during the period.

	2014			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets for which fair values are disclosed</b>				
Loans outstanding	\$982,671	\$-	\$982,671	\$-
	<b>\$982,671</b>	<b>\$-</b>	<b>\$982,671</b>	<b>\$-</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 3 – RISK MANAGEMENT...continued

##### Fair value of financial assets and liabilities...continued

##### Financial instruments not measured at fair value ...continued

		2015		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		Total		
<b>Liabilities for which fair values are disclosed</b>				
Borrowings		\$502,752	\$-	\$502,752
		<b>\$502,752</b>	<b>\$</b>	<b>\$502,752</b>
		2014		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		Total		
<b>Liabilities for which fair values are disclosed</b>				
Borrowings		\$530,301	\$-	\$530,301
		<b>\$530,301</b>	<b>\$-</b>	<b>\$530,301</b>

#### Capital Management

CDB's objectives when managing capital, which is a broader concept than "equity" on the face of the statement of financial position, are to:

- (i) Safeguard the Bank's ability to continue as a going concern; and
- (ii) Maintain a strong capital base to support its development activities.

The Bank's capital adequacy framework which is consistent with the guidelines developed by the Basel Committee takes into account the Bank's total equity, which is defined as paid-up capital, retained earnings and reserves, less receivables from members, the effects of derivative adjustments and the General Banking Reserve. The goals of the Bank's capital adequacy are to:

- (i) Ensure a reliable framework and methodology to determine the appropriate levels of economic capital that the Bank should carry for prudential purposes; and
- (ii) Determine from time to time the appropriate changes in the level of economic capital that the Bank must have, based on changes in the risk profile of its credit exposures.

The Bank's enhanced capital adequacy framework is supported by an income targeting policy that would enable the Bank not only to safeguard, but also to strengthen its level of capitalisation and to meet its commitments. The new policy requires the Bank to maintain available capital (as defined in the Bank's Board approved policy) at a minimum level of 150% of baseline economic capital.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 3 – RISK MANAGEMENT...continued

##### Capital Management...continued

As at December 31, 2015 the Bank's available capital was 216.5% (2014: 204.1%) of its economic capital.

No changes were made in the objective, policies or processes for managing capital during the year ended December 31, 2015.

#### NOTE 4 – SEGMENT ANALYSIS & REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker which is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. Under Article 33.4 the President is the Chief Executive Officer (CEO) and is required to conduct, under the direction of the Board of Directors (BOD) the business of the Bank as well as the other matters set out in this paragraph.

In accordance with IFRS 8 the Bank has one reportable segment, its OCR, since its operations are managed as a single business unit and it does not have multiple components for which discrete financial information is produced and reviewed by the chief operating decision maker for performance assessment and resource allocation.

The following table presents CDB's outstanding loan balances inclusive of accrued interest and net of impairment provisions as of December 31, 2015 and 2014, and associated interest income by countries which generated in excess of 10% of the loan interest income for the years ended December 31, 2015 and 2014:

Country	Interest income		Loans outstanding	
	2015	2014	2015	2014
Jamaica	\$8,487	\$9,426	\$227,535	\$235,885
Barbados	5,630	6,363	128,496	137,268
St. Vincent and the Grenadines	3,731	4,138	98,323	101,846
Others	19,882	20,577	538,176	507,672
	<b>\$37,730</b>	<b>\$40,504</b>	<b>\$992,530</b>	<b>\$982,671</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

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#### NOTE 5 – FINANCIAL ASSETS

In accordance with IAS 39, the Bank categorizes its assets as follows: financial assets at fair value through profit or loss, or loans and receivables. Financial assets are recognised on the statement of financial position when the Bank assumes related contractual rights. Management determines the classification of its financial instruments at initial recognition.

Regular way purchases and sales of financial assets are recognised on the settlement date which is the date the Bank becomes a party to the contractual provisions of the instrument.

##### *Initial recognition and measurement of financial assets*

All financial assets are recognised initially at fair value plus, in the case of loans and receivables, directly attributable transaction costs which are related to the acquisition of the financial asset.

##### *Subsequent measurement*

##### *Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are categorised as held for trading unless they are designated as hedging instruments. For more information on ‘*Derivatives*’ refer to Note 13.

Financial assets designated at fair value through profit or loss upon initial recognition are managed and evaluated on a fair value basis and reported to management on that basis. Once the asset has been so classified, it cannot be changed. Financial instruments in this category are included in the statement of financial position as ‘*Debt securities at fair value through profit or loss*’. All of the Bank’s investments are designated at fair value through profit or loss. For more information on ‘*Debt securities at fair value through profit or loss*’ refer to Note 7.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as ‘*Derivative fair value adjustments*’ in the statement of comprehensive income in the period during which they arise. Income and expenditures related to derivative financial instruments are shown as ‘*Net interest income from derivatives*’ in the statement of comprehensive income and are detailed in Note 22(c).

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in ‘*Interest and similar income*’ in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in ‘*Provision for loan impairment*’ for loans and in ‘*Administrative expenses*’ for receivables.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

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#### NOTE 5 – FINANCIAL ASSETS...continued

This category applies to ‘*Loans outstanding*’ and ‘*Receivables from members*’ and generally applies to receivables. For more information on these balances refer to Notes 8, 9, 10, 11 and 12.

##### *Fair Value Measurement*

The Bank measures financial instruments such as those designated at fair value through profit and loss and derivatives at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or those for which only fair values are disclosed, are itemised in Note 3 – *Risk Management – “Fair value of financial assets and liabilities”*.

For financial instruments traded in active markets, the determination of fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset takes place either in the principal market for the asset or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Bank.

The fair value of an asset is measured using the assumptions that market participants would use when pricing the asset assuming that the market participants are acting in their economic best interest.

The Bank uses widely recognised valuation models for determining fair values of non-standardised financial instruments for which the inputs into models are generally market-observable. Models are also used to determine the fair value of financial instruments that are not quoted in active markets. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, consideration of inputs such as credit risks, liquidity risks, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Financial assets are allocated within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

For assets that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

##### *Renegotiated loans*

It is not the Bank’s policy to renegotiate sovereign loans. In respect of its non-sovereign portfolio the Bank seeks to restructure loans in preference to taking possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans (if any), to ensure that all criteria are met and that future payments are likely to occur.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

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#### NOTE 5 – FINANCIAL ASSETS...continued

##### *Provision for loan impairment*

CDB assesses at each reporting date (at a minimum), whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has/have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or groups of financial assets is/are impaired includes observable data that comes to the attention of the Bank about the following loss events including:

- (i) significant financial difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payments;
- (iii) the Bank granting to the borrower, for economic or legal reasons relating to the borrower’s financial difficulty, a concession that the Bank would not otherwise consider;
- (iv) it becoming probable that the borrower will enter bankruptcy or other financial re-organisation;
- (v) the disappearance of an active financial market for that financial asset because of financial difficulties; or
- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including:
  - adverse changes in the payment status of borrowers; or
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Bank first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The methodology used for assessing collective impairment also takes into account the Bank’s preferred creditor treatment status afforded by its borrowing members. This provision is calculated on a methodology which combines the external credit ratings of the borrowers, the probability of default related to those ratings, the loss given default based on CDB’s historical loss experience and the exposure at default. The methodology is applied to both sovereign and non-sovereign loans.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

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#### NOTE 5 – FINANCIAL ASSETS...continued

##### *Provision for loan impairment...continued*

A provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of loans (the “incurred loss” basis).

The amount of the provision is the difference between the assets’ carrying value and the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income.

When a loan is deemed uncollectible, it is written off against the related impairment provisions. If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the provision amount and the amount of the reversal is recognised in the statement of comprehensive income.

Because of the nature of its borrowers and guarantors, the Bank expects that each of its OCR sovereign and sovereign guaranteed loans will be repaid in full. The Bank has had a fully performing sovereign and sovereign guaranteed loan portfolio since its inception in 1970.

Once a financial asset or a group of financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The estimated future cash flows projected in the effective interest rate method consider all contractual terms but do not consider future credit losses that have not yet been incurred.

##### *De-recognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily de-recognised (i.e., removed from the statement of financial position) when:

- (i) The rights to receive cash flows from the asset have expired; or
- (ii) The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either:
  - (a) the Bank has transferred substantially all the risks and rewards of the asset; or
  - (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

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#### NOTE 5 – FINANCIAL ASSETS...continued

##### *De-recognition...continued*

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Bank continues to recognise the transferred asset to the extent of the Bank's continuing involvement. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

#### NOTE 6 – CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with maturities of three months or less from the date of acquisition which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash, treasury bills and other eligible bills, amounts due from other banks and short-term government securities.

(a) Cash and cash equivalents comprise the following balances:

	2015	2014
Due from banks	\$19,829	\$8,732
Time deposits	45,583	25,470
	<b>\$65,412</b>	<b>\$34,202</b>

Due from banks includes cash and inter-bank placements and time deposits with a maturity date of 90 days or less from the date of purchase. The estimated fair value of floating rate placements and overnight deposits is their carrying value.



# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 7 – DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The accounting policy is as defined in Note 5.

(a) A summary of the Bank's debt securities at fair value through profit or loss is as follows:

	<b>2015</b>				
	USD	EUR	CAD	Other	Total
<b>December 31</b>					
Obligations guaranteed by Governments <sup>1</sup>	\$128,542	\$1,091	\$5,001	\$-	\$134,634
Multilateral organisations	44,375	5,557	1,005	-	50,937
Time deposits	21,477	-	-	6,296	27,773
Sub-total	194,394	6,648	6,006	6,296	213,344
Accrued interest	394	10	15	2	421
	<b>\$194,788</b>	<b>\$6,658</b>	<b>\$6,021</b>	<b>\$6,298</b>	<b>\$213,765</b>

  

	<b>2014</b>				
	USD	EUR	CAD	Other	Total
<b>December 31</b>					
Obligations guaranteed by Governments <sup>1</sup>	\$156,279	\$1,219	\$5,895	\$-	\$163,393
Multilateral organisations	56,232	6,211	-	-	62,443
Time deposits	-	-	-	6,279	6,279
Sub-total	212,511	7,430	5,895	6,279	232,115
Accrued interest	623	11	14	3	651
	<b>\$213,134</b>	<b>\$7,441</b>	<b>\$5,909</b>	<b>\$6,282</b>	<b>\$232,766</b>

<sup>1</sup> Freely convertible currencies in Government and Government-guaranteed obligations which are members of the G7 or EU and its agencies.

(b) A maturity analysis of debt securities at fair value through profit and loss is as follows:

	<b>2015</b>	<b>2014</b>
Current	\$66,473	\$56,726
Non-current	147,292	176,040
	<b>\$213,765</b>	<b>\$232,766</b>

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 8 – RECEIVABLES AND PREPAID ASSETS**

The accounting policy is as defined at Note 5.

Prepaid assets are not financial assets. These are recorded as assets on the statement of financial position when cash is paid and expensed to profit and loss over the relevant contract term.

Due to the short-term nature of these assets, fair value is assumed to be equal to carrying value.

(a) Receivables and prepaid assets are comprised as follows:

	<b>2015</b>	<b>2014</b>
Interfund receivable – Note 26	\$8,759	\$4,778
Staff loans and other receivables	752	1,085
Value added tax receivable	1,373	1,293
Institutional receivables	246	148
Prepaid assets	266	303
	<b><u>\$11,396</u></b>	<b><u>\$7,607</u></b>

During the year, no provision for impairment (2014: nil) was recorded as none of the above receivables was deemed to be impaired.

#### **NOTE 9 – LOANS OUTSTANDING**

Loans outstanding are financial assets as defined in Note 5.

The Bank's loan portfolio comprises loans granted to, or guaranteed by, its Borrowing Member Countries and are disbursed and repaid in US Dollars. The amount repayable in each of these currencies shall be equal to the amount disbursed in the original currency. Loans are granted for a maximum period of twenty-two years, including a grace period, which is typically the period of project implementation. Loans are for the purpose of financing development projects and programmes and are not intended for sale. Interest rates are reset semi-annually. The interest rates prevailing as at December 31, 2015 was 3.95% (2014: 3.90%).

For 2015 and 2014, the estimated fair values are based on discounted cash flow models using an estimated yield curve appropriate for the remaining term to maturity. The loans are evaluated based on parameters such as interest rates, specific country risk factors and individual credit worthiness.

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 9 – LOANS OUTSTANDING...continued**

##### *Collateral*

CDB does not take collateral on its sovereign loans. The Loans (CDB) Acts or other applicable legislation are enacted in the various BMCs and authorise the governments to raise loans from CDB or guarantee loans by CDB to statutory authorities. They also provide for repayment of any loan made by CDB to the Government or to any statutory corporation, to be charged upon and paid out of the consolidated fund. CDB also derives comfort from the negative pledge condition included in its loan agreements which prohibits, except with CDB's written consent, the charging of Government assets to secure external indebtedness unless CDB is equally and ratably secured. Furthermore, CDB continues to be accorded preferred creditor treatment (PCT) status by its BMCs by which, in applicable circumstances, the Bank's loans are not included in the debt rescheduling arrangements of its BMCs and the Bank is also given preferential access to foreign currency.

With respect to non-sovereign loans, CDB requires its commitments to be secured, the nature and extent of which will be determined on a case-by-case basis. In addition to security pledged by the borrower, the security against the non-sovereign loans, where applicable, also comprises that pledged against sub-loans (comprising loans on-lent by the borrower in accordance with terms of the original loan agreement) assigned to trusts that are managed by the borrower at no cost to CDB. The fair value of the security pool is the future expected cash flows of the sub-loans discounted by a current market interest rate reflective of the risk of the borrowers. Marketable assets secure direct loans to the non-sovereign, while the fair value is the observable market price of the asset.

The fair value of the collateral held (off-balance sheet) for the impaired non-sovereign loans was estimated at \$7,200 (2014: \$5,870). This is comprised of the fair value of sub-loans and the Bank's portion of the estimated realisable value of a property.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 9 – LOANS OUTSTANDING...continued

- (a) The following tables disclose the Bank's main credit exposures at their carrying amounts, as categorised by Borrowing Member Countries, regional institutions and non-sovereign entities as at December 31<sup>st</sup>.

2015				
Borrowers	Loans not yet effective	Undisbursed	Outstanding	% of Loans outstanding
Anguilla	\$2,341	\$3,161	\$59,439	6.0
Antigua and Barbuda	-	33,217	93,198	9.4
Bahamas	33,069	19,866	6,423	0.7
Barbados	56,518	66,085	127,488	12.9
Belize	-	79,725	80,600	8.1
British Virgin Islands	-	13,129	13,478	1.4
Cayman Islands	-	-	2,156	0.2
Dominica	-	6,488	19,022	1.9
Grenada	12,000	10,910	36,256	3.7
Guyana	-	9,406	29,512	3.0
Jamaica	-	22,284	225,477	22.7
St. Kitts and Nevis	-	1,972	38,932	3.9
St. Lucia	27,176	9,005	72,854	7.3
St. Vincent and the Grenadines	-	12,689	97,453	9.9
Suriname	-	18,493	77	0.0
Trinidad and Tobago	-	10,000	40,201	4.1
Turks and Caicos Islands	5,000	-	3,706	0.4
Regional	-	6,535	7,820	0.8
Non-sovereign	-	14,097	35,436	3.6
<b>Sub-total</b>	<b>136,104</b>	<b>337,062</b>	<b>989,528</b>	<b>100.0</b>
Provision for impairment	-	-	(6,309)	
Accrued interest and other charges	-	-	9,311	
	<b>\$136,104</b>	<b>\$337,062</b>	<b>\$992,530</b>	

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 9 – LOANS OUTSTANDING...continued

(a) Main credit exposures...continued

<b>2014</b>				
Borrowers	Loans not yet effective	Undisbursed	Outstanding	% of Loans outstanding
Anguilla	\$-	\$3,192	\$61,735	6.3
Antigua and Barbuda	-	25,391	54,327	5.6
Bahamas	4,740	19,967	6,322	0.6
Barbados	11,089	86,749	136,070	13.9
Belize	12,503	61,937	71,526	7.3
British Virgin Islands	-	16,776	12,116	1.2
Cayman Islands	-	-	2,531	0.3
Dominica	-	6,610	20,803	2.1
Grenada	-	5,180	30,006	3.1
Guyana	3,562	8,212	29,491	3.0
Jamaica	15,000	16,219	233,525	23.9
St. Kitts and Nevis	-	2,431	42,335	4.3
St. Lucia	13,675	10,763	79,317	8.1
St. Vincent and the Grenadines	-	16,396	100,816	10.3
Suriname	18,570	-	-	-
Trinidad and Tobago	-	10,000	43,323	4.4
Turks and Caicos Islands	-	-	4,370	0.5
Regional	6,625	-	8,246	0.8
Non-sovereign	-	17,314	41,840	4.3
<b>Sub-total</b>	<b>85,764</b>	<b>307,137</b>	<b>978, 699</b>	<b>100.0</b>
Provision for impairment			(6,309)	
Accrued interest and other charges	-	-	10,281	
	<b>\$85,764</b>	<b>\$307,137</b>	<b>\$982,671</b>	
		<b>2015</b>	<b>2014</b>	
Current		\$109,345	\$93,670	
Non-current		883,185	889,001	
		<b>\$992,530</b>	<b>\$982,671</b>	

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 9 – LOANS OUTSTANDING...continued

(b) An analysis of the composition of outstanding loans was as follows:

	2015						Loans out-standing 2015
	Loans out-standing 2014	Net interest	Disbursements	Sub-Total	Repayments	Provision for impairment	
Currencies receivable							
United States dollars	\$978,699	\$-	95,082	1,073,781	(84,253)	-	\$989,528
<b>Sub-total</b>	<b>978,699</b>	<b>-</b>	<b>95,082</b>	<b>1,073,781</b>	<b>(84,253)</b>	<b>-</b>	<b>989,528</b>
Provision for impairment	(6,309)	-	-	(6,309)	-	-	(6,309)
Accrued interest	10,281	(970)	-	9,311	-	-	9,311
<b>Total – December 31</b>	<b>\$982,671</b>	<b>\$(970)</b>	<b>\$95,082</b>	<b>\$1,076,783</b>	<b>\$(84,253)</b>	<b>\$-</b>	<b>\$992,530</b>

  

	2014						Loans out-standing 2014
	Loans out-standing 2013	Net interest	Disbursements	Sub-Total	Repayments	Provision for impairment	
Currencies receivable							
United States dollars	\$962,435	\$-	\$100,783	\$1,063,218	\$(84,519)	\$-	\$978,699
<b>Sub-total</b>	<b>962,435</b>	<b>-</b>	<b>100,783</b>	<b>1,063,218</b>	<b>(84,519)</b>	<b>-</b>	<b>978,699</b>
Provision for impairment	(4,766)	-	-	(4,766)	-	(1,543)	(6,309)
Accrued interest	10,267	14	-	10,281	-	-	10,281
<b>Total – December 31</b>	<b>\$967,936</b>	<b>\$14</b>	<b>\$100,783</b>	<b>\$1,068,733</b>	<b>\$(84,519)</b>	<b>\$(1,543)</b>	<b>\$982,671</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 9 – LOANS OUTSTANDING...continued

- (c) As at December 31, 2015, two loans relating to one borrower in the non-sovereign loan portfolio were assessed as impaired (2014: two). A specific provision for impairment has been made representing the full amounts outstanding. Based on the collective assessment and methodology as applied to the sovereign and non-sovereign loan portfolio, no additional collective provision for impairment was required (December 2014: \$ Nil).

Reconciliation of the allowance account for impairment on loans is as follows:

	2015	2014
Balance at January 1	\$6,309	\$4,766
Increase in specific impairment provision	-	1,543
Balance at December 31	<b>\$6,309</b>	<b>\$6,309</b>
Individual impairment	\$5,459	\$5,459
Collective impairment	850	850
Balance at December 31	<b>\$6,309</b>	<b>\$6,309</b>

- (d) The Bank also maintains a General banking reserve of \$7,006 (2014: \$7,006) classified in equity – Refer to Note 21(f).

#### NOTE 10 – NON-NEGOTIABLE DEMAND NOTES

##### Policy

Non-negotiable demand notes are financial assets as defined in Note 5.

Under the Charter provisions the Bank shall accept, in place of any part of the members' currency paid or to be paid with respect to capital subscriptions, promissory notes issued by the Government of the member or by the depository designated by the member, subject to such currency not being required by the Bank for the conduct of its operations. These notes are non-negotiable, non-interest bearing and payable at their par value on demand. Therefore their fair value is estimated to be their carrying value.

All of the non-negotiable demand notes are non-current as there is no expectation that the Bank will call them within the next twelve months. As at December 31, 2015 the non-negotiable demand notes amounted to \$45,746 (2014: \$45,032).

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 11 – MAINTENANCE OF VALUE (MOV) ON CURRENCY HOLDINGS**

MOV receivables are financial assets as defined in Note 5.

In order to ensure that receipts for capital subscriptions originally paid in currencies other than US dollars retain at a minimum their value as determined in accordance with Article 24 of the Charter, each member is required to maintain the value of its currency held by the Bank. If in the opinion of the Bank, the value of a Member's currency depreciates or appreciates to a significant extent, the Bank or Member may be required to repay an amount of currency equal to the increase or decrease in the value of its currency which is held by the Bank in respect of capital subscriptions. For the purposes of effecting settlement, MOV obligations are established at December 31 in each year.

The Board of Directors has agreed that MOV obligations on any part of a member's paid-up capital which is represented by loans outstanding be postponed and become payable on each portion of the principal of such loans when such portion is repaid to the Bank. MOV obligations that are not so deferred are due for settlement within 12 months of the date established. The regime approved by the Board with respect to MOV payments does not allow for the making of MOV payments by the Bank where circumstances are unfavorable to the Bank. In particular it permits the offsetting of Notes and will allow the encashment of Notes only with the prior and specific approval of the Board.

Member countries, whose currencies do not have a fixed relationship with the US dollar but for which there have been adjustments to the exchange rate, are obliged to maintain the value of their currencies in respect of capital contributions if such currencies depreciate. These adjustments are made to maintain the value of the member's subscriptions received by the Bank and is based on the prevailing exchange rates at the end of each reporting period, therefore reflecting fair value and can constitute a liability of the member or the Bank.

As at December 31, 2015, the amount of \$4,606 was due by certain members (2014: \$3,711) and at the reporting date, no amounts were due by the Bank (2014: Nil).

#### **NOTE 12 – SUBSCRIPTIONS IN ARREARS**

Subscriptions in arrears are financial assets as defined in Note 5.

Member countries are required to meet their obligations for paid-in shares over a period determined in advance and comprises six instalments. The amount of \$5,590 (2014: \$11,234) represents amounts that are due and not yet paid by certain members.



# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 13 – DERIVATIVE FINANCIAL INSTRUMENTS

The accounting policy is as defined at Note 5.

The Bank has two cross currency interest rate swaps. These swaps were derived by changing underlying fixed rate borrowings in Japanese Yen to floating rate borrowings in United States dollars. The two fixed rate Japanese Yen notes which mature in 2022 and 2030 carry an interest rate of 2.75% and 4.35%, respectively. The principal amounts due on maturity are in Japanese Yen, while the interest payments are in United States dollars.

The Bank also entered into two interest rate swaps of \$150 million each with two counterparties which transformed the fixed payment obligation of \$300 million at a 4.375% interest rate into a floating rate obligation. The swaps mature in 2027 simultaneously with the liquidation of the borrowing.

The Bank uses derivatives such as cross currency interest rate swaps, interest rate swaps and forward exchange contracts in its borrowing and liability management activities to lower its funding costs and align the interest rate profiles on its borrowings with that of its lending activities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when it is negative.

Counterparties to derivative contracts are selected in accordance with the Bank's approved policy. In accordance with this policy, engaging in speculative activities are prohibited and all derivative financial instruments are held to maturity but may be terminated in those instances where the contract no longer satisfies the purpose for which it was intended, or is detrimental to the Bank's profitability in any way.

- (a) The fair values of derivative financial instruments held at December 31, 2015 and 2014, were as follows:

		<b>2015</b>	<b>2014</b>
		<b>Fair values</b>	
	<b>Notional Amount</b>		
<b>Derivative financial asset</b>			
Cross currency interest rate swaps	\$163,220	\$39,811	\$40,719
Interest rate swaps	\$300,000	\$16,440	\$11,684
		<b>\$56,251</b>	<b>\$52,403</b>

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 14 – PROPERTY AND EQUIPMENT**

Property and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be reliably measured. All repairs and maintenance are charged to operating expenses during the financial year in which they are incurred.

Land is not depreciated as it is deemed to have an indefinite life.

Depreciation of other assets is computed on the straight-line basis at rates considered adequate to write-off the cost of these assets over their useful lives as follows:

	<b>Years</b>
Buildings and ancillary works	15-25
Furniture and equipment	4-8
Computers	4
Motor vehicles	4

The assets' residual value and useful lives are reviewed and adjusted if appropriate at each reporting date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The asset's recoverable amount is the higher of the impaired asset's fair value less costs to sell and its value in use.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount and costs to sell. These are included in the statement of comprehensive income.

Under the Headquarters' Agreement with the host country, Bank owned buildings in the host country are intended to be used for the purposes of the Bank.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 14 – PROPERTY AND EQUIPMENT

(a) The carrying values of property and equipment were as follows:

<b>2015</b>						
	Projects in Progress	Land, Buildings and Ancillary Works	Computers	Furniture and Equipment	Motor Vehicles	Total
<b>Opening net book value</b>	<b>\$2,615</b>	<b>\$4,254</b>	<b>\$786</b>	<b>\$1,198</b>	<b>\$26</b>	<b>\$8,879</b>
Additions	3,335	225	182	144	141	4,027
Transfers from projects in progress	(2,234)	1,443	212	579	-	-
Disposals - cost	-	-	-	-	-	-
Disposals - accumulated depreciation	-	-	-	-	-	-
Depreciation expense	-	(309)	(387)	(422)	(21)	(1,139)
<b>Closing net book value</b>	<b>\$3,716</b>	<b>\$5,613</b>	<b>\$793</b>	<b>\$1,499</b>	<b>\$146</b>	<b>\$11,767</b>
At December 31						
Cost	\$3,716	\$13,202	\$9,511	\$6,485	\$164	\$33,078
Accumulated depreciation	-	(7,589)	(8,718)	(4,986)	(18)	(21,311)
<b>Closing net book value</b>	<b>\$3,716</b>	<b>\$5,613</b>	<b>\$793</b>	<b>\$1,499</b>	<b>\$146</b>	<b>\$11,767</b>

  

<b>2014</b>						
	Projects in Progress	Land, Buildings and Ancillary Works	Computers	Furniture and Equipment	Motor Vehicles	Total
<b>Opening net book value</b>	<b>\$2,290</b>	<b>\$4,057</b>	<b>\$532</b>	<b>\$1,089</b>	<b>\$71</b>	<b>\$8,039</b>
Additions	2,092	-	158	205	-	2,455
Transfers from projects in progress	(1,767)	637	830	300	-	-
Disposals - cost	-	(150)	-	(22)	-	(172)
Disposals - accumulated depreciation	-	-	-	22	-	22
Depreciation expense	-	(290)	(734)	(396)	(45)	(1,465)
<b>Closing net book value</b>	<b>\$2,615</b>	<b>\$4,254</b>	<b>\$786</b>	<b>\$1,198</b>	<b>\$26</b>	<b>\$8,879</b>
At December 31						
Cost	\$2,615	\$11,534	\$9,117	\$5,762	\$327	\$29,355
Accumulated depreciation	-	(7,280)	(8,331)	(4,564)	(301)	(20,476)
<b>Closing net book value</b>	<b>\$2,615</b>	<b>\$4,254</b>	<b>\$786</b>	<b>\$1,198</b>	<b>\$26</b>	<b>\$8,879</b>

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 15 – FINANCIAL LIABILITIES**

Financial liabilities are recognised on the statement of financial position when the Bank assumes related contractual obligations. Management determines the classification of its financial instruments at initial recognition.

Liabilities are recognised on the date the Bank becomes a party to the contractual provisions of the instrument.

The Bank's financial liabilities include accounts payable and accrued liabilities, subscriptions received in advance and borrowings. Further information is included at Notes 16, 17 and 20 respectively. All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. After initial recognition, the fair value option is not applied and interest-bearing borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit and loss when the liabilities are de-recognised. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as a borrowing expense in the statement of comprehensive income. This category generally applies to interest-bearing borrowings.

##### *Fair value measurement*

Fair value disclosures for financial liabilities are contained in Note 3 – *Risk Management - "Fair value of financial assets and liabilities"*. Fair value is determined using valuation techniques in which fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of future cash flows, or other valuation techniques using inputs existing at the reporting date.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

##### *De-recognition*

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 16 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounting policy is as defined at Note 15.

Accrued liabilities are not financial liabilities. These are recorded as liabilities on the statement of financial position when the OCR has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation.

Due to the short-term nature of these liabilities with no stated maturity, fair value is assumed to be equal to carrying value which is the amount payable on demand.

The carrying values of accounts payable and accrued liabilities is as follows:

	<b>2015</b>	<b>2014</b>
Accounts payable	\$3,312	\$28
Accrued liabilities	4,191	2,369
	<b>\$7,503</b>	<b>\$2,397</b>

#### **NOTE 17 – SUBSCRIPTIONS IN ADVANCE**

The accounting policy is as defined at Note 15.

Payment of the amount due in respect of paid-up shares initially subscribed by a state or territory which is a member of the Bank is required to be made in six instalments. The amount of \$4,326 (2014: \$8,750) represents amounts paid in advance of the due dates by certain members.

#### **NOTE 18 – DEFERRED INCOME**

Deferred income comprises freehold land donated to the Bank as a Government grant and is stated at historical value \$875 (2014: \$875). The grant was recorded using the income approach and will be recognised in profit and loss in line with the useful life of the assets scheduled for construction on the property.

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 19 – POST-EMPLOYMENT OBLIGATIONS**

##### *Pension obligations*

CDB has both a contributory defined benefit New Pension Plan (“the Plan” or “NPP”) and a hybrid Old Pension Scheme (“the Scheme” or “OPS”) for securing pensions for eligible employees of the Bank. Both the Plan and the Scheme are final salary defined benefit and are managed by independent Trustees who are appointed by representatives from the management and staff of the Bank and operated under the rules of respective Trust Deeds.

A defined benefit plan is a pension plan having terms that specify the amount of pension benefits to be provided at a future date or after a certain period of time. The amount specified usually is a function of one or more factors such as age, years of service, and compensation prior to retirement.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Current service costs, past service costs and gain or loss on settlement and net interest expense or income on the net defined liability are recognised immediately in profit and loss under “Administrative expense”. Net interest is calculated by applying the discount rate to the net defined liability or asset.

Re-measurements of the net defined liability (asset) comprising actuarial gains and losses, return on plan assets excluding amounts included in net interest on the net defined liability (asset) and any change in the effect of the asset ceiling (if applicable) excluding amounts included in net interest on the net defined liability (asset), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income (“OCI”) in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

##### *Other post-retirement obligations*

The Bank provides post-retirement medical benefits to its retirees. The expected costs of these benefits are accrued over the period using an accounting methodology similar to that for defined benefit pension plans. The present value of the post-retirement obligation is determined by discounting the estimated future cash outflows (relating to service accrued to the reporting date) using the yields available on high-quality corporate bonds.

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 19 – POST-EMPLOYMENT OBLIGATIONS...continued**

##### *Description of the plans*

The plans require contributions to be made to independent investment managers under respective management agreements and who are authorised to exercise complete discretion over the investment and reinvestment of the plans' assets and the reinvestment of the proceeds of sale and the variation of investments made.

The solvency of the plans is assessed by independent actuaries every three years to determine the funding requirements for the plans. The last actuarial valuation was performed as at January 1, 2014. The financial statements of the plans are audited annually by independent external auditors. The Trustees decide on the level of contributions necessary to meet future obligations.

With respect to the hybrid pension scheme, members other than those of the NPP or those who have completed 33 1/3 years of pensionable service, pay regular contributions of 5% of salaries. The Bank meets the balance of the cost of funding the defined benefits and must pay contributions at least equal to 15.4% of contributing members' salaries and fund any deficit over a maximum period of 40 years. The Bank meets the costs of funding the plan and must pay contributions at least equal to those paid by members, which are fixed.

In accordance with the rules of the NPP, members contribute 7% of their annual salary and the Bank contributes such sums as are certified by the Actuary to be sufficient together with the existing assets of the plan to provide the benefits payable and preserve the solvency of the plan. The current contribution rate certified by the Actuary and applied by the Bank is 22.8% of the aggregate amount of the annual salaries of eligible employees. All contributions (initially determined in Barbados dollars) are immediately converted to United States dollars and held or invested in that currency.

The Board of Directors approved certain changes to the plan during 2014. These included:

- Allowing members who leave the Bank's services and are re-employed within a stipulated period to be eligible to re-join the plan with the earlier service to count as pensionable service subject to certain conditions being met;
- The increase in the normal retirement age from 62 years to 67 years subject to the consent of the Bank for those employees joining prior to August 1, 2014;
- A normal retirement age of 67 years for all members joining after August 1, 2014;
- To decrease the qualifying period for attainment of benefits from 10 years to 5 years.

The post-retirement medical benefit is provided through a group insurance contract which is available to all defined benefit pension plan and hybrid pension scheme retirees (including those who took their hybrid pension scheme entitlement as a lump sum) provided they retired from the service of the Bank after completing at least 10 years' service. It is not available to persons who leave the service of the Bank before retirement. The Bank and the retirees share the burden of the medical premiums using a predetermined ratio.

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 19 – POST-EMPLOYMENT OBLIGATIONS...continued**

##### *Key assumptions and quantitative sensitivity analyses*

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, Management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an ‘AA’ rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes.

Future salary increases and pension increases are based on expected future inflation rates for the respective countries. The key assumptions and their sensitivity analyses are discussed further below.

##### *Risks factors that may impact the Bank*

The defined benefit pension plan exposes the Bank to:

- longevity risk,
- inflation risk since although pension increases are capped, the benefits to current employees are based on final average salaries,
- interest rate risk due to the liabilities being of longer duration than the dated securities;
- investment risk as in order to counter the inflation risk and improve the investment return. As at the reporting date 55% (2014: 61%) of the plan assets were invested in equities.

The hybrid pension scheme exposes the Bank to the risk of anti-selection by members. The pension also exposes the Bank to the same longevity risk, inflation risk and interest rate risk. The investment risk inherent in the cash balance option has been managed by concentrating on short term high quality dated securities (as all the Government and Government-guaranteed securities and two-thirds of the others had terms of five years or less), leaving the Bank exposed to the inflation and interest rate risks in the pension option.



# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 19 – POST-EMPLOYMENT OBLIGATIONS...continued

##### Net post-employment obligations

	2015	2014
Defined benefit pension liability	\$9,510	\$6,773
Hybrid pension liability	5,373	5,406
Post-retirement medical obligations	2,772	2,677
	<b>\$17,655</b>	<b>\$14,856</b>

##### Net pension costs recognised in profit or loss

	2014	2013
Defined benefit pension liability	\$3,964	\$1,077
Hybrid pension liability	409	(351)
Post-retirement medical obligation	320	66
	<b>\$4,693</b>	<b>\$792</b>

##### Net re-measurements recognised in other comprehensive income

	2015	2014
Defined benefit obligation	\$1,367	\$5,779
Hybrid pension liability	282	2,184
Post-retirement medical obligation	(152)	(193)
	<b>\$1,497</b>	<b>\$7,770</b>

The amounts recognised in the statement of financial position for the individual plans are determined as follows:

	Defined Benefit Pension Plan		Hybrid Pension Scheme	
	2015	2014	2015	2014
Present value of funded obligations	\$55,710	\$51,466	\$25,278	\$25,444
Fair value of plan assets	(46,200)	(44,693)	(19,905)	(20,038)
Net defined benefit liability	<b>\$9,510</b>	<b>\$6,773</b>	<b>\$5,373</b>	<b>\$5,406</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 19 – POST-EMPLOYMENT OBLIGATIONS...continued

The amounts recognised in profit or loss are as follows:

	Pensions			
	Defined Benefit Pension Plan		Hybrid Pension Scheme	
	2015	2014	2015	2014
Current service costs	\$3,734	\$2,987	\$191	\$187
Net interest on net defined benefit liability	230	8	218	173
Past service credit	0	(1,918)	0	(711)
Net pension cost	<b>\$3,964</b>	<b>\$1,077</b>	<b>\$409</b>	<b>\$(351)</b>
Re-measurements recognised in other comprehensive income				
Experience losses/ (gains)	\$1,367	\$5,779	\$282	\$2,184
Total amount recognised in other comprehensive income	<b>\$1,367</b>	<b>\$5,779</b>	<b>\$282</b>	<b>\$2,184</b>

Movement in the liability recognised in the statement of financial position was as follows:

	Defined Benefit Pension Plan		Hybrid Pension Scheme	
	2015	2014	2015	2014
Opening defined benefit liability	\$6,773	\$2,456	\$5,406	\$4,304
Net pension cost	3,964	1,077	409	(351)
Re-measurements recognised in other comprehensive income	1,367	5,779	282	2,184
Bank contribution paid	(2,594)	(2,539)	(724)	(731)
Balance as at December 31	<b>\$9,510</b>	<b>\$6,773</b>	<b>\$5,373</b>	<b>\$5,406</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 19 – POST-EMPLOYMENT OBLIGATIONS...continued

Movement in the defined benefit obligation over the year was as follows:

	Pensions			
	Defined Benefit Pension Plan		Hybrid Pension Scheme	
	2015	2014	2015	2014
Balance at January 1	\$51,466	\$44,366	\$25,444	\$24,630
Current service costs	3,734	2,987	191	187
Interest costs	2,278	2,130	1,113	1,171
Members' contributions	797	683	365	393
Past service credit	-	(1,918)	-	(711)
Re-measurements				
Experience adjustments	423	1,739	(423)	(717)
Actuarial losses/ (gains) from changes in financial assumptions	(1,273)	3,614	-	851
Actuarial (gains)/losses from changes in financial assumptions		-	-	1,498
Benefits paid	(1,715)	(2,135)	(1,412)	(1,858)
Balance as at December 31	<b>\$55,710</b>	<b>\$51,466</b>	<b>\$25,278</b>	<b>\$25,444</b>

Movement in the fair value of plan assets over the year was as follows:

	Pensions			
	Defined Benefit Pension Plan		Hybrid Pension Scheme	
	2015	2014	2015	2014
Balance at January 1	\$44,693	\$41,910	\$20,038	\$20,326
Interest income	2,048	2,122	895	998
Return on plan assets, excluding interest	(2,217)	(426)	(705)	(552)
Bank contributions	2,594	2,539	724	731
Members' contributions	797	683	365	393
Benefits paid	(1,715)	(2,135)	(1,412)	(1,858)
Balance as at December 31	<b>\$46,200</b>	<b>\$44,693</b>	<b>\$19,905</b>	<b>\$20,038</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 19 – POST-EMPLOYMENT OBLIGATIONS...continued

The asset allocation as at December 31 for the Defined benefit pension plan is as follows:

	2015	2014
<b>Quoted in active markets</b>		
Equity securities	\$25,523	\$27,164
	<u>\$25,523</u>	<u>27,164</u>
<b>Unquoted investments</b>		
Cash and cash equivalents	2,470	1,207
Debt securities	19,040	17,363
	<u>\$21,510</u>	<u>\$18,570</u>
Net accruals	(833)	(1,041)
<b>Total</b>	<b>\$46,200</b>	<b>\$44,693</b>

The asset allocation as at December 31 for the Hybrid pension scheme is as follows:

	2015	2014
<b>Unquoted investments</b>		
Government and Government guaranteed bonds	\$15,078	\$13,530
Supranational bonds	4,845	5,866
Cash and cash equivalents	(96)	567
	<u>19,827</u>	<u>19,963</u>
Net accruals	78	75
<b>Total</b>	<b>\$19,905</b>	<b>\$20,038</b>

The principal actuarial assumptions used for accounting purposes for both the defined benefit pension plan and the hybrid pension scheme are:

	Pensions	
	2015	2014
	%	%
Discount rate	4.50	4.50
Future salary increases	4.0	4.00
Future pension increases – Defined benefit pension plan	2.00	2.25

It was assumed that there would be no future pension increases for the hybrid pension scheme.

The proportion of the defined benefit pension plan preserved members opting for pension was assumed to be 100% (2014: 100%). The proportion of other members opting for pension was assumed to be 100% (2014: 100%).

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 19 – POST-EMPLOYMENT OBLIGATIONS...continued

##### Mortality rate

Assumptions regarding future mortality experience are set based on actuarial advice, based on published statistics and experience.

The average life expectancy in years of a pensioner retiring at age 60 for current pensioners (in years), as at the reporting date is as follows:

	2015	2014
Male	21.0	21.0
Female	25.1	25.1

The average life expectancy at age 60 for current members age 40 (in years), as at the reporting date is as follows:

	2015	2014
Male	21.4	21.4
Female	25.4	25.4

##### Sensitivity analysis and liability profile

###### (a) Defined Benefit Pension Plan

A quantitative sensitivity analysis for significant assumptions as at December 31, 2015 is as shown below:

	Discount rate		Future salary increases		Pension increases	
	1% p.a. increase	1% p.a. decrease	1% p.a. increase	1% p.a. decrease	1% p.a. increase	1% p.a. decrease
Impact on the defined benefit obligation	\$(7,287)	\$9,138	\$2,355	\$(2,083)	\$5,401	\$(4,574)

  

	Life expectancy of male pensioners		Life expectancy of female pensioners	
	Increase by 1 year	Decrease by 1 year	Increase by 1 year	Decrease by 1 year
Impact on the defined benefit obligation	\$498	\$(479)	\$935	\$(1,404)

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

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#### NOTE 19 – POST-EMPLOYMENT OBLIGATIONS...continued

##### Sensitivity analysis and liability profile...continued

###### (a) Defined Benefit Pension Plan...continued

The sensitivity analyses disclosed have been determined based on a method which extrapolates the impact on the net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years out of the defined benefit obligation:

	2015	2014
Within the next 12 months (annual reporting period)	2,736	\$2,399
Between 1 year and 2 years	2,818	\$2,471

The defined benefit obligation is allocated among the plan members as follows:

Active members.....60% (2014: 60%)  
Pensioners.....40% (2014: 40%)

The weighted average duration of the defined benefit obligation was 15.5 years (2014: 15.5) years.  
94% (2014: 94%) of the benefits for active members were vested.  
22% (2014: 22%) of the defined benefit obligation for active members was conditional on future salary increases.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 19 – POST-EMPLOYMENT OBLIGATIONS...continued

##### Sensitivity analysis and liability profile...continued

##### (b) Hybrid Pension Scheme

A quantitative sensitivity analysis for significant assumptions as at December 31, 2015 is as shown below:

	Discount rate		Future salary increases	
	1% p.a. increase	1% p.a. decrease	1% p.a. increase	1% p.a. decrease
Impact on defined benefit obligation	\$(2,641)	\$3,387	\$412	\$(481)
	Life expectancy of male pensioners		Life expectancy of female pensioners	
	Increase by 1 year	Decrease by 1 year	Increase by 1 year	Decrease by 1 year
Impact on the defined benefit obligation	\$267	\$(251)	\$287	\$(291)

The sensitivity analyses disclosed have been determined based on a method which extrapolates the impact on the net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years out of the defined benefit obligation:

	2015	2014
Within the next 12 months	\$725	\$729
Between 1 year and 2 years	\$730	\$733

The defined benefit obligation is allocated among the plan members as follows:

Active members.....	68% (2014: 68%)
Pensioners.....	32% (2014: 32%)

The weighted average duration of the defined benefit obligation was 12 years (2014:13 years).

100% (2014: 90%) of the benefits for active members were vested.

7% (2014: 11%) of the defined benefit obligation for active members is conditional on future salary increases.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 19 – POST-EMPLOYMENT OBLIGATIONS...continued

##### Post-Retirement Medical Plan

Changes to the medical obligation are determined as follows:

	1-Jan-15	Current Service Cost	Net interest cost	Past service (credit)/cost	Sub-total included in operating income (Note 23)	Re- measurement gains/(losses) in OCI - Experience adjustments	Sub-total included in OCI	Premiums paid by the bank	31-Dec-15
Medical obligation	<b>\$2,677</b>	116	204	-	320	(152)	168	(73)	<b>\$2,772</b>

	1-Jan-14	Current Service Cost	Net interest cost	Past service (credit)/cost	Sub-total included in operating income (Note 23)	Re- measurement gains/(losses) in OCI - Experience adjustments	Sub-total included in OCI	Premiums paid by the bank	31-Dec-14
Medical obligation	<b>\$2,872</b>	122	212	(268)	<b>66</b>	(193)	<b>(193)</b>	<b>(68)</b>	<b>\$2,677</b>



# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 19 – POST-EMPLOYMENT OBLIGATIONS...continued

##### Post-Retirement Medical Plan...continued

##### Principal actuarial assumptions

The principal actuarial assumptions used for accounting purposes are:

	<b>Post-employment medical obligation</b>	
	<b>2015</b>	<b>2014</b>
	<b>%</b>	<b>%</b>
Discount rate	7.75	7.75
Medical cost increase	7.25	7.25

##### Mortality Rate

Assumptions regarding future mortality experience are set based on actuarial advice, based on published statistics and experience. The same assumptions used for the pension plans regarding mortality rates were used for the medical plan.

An increase of 1 year in the assumed life expectancies would increase the medical obligation at the reporting date by \$111 (2014: \$105).

##### Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions as at December 31, 2015 is as shown below:

	<b>Discount rate</b>		<b>Medical cost increases</b>	
	<b>1% p.a. increase</b>	<b>1% p.a. decrease</b>	<b>1% p.a. increase</b>	<b>1% p.a. decrease</b>
Impact on medical obligation	\$(378)	\$474	\$471	\$(382)

The expected contributions to be made to the post-retirement medical obligation within the next twelve months is \$78 (2014:\$69).

##### Liability profile

The post-retirement medical obligation is allocated among the plan members as follows:

Active members..... 54% (2014: 54%)  
Pensioners..... 46% (2014: 46%)

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 19– PENSIONS AND POST-EMPLOYMENT OBLIGATIONS...continued**

##### **Post-Retirement Medical Plan...continued**

##### **Liability profile...continued**

The weighted average duration of the defined benefit obligation was 17 years (2014: 17 years). 46% (2014: 46%) of the benefits of active members were vested.

#### **NOTE 20 – BORROWINGS**

The accounting policy is as defined at Note 15.

It is the Bank's policy to limit borrowing and guarantees chargeable to the Bank's Ordinary Capital Resources to 100% of the callable capital of its investment grade non-borrowing members plus the paid in capital and retained earnings less receivables from members (cash reserves). As of December 31, 2015, total borrowings amounted to \$502,752 (2014: \$530,301).

The aggregate fair values are based on discounted cash flow models using a current yield curve appropriate for the remaining term to maturity, similar terms and credit risk.

As of December 31, 2015, the ratio of total outstanding borrowings and undrawn commitments of \$575,386 (2014: \$624,566) to the borrowing limit of \$1,335,346 (2014: \$1,273,629) was 43.1% (2014: 49.0%).

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 20 – BORROWINGS...continued

(a) A summary of the borrowings was as follows:

	2015						
	Original amounts <sup>1/</sup>	Translation adjustments	Repayments to date	Currency swap <sup>2/</sup>	Undrawn	Outstanding	Due dates
<b>Short term Borrowing</b>							
Floating Rate Note - US\$	\$30,000	\$-	\$(30,000)	\$-	\$-	\$-	2015
	\$30,000	\$-	\$(30,000)	\$-	\$-	\$-	
<b>CDB Market Borrowings</b>							
4.35% Notes – Yen	60,000	(6,238)	-	-	-	53,762	2030
2.75% Notes – Yen	100,000	3,803	-	6,032	-	109,835	2022
4.375% Bonds – US\$	300,000	-	-	-	-	300,000	2027
Unamortised transaction costs	(1,759)	-	-	-	-	(1,759)	
	458,241	(2,435)	-	6,032	-	461,838	
<b>European Investment Bank</b>							
Global Loan 11I – US\$	51,157	-	(24,599)	-	-	26,558	2023
Climate Action Credit – US\$	65,320	-	-	-	(65,320)	-	
	116,477	-	(24,599)	-	(65,320)	26,558	
<b>Inter-American Development Bank</b>							
Loan 926/OC-RG-US\$	19,347	-	(13,227)	-	-	6,120	2021
Loan 2798/BL-RG	14,000	-	-	-	(7,314)	6,686	2043
	33,347		(13,227)	-	(7,314)	12,806	
<b>Sub-total</b>	<b>638,065</b>	<b>(2,435)</b>	<b>(67,826)</b>	<b>-</b>	<b>(72,634)</b>	<b>501,202</b>	
Accrued interest <sup>3</sup>	1,550	-	-	-	-	1,550	
<b>Total – December 31</b>	<b>\$639,615</b>	<b>\$(2,435)</b>	<b>\$(67,826)</b>	<b>\$6,032</b>	<b>\$(72,634)</b>	<b>\$502,752</b>	

<sup>1/</sup> Net of cancellations and borrowings fully paid.

<sup>2/</sup> Unwinding of terminated fair value hedge.

<sup>3/</sup> Relates to amounts withdrawn and outstanding.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 20 – BORROWINGS...continued

(a) A summary of the borrowings was as follows:

	2014						
	Original amounts <sup>1/</sup>	Translation adjustments	Repayments to date	Currency swap <sup>2/</sup>	Undrawn	Outstanding	Due dates
<b>Short term Borrowing</b>							
Floating Rate Note - US\$	\$50,000	\$-	\$-	\$-	\$(20,000)	\$30,000	2015
	\$50,000	\$-	\$-	\$-	\$(20,000)	\$30,000	
<b>CDB Market Borrowings</b>							
4.35% Notes – Yen	60,000	(5,820)	-	-	-	54,180	2030
2.75% Notes – Yen	100,000	(2,389)	-	7,001	-	104,612	2022
Floating Rate Note – US\$	150,000	-	(150,000)	-	-	-	2014
4.375% Bonds – US\$	300,000	-	-	-	-	300,000	2027
Unamortised transaction costs	(1,908)	-	-	-	-	(1,908)	
	608,092	(8,209)	(150,000)	7,001	-	456,884	
<b>European Investment Bank</b>							
Global Loan 11I - US\$	51,157	-	(21,280)	-	-	29,877	2023
Climate Action Credit – US\$	65,320	-	-	-	(65,320)	-	
	116,477	-	(21,280)	-	(65,320)	29,877	
<b>Inter-American Development Bank</b>							
Loan 926/OC-RG-US\$	19,347	-	(12,114)	-	-	7,233	2021
Loan 2798/BL-RG	14,000	-	-	-	(8,945)	5,055	2043
	33,347	-	(12,114)	-	(8,945)	12,288	
<b>Sub-total</b>	<b>807,916</b>	<b>(8,209)</b>	<b>(183,394)</b>	<b>7,001</b>	<b>(94,265)</b>	<b>529,049</b>	
Accrued interest <sup>3</sup>	1,252	-	-	-	-	1,252	
<b>Total – December 31</b>	<b>\$809,168</b>	<b>\$(8,209)</b>	<b>\$(183,394)</b>	<b>\$7,001</b>	<b>\$(94,265)</b>	<b>\$530,301</b>	

<sup>1/</sup> Net of cancellations and borrowings fully paid.

<sup>2/</sup> Unwinding of terminated fair value hedge.

<sup>3/</sup> Relates to amounts withdrawn and outstanding.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 20 – BORROWINGS...continued

(b) Currencies repayable on outstanding borrowings were as follows:

2015							
Currencies Repayable	Outstanding at December 2014	Translation adjustment	Net interest expense/paid	Draw-downs	Currency swap amortisation <sup>1/</sup>	Repayments	Outstanding at December 2015
United States Dollars	\$371,226	\$-	\$-	\$1,488	\$-	\$(34,432)	\$338,282
Japanese Yen	157,823	6,065	-	-	(968)	-	162,920
<b>Sub-total</b>	<b>529,049</b>	<b>6,065</b>	<b>-</b>	<b>1,488</b>	<b>(968)</b>	<b>(34,432)</b>	<b>501,202</b>
Accrued interest <sup>2</sup>	1,252	-	298	-	-	-	1,550
<b>Total – December 31</b>	<b>\$530,301</b>	<b>\$6,065</b>	<b>\$298</b>	<b>\$1,488</b>	<b>\$(968)</b>	<b>\$(34,432)</b>	<b>\$502,752</b>

2014							
Currencies Repayable	Outstanding at December 2013	Translation adjustment	Net interest expense/paid	Draw-downs	Currency swap amortisation	Repayments	Outstanding at December 2014
United States Dollars	\$494,024	\$-	\$-	\$34,894	\$-	\$(157,692)	\$371,226
Japanese Yen	179,549	(20,758)	-	-	(968)	-	157,823
<b>Sub-total</b>	<b>673,573</b>	<b>(20,758)</b>	<b>-</b>	<b>34,894</b>	<b>(968)</b>	<b>(157,692)</b>	<b>529,049</b>
Accrued interest <sup>2</sup>	1,804	-	(552)	-	-	-	1,252
<b>Total – December 31</b>	<b>\$675,377</b>	<b>\$(20,758)</b>	<b>\$(552)</b>	<b>\$34,894</b>	<b>\$(968)</b>	<b>\$(157,692)</b>	<b>\$530,301</b>

A maturity analysis of borrowings as at December 31 is as follows:

	2015	2014
Current	\$5,982	\$35,684
Non-current	496,770	494,617
	<b>\$502,752</b>	<b>\$530,301</b>

<sup>1/</sup>Unwinding of terminated fair value hedge.

<sup>2/</sup>Relates to amounts withdrawn and outstanding.

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 20 – BORROWINGS**...continued

On May 7, 2015 Standard & Poor's affirmed its 'AA' long-term issuer credit rating and 'A-1+' short-term credit rating and changed the outlook from Negative to Stable.

On July 30, 2015 Moody's Investors Service affirmed the Bank's long term issuer rating at Aa1 and maintained the outlook as Stable.

#### **NOTE 21 – EQUITY**

Equity is comprised of capital stock, retained earnings and reserves.

The capital stock of the Bank was initially expressed in terms of United States dollars of the weight and fineness in effect on September 1, 1969 ("the 1969 dollar"). However, with effect from April 1, 1978, the Second Amendment to the Articles of Agreement of the International Monetary Fund came into force, as a result of which currencies no longer have par values in terms of gold.

Prior to December 1986, the Bank had not taken a decision on the implications of this change on the valuation of its capital stock and had translated its capital stock into current United States dollars at the rate of 1.206348 current United States dollars ("current dollars") per 1969 dollar. On December 11, 1986, the Board of Directors of the Bank agreed that, until such time as the Charter may be amended in respect of the standard of value, the expression "United States dollars of the weight and fineness in effect on September 1, 1969" be interpreted, pursuant to Article 59 of the Charter, to mean the "Special Drawing Right" (SDR) introduced by the International Monetary Fund as the SDR was valued in terms of United States dollars immediately before the introduction of the basket method of valuing the SDR on July 1, 1974, such value being 1.206348 current dollars for one SDR as at June 30, 1974 ("the 1974 SDR").

For the purposes of the financial statements, the Bank has expressed the value of its capital stock on the basis of the 1974 SDR.

The Bank's capital stock is divided into paid-in shares and callable shares. Payment of the amount subscribed to the callable capital is subject to call by the Bank to meet its obligations as and when required by the Bank subject to certain conditions. Payment for paid-in shares subscribed by its members is made over 6 annual instalments. Of each installment, up to 50 percent is payable in non-negotiable, non-interest bearing promissory notes or other obligations issued by the subscribing member and payable at their par value upon demand. Subscriptions that are not yet payable are presented as subscriptions not yet matured. The Charter states that payment of the amount subscribed to the callable capital is subject to call by the Bank to meet its obligations incurred pursuant to Article 7, paragraph 6 taking into account paragraphs (b) and (d) of Article 13 on borrowings of funds or on guarantees, only as and when required by the Bank.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 21 – EQUITY...continued

The Charter also allows for a member country to withdraw from the Bank, at which time the Bank is required to arrange for the repurchase of the former member's shares. There has been only one occurrence of membership withdrawal in the Bank's existence which occurred in 2000, and no other member has indicated to the Bank that it intends to withdraw its membership. The stability in the membership reflects the fact that the purpose of the Bank is to contribute to the harmonious economic growth and development of its BMCs individually and jointly. Moreover, there is a significant financial disincentive to withdrawing membership. The repurchase price of the shares is the value shown on the books of the Bank on the date a country ceases to be a member. However, the former member shall remain liable for direct obligations and contingent liabilities to the Bank for so long as any part of the loans or guarantees contracted before the date of withdrawal are outstanding. The Bank may partially or fully offset amounts due for shares purchased against the member's liabilities on loans and guarantees due to the Bank. Were a member to withdraw, the Bank may set the dates in respect of payments for shares repurchased. In the instance where paying a former member would have adverse consequences for the Bank's financial position, the Bank can exercise its option to defer payment until the risk had passed, and indefinitely if appropriate.

If the Bank were to terminate its operations, within six months of the termination date all liabilities of the Bank would first be settled out of the assets of the Bank and then, if necessary, out of members' callable capital, before any distribution could be made to any member country, including the withdrawing member. Management has therefore determined that members' shares are deemed to be a permanent investment in the Bank and are appropriately classified as equity.

- (a) At the fortieth meeting of the Board of Governors in May 2010, a general capital increase of 150% was approved. The Bank's capital as at December 31 was as follows:

		2015	2014
Authorised capital:	312,971 (2014: 312,971) shares		
Subscribed capital:	279,399 (2014: 270,292) shares	\$ 1,763,658	\$1,699,323
Less callable capital:	218,050 (2014: 210,943) shares	(1,375,137)	(1,324,925)
Paid-up capital:	61,349 (2014: 59,349) shares	\$388,521	\$374,398
Less: Subscriptions not yet matured		(45,197)	(74,930)
		<b>\$343,324</b>	<b>\$299,468</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 21 – EQUITY...continued

(b) The movement in the Bank's paid-up capital during the year was as follows:

	2015	2014
	No. of shares	No. of shares
Balance at January 1	59,349	57,007
<b>Regional States and Territories</b>		
Subscribed capital	9,107	1,289
Callable capital	(7,107)	(1,005)
	2,000	284
<b>Non-Regional States and Territories</b>		
Subscribed capital	-	9,353
Callable capital	-	(7,295)
	-	2,058
Balance at December 31	<b>61,349</b>	<b>59,349</b>

The movement in subscriptions matured during the year was as follows:

	2015	2014
Balance at January 1	\$299,468	\$256,374
<b>Regional States and Territories</b>		
Subscriptions maturing during the year	30,849	23,861
<b>Non-Regional States and Territories</b>		
Subscriptions maturing during the year	13,104	19,318
	43,953	43,179
<b>Sub Total</b>	<b>343,421</b>	<b>299,553</b>
Less: Prepayment discounts	21(d) (97)	(85)
Balance at December 31	<b>\$343,324</b>	<b>\$299,468</b>

The determination of the par value of the Bank's shares is disclosed hereto.



# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 21 – EQUITY...continued

(c) The subscriptions by member countries and their voting power at December 31 were as follows:

2015							Voting Power		Receivable from members non- negotiable demand notes
Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions Matured	No. of votes	% of total votes	
Regional States and Territories:									
Jamaica	48,354	17.31	\$291,659	\$227,614	\$64,045	\$57,629	48,504	17.14	\$13,257
Trinidad and Tobago	48,354	17.31	291,659	227,614	64,045	57,629	48,504	17.14	10,885
Bahamas	14,258	5.10	86,001	67,115	18,886	16,994	14,408	5.09	1,612
Guyana	10,417	3.73	62,833	49,038	13,795	12,412	10,567	3.73	-
Colombia	7,795	2.79	47,017	36,691	10,326	9,292	7,945	2.81	627
Mexico	7,795	2.79	47,017	36,691	10,326	9,292	7,945	2.81	-
Venezuela	7,795	2.79	47,017	36,691	10,326	9,292	7,945	2.81	3,203
Barbados	9,074	3.25	54,732	42,717	12,015	10,815	9,224	3.26	3,120
Suriname	4,166	1.49	25,128	19,627	5,501	2,861	4,316	1.53	1,070
Belize	2,148	0.77	12,956	10,109	2,847	2,561	2,298	0.81	2,145
Dominica	2,148	0.77	12,956	10,109	2,847	2,561	2,298	0.81	-
Grenada	1,839	0.66	11,093	8,661	2,432	2,187	1,989	0.70	286
St. Lucia	2,148	0.77	12,956	10,109	2,847	2,561	2,298	0.81	213
St. Vincent and the Grenadines	2,148	0.77	12,956	10,109	2,847	2,561	2,298	0.81	360
Antigua and Barbuda	2,148	0.77	12,956	10,109	2,847	2,561	2,298	0.81	97
St. Kitts and Nevis	2,148	0.77	12,956	10,109	2,847	2,561	2,298	0.81	296
Anguilla /1	455	0.16	2,744	2,141	603	543	2,737	0.97	255
Montserrat /1	533	0.19	3,215	2,509	706	635			14
British Virgin Islands /1	533	0.19	3,215	2,509	706	635			-
Cayman Islands /1	533	0.19	3,215	2,509	706	635			-
Turks and Caicos Islands /1	533	0.19	3,215	2,509	706	635			8
Haiti	2,187	0.78	13,191	10,296	2,895	2,606	2,337	0.83	-
Brazil	3,118	1.12	18,807	14,687	4,120	823	3,268	1.15	-
	180,627	64.65	1,089,494	850,273	239,221	210,281	183,477	64.83	37,449

<sup>1/</sup> In accordance with Article 3 of the Charter and Board of Governors Resolution No. 4/81, these territories are considered as a single member of the Bank for the purpose of Articles 26 and 32 of the Charter.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 21 – EQUITY...continued

2015

Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions Matured	Voting Power		Receivable from members non-negotiable demand notes
							No. of votes	% of total votes	
Non-Regional States:									
Canada	26,004	9.31	156,849	122,408	34,441	30,991	26,154	9.24	-
United Kingdom	26,004	9.31	156,849	122,408	34,441	30,991	26,154	9.24	-
Italy	15,588	5.58	94,023	73,376	20,647	18,578	15,738	5.56	2,150
Germany	15,588	5.58	94,023	73,376	20,647	18,578	15,738	5.56	598
China	15,588	5.58	94,023	73,376	20,647	18,578	15,738	5.56	5,549
	98,772	35.35	595,767	464,944	130,823	117,716	99,522	35.17	8,297
<b>Sub-total</b>	<b>279,399</b>	<b>100.0</b>	<b>1,685,261</b>	<b>1,315,217</b>	<b>370,044</b>	<b>327,997</b>	<b>282,999</b>	<b>100.0</b>	<b>45,746</b>
<b>Additional subscriptions</b>									
China			18,804	14,688	4,116	4,116			
Colombia			1,810	905	905	905			
Germany			12,546	9,681	2,865	2,865			
Italy			12,546	9,681	2,865	2,865			
Mexico			6,273	4,841	1,432	1,432			
Venezuela			1,810	905	905	905			
Haiti			2,639	2,060	579	579			
Suriname			12,564	9,814	2,750	1,430			
Brazil			9,403	7,343	2,060	412			
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>78,395</b>	<b>59,918</b>	<b>18,477</b>	<b>15,509</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total - December 31</b>	<b>279,399</b>	<b>100.0</b>	<b>\$1,763,656</b>	<b>\$1,375,135</b>	<b>\$388,521</b>	<b>\$343,506</b>	<b>282,999</b>	<b>100.0</b>	<b>\$45,746</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 21 – EQUITY...continued

2014									
Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions Matured	Voting Power		Receivable from members non- negotiable demand notes
							No. of votes	% of total votes	
Regional States and Territories:									
Jamaica	48,354	17.90	\$291,659	\$227,614	\$64,045	\$51,212	48,504	17.72	\$13,060
Trinidad and Tobago	48,354	17.90	291,659	227,614	64,045	51,212	48,504	17.72	10,924
Bahamas	14,258	5.28	86,001	67,115	18,886	15,102	14,408	5.26	1,612
Guyana	10,417	3.85	62,833	49,038	13,795	11,030	10,567	3.86	3,155
Colombia	7,795	2.88	47,017	36,691	10,326	8,257	7,945	2.90	627
Mexico	3,118	1.15	18,807	14,687	4,120	4,120	3,268	1.19	-
Venezuela	7,795	2.88	47,017	36,691	10,326	8,257	7,945	2.90	3,203
Barbados	9,074	3.36	54,732	42,717	12,015	9,612	9,224	3.37	1,070
Suriname	4,166	1.54	25,128	19,627	5,501	1,981	4,316	1.58	1,485
Belize	2,148	0.79	12,956	10,109	2,847	2,276	2,298	0.84	-
Dominica	2,148	0.79	12,956	10,109	2,847	2,276	2,298	0.84	286
Grenada	1,839	0.68	11,093	8,661	2,432	1,944	1,989	0.73	213
St. Lucia	2,148	0.79	12,956	10,109	2,847	2,276	2,298	0.84	360
St. Vincent and the Grenadines	2,148	0.79	12,956	10,109	2,847	2,276	2,298	0.84	97
Antigua and Barbuda	2,148	0.79	12,956	10,109	2,847	2,276	2,298	0.84	296
St. Kitts and Nevis	2,148	0.79	12,956	10,109	2,847	2,276	2,298	0.84	255
Anguilla /1	455	0.17	2,744	2,141	603	483	2,737	1.00	14
Montserrat /1	533	0.20	3,215	2,509	706	565			-
British Virgin Islands /1	533	0.20	3,215	2,509	706	565			-
Cayman Islands /1	533	0.20	3,215	2,509	706	565			8
Turks and Caicos Islands /1	533	0.20	3,215	2,509	706	565			-
Haiti	875	0.32	5,278	4,120	1,158	1,158	1,025	0.38	-
	171,520	63.45	\$1,034,564	\$807,406	\$227,158	\$180,284	174,220	63.65	\$36,665

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 21 – EQUITY...continued

2014

Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions Matured	Voting Power		Receivable from members non-negotiable demand notes
							No. of votes	% of total votes	
Non-Regional States:									
Canada	26,004	9.62	\$156,849	\$122,408	\$34,441	\$27,541	26,154	9.55	\$-
United Kingdom	26,004	9.62	156,849	122,408	34,441	27,541	26,154	9.55	2,150
Italy	15,588	5.77	94,023	73,376	20,647	16,510	15,738	5.75	668
Germany	15,588	5.77	94,023	73,376	20,647	16,510	15,738	5.75	5,549
China	15,588	5.77	94,023	73,376	20,647	16,510	15,738	5.75	-
	98,772	36.55	\$595,767	\$464,944	\$130,823	\$104,612	99,522	36.35	\$8,367
<b>Sub-total</b>	<b>270,292</b>	<b>100.00</b>	<b>\$1,630,331</b>	<b>\$1,272,350</b>	<b>\$357,981</b>	<b>\$284,896</b>	<b>273,742</b>	<b>100.00</b>	<b>\$45,032</b>
<b>Additional subscriptions</b>									
China	-	-	\$18,804	\$14,688	\$4,116	\$4,116	-	-	\$-
Colombia	-	-	1,810	905	905	905	-	-	-
Germany	-	-	12,546	9,681	2,865	2,865	-	-	-
Italy	-	-	12,546	9,681	2,865	2,865	-	-	-
Mexico	-	-	6,273	4,841	1,432	1,432	-	-	-
Venezuela	-	-	1,810	905	905	905	-	-	-
Haiti	-	-	2,639	2,060	579	579	-	-	-
Suriname	-	-	12,564	9,814	2,750	990	-	-	-
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>\$68,992</b>	<b>\$52,575</b>	<b>\$16,417</b>	<b>\$14,657</b>	<b>-</b>	<b>-</b>	<b>\$-</b>
<b>Total - December 31</b>	<b>270,292</b>	<b>100.00</b>	<b>\$1,699,323</b>	<b>\$1,324,925</b>	<b>\$374,398</b>	<b>\$299,553</b>	<b>273,742</b>	<b>100.00</b>	<b>\$45,032</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

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#### NOTE 21 – EQUITY...continued

##### (d) Prepayment discounts

The Board of Governors of the Bank approved a “Variation of conditions of subscription of shares to permit a discount for prepayment” policy in 2014. The provision of this policy is that members are entitled to a discount from the Bank for prepayment of an instalment or part thereof (including those members which have already made prepayments) only if the prepayment is received more than three months prior to the date of the scheduled General Capital Increase (GCI) payments. The discount is computed based on a present value methodology and are disclosed as a charge against equity. During the year, discounts amounting to \$97 (2014: \$85) were provided to members who had made prepayments.

##### (e) Retained earnings and reserves

Retained earnings and reserves is comprised of:

	2015	2014
Retained earnings	\$530,642	\$520,600
Post-employment reserve	(13,274)	(11,777)
Other reserves	13,260	13,260
	<b>\$530,628</b>	<b>\$522,083</b>

##### (f) Other reserves

###### *Special reserve*

In accordance with Article 18 of the Charter, commissions and guarantee fees received on loans made out of OCR are required to be set aside in a Special Reserve which shall be kept for meeting liabilities of the Bank. The assets of the Special Reserve are to be held in such liquid form as the BOD may decide.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 21 – EQUITY...continued

##### (f) Other reserves...continued

###### *Special reserve...continued*

At the One Hundred and Nineteenth Meeting of the Board of Directors held on July 21, 1988, the Board decided that appropriations to the Special Reserve should be discontinued with effect from January 1, 1989. Pursuant thereto, no commission is charged on loans approved after January 1, 1989, and all amounts received after that date as commission on loans approved before that date are treated as interest and accounted for as such. During 1993, the Special Reserve was converted into United States dollars and is valued at \$6,254 (2014: \$6,254).

###### *General banking reserve*

The General banking reserve has been deemed a reserve for asset impairments. During the year no reserves (2014: Nil) were transferred to retained earnings in relation to the recognition of a collective impairment provision in respect of non-sovereign loans. As at December 31, 2015, the amount of the general banking reserve was \$7,006 (2014: \$7,006).

###### *Post-employment obligations reserve*

Post-employment reserves comprise various gains/ losses arising from the actuarial valuation where actual performance results differ from projected results due to changes in assumptions and in differences between actual investment returns and assumed returns from the previous year's calculations. These differences are classified as experience gains/ losses.

	<u>2015</u>	<u>2014</u>
Cumulative experience losses	\$(13,274)	\$(11,777)
	<u><b>\$(13,274)</b></u>	<u><b>\$(11,777)</b></u>

#### NOTE 22 – INTEREST INCOME/EXPENSE AND SIMILAR INCOME/CHARGES

##### *Interest income and expense*

For instruments carried at amortised cost, interest income and expense are recognised in the statement of comprehensive income using the EIR method. Interest income and expense are recognised on a level yield basis for items classified as fair value through profit or loss.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 22 – INTEREST INCOME/EXPENSE AND SIMILAR INCOME/CHARGES...continued

##### *Other fees and charges*

Fees and other income are recognised on an accrual basis when the service has been provided.

##### (a) **Income from financial assets classified as loans and receivables**

Interest income earned from loans outstanding was as follows:

	<b>2015</b>	<b>2014</b>
Interest income	\$34,571	\$37,857
Other fees and charges	3,159	\$2,647
	<b>\$37,730</b>	<b>\$40,504</b>

##### (b) **Income from investments and cash balances**

Interest income earned from debt securities at fair value through profit or loss was as follows:

	<b>2015</b>	<b>2014</b>
Bonds	\$2,289	\$2,557
US Treasuries	23	99
Time deposits	131	129
Cash balances	6	10
	<b>\$2,449</b>	<b>\$2,795</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 22 – INCOME FROM LOANS, INVESTMENTS AND CASH BALANCES...continued

##### (c) Interest (income)/expense and similar charges from financial assets and liabilities

Interest expense and other charges from borrowings and interest income and expense from derivative financial instrument swaps were as follows:

	<u>2015</u>	<u>2014</u>
<b>Financial liabilities carried at amortised cost</b>		
Gross interest expense	\$19,848	\$20,107
Other finance charges	170	277
<i>Borrowings</i>	<u>20,018</u>	<u>20,384</u>
<b>Financial assets at fair value through profit and loss</b>		
Interest income from derivative financial instruments	(18,484)	(13,953)
Interest expense from derivative financial instruments	<u>7,202</u>	<u>4,341</u>
<i>Net interest income from derivatives</i>	<u>(11,282)</u>	<u>(9,612)</u>
	<b><u>\$8,736</u></b>	<b><u>\$10,772</u></b>



# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 23 – ADMINISTRATIVE EXPENSES

##### *Restructuring costs*

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the reporting date are discounted to their present value.

This represents employee related costs commensurate with the restructuring of certain areas of its operations.

Administrative expenses incurred by the Bank are allocated to the OCR and the SFR in accordance with a methodology approved by the Board of Directors.

Administrative expenses allocated to the OCR were as follows:

	2015	2014
Employee related	\$9,383	\$7,067
Restructuring costs	670	-
Professional fees and consultancies	735	844
Travel	845	642
Depreciation	486	613
Other expenses	386	374
Utilities and maintenance	417	437
Training and seminars	193	288
Supplies and printing	96	95
Board of Governors and Directors	180	181
Computer services	452	390
Communications	291	224
Bank charges	71	69
Insurance	29	29
	<b>\$14,234</b>	<b>\$11,253</b>

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 23 – ADMINISTRATIVE EXPENSES...continued

##### *Restructuring costs...continued*

Employee costs charged to the OCR were as follows:

	2015	2014
Salaries and allowances	\$6,409	\$5,206
Restructuring costs	670	-
Pension costs – hybrid scheme <sup>1/</sup>	176	(147)
Pension costs – defined benefit plan <sup>1/</sup>	1,703	450
Medical costs	296	28
Other benefits	799	1,530
	<b>\$10,053</b>	<b>\$7,067</b>

<sup>1/</sup>This represents the allocation of the net pension costs to the OCR. The full pension expense for the hybrid scheme amounted to \$409 (2014: \$(351)), \$3,964 (2014: \$1,077) for the defined benefit plan and \$320 (2014: \$66) for the medical plan.

#### NOTE 24 – ALLOCATION FROM NET INCOME

In accordance with Article 39 of the Charter, the Board of Governors shall determine at least annually the disposition of the net income of the Bank arising from its OCR (“operating income”). The OCR net income is typically allocated to the Ordinary Reserves. These reserves are available to meet possible future losses on loans and guarantees made by the Bank in its Ordinary operations and possible future losses from currency devaluations.

Management has recommended for the approval of the Board of Governors acting in accordance with Article 39 of the Bank’s Charter, an allocation of \$6,000 from the net income (operating income) of the OCR to the Special Development Fund – Unified.

The treatment of this item, previously charged from Equity, was changed during the year to reflect a more accurate representation of nature of the transaction. As a result the statement of comprehensive income and statement of changes in equity in respect of the year ended December 31<sup>st</sup>, 2014 was restated. No other primary statements were impacted by the change and there was no impact on cash flows.

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 25 – DERIVATIVE FAIR VALUE ADJUSTMENT

The derivative fair value adjustment of \$4,817 (2014: \$6,182) included in the statement of comprehensive income is derived as a result of the revaluation of the derivative financial instruments comprising cross currency interest rate swaps and interest rate swaps.

#### NOTE 26 – RELATED PARTY TRANSACTIONS

(a) The movement in the net interfund receivable or payable during the year was as follows:

	<b>2015</b>	<b>2014</b>
Balance at January 1	\$4,778	\$8,407
Advances	39,480	45,054
Allocation of administrative expenses	19,136	15,652
Repayments	(54,635)	(64,335)
Interfund receivable December 31	<b>\$8,759</b>	<b>\$4,778</b>

The receivable account represents net amounts due from/ (payable to) the SDF and OSF as a result of payments by OCR on their behalf as well as the allocation of administrative expenditure in accordance with Bank policy. Interfund balances are settled in cash on a quarterly basis.

The composition of the balances as at December 31, 2015 and 2014 was as follows:

*Included in “Receivables and prepaid assets”/ (“Accounts payable and accrued liabilities”):*

	<b>2015</b>	<b>2014</b>
Due from/ (to) SDF	\$5,341	\$(473)
Due from OSF	\$3,411	\$4,595
Due from Pension schemes	\$6	\$648
Due from Others	\$1	8

# CARIBBEAN DEVELOPMENT BANK

## ORDINARY CAPITAL RESOURCES

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### NOTE 26 – RELATED PARTY TRANSACTIONS...continued

(b) Key management compensation for the year ended December 31 was as follows:

	2015	2014
Salaries and allowances	\$2,285	\$2,160
Post-employment benefits	894	699
	<b>\$3,179</b>	<b>\$2,859</b>

#### (c) Interest subsidy fund

In 2008, the interest subsidy fund was established by the Board of Directors of the Bank to subsidise part of the interest payments for which certain borrowers are liable on loans from the OCR. During the reporting period, \$513 (2014: \$551) was received from the OSF in interest on behalf of the borrowers. The fund balance is included in Receivable and prepaid assets in the statement of financial position.

#### NOTE 27 – COMMITMENTS AND GUARANTEES

Legal claims are recognised when the Bank has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. The Bank recognises no provisions for future operating expenses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to settle the obligation using the rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

#### Commitments

The Bank's commitments are represented by loan disbursement obligations to its borrowers up to the approved amount of these loans (Refer to *Note 9 – Loans*) and contracted expenditures for capital expenditure undertakings (2015 : \$nil; 2014 : \$1,214), and OCR commitments to the operations of the SDF(U) (Refer to *Note 3 : Risk Management – Commitments, Guarantees and Contingent liabilities*)

# **CARIBBEAN DEVELOPMENT BANK**

## **ORDINARY CAPITAL RESOURCES**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **NOTE 27 – COMMITMENTS AND GUARANTEES...continued**

##### *Guarantees*

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised as a liability in the financial statements at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee, on the date the guarantee was given. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

At its two hundred and forty-ninth meeting held on December 8, 2011, the Bank issued a guarantee in an amount not exceeding the equivalent of \$12 million with respect to Bonds issued by the Government of St. Kitts and Nevis (GOSKN) on a rolling, re-instatable and non-accelerable basis.

The guarantee contains a Counter Guarantee and Indemnity clause whereby the GOSKN undertakes irrevocably and unconditionally agrees to reimburse the Bank for any amount paid under the guarantee together with interest and other charges at a rate specified by the Bank. Where reimbursement to the Bank is not made (in whole or in part) within a period of 90 days of such amounts being paid the Bank such unreimbursed amounts shall be converted to a loan due by the GOSKN to the Bank's OCR.

Caribbean Development Bank  
Special Funds Resources – Special Development Fund

Financial Statements

For the year ended December 31, 2015  
(Expressed in thousands of United States dollars unless  
otherwise stated)

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**INDEX TO THE FINANCIAL STATEMENTS**

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	<b>Pages</b>
Independent Auditors' Report	1
Statement of Financial Position	2 - 3
Statement of Comprehensive Income and Accumulated Net Income	4
Statement of Cash Flows	5 - 6
Summary Statement of Investments	7
Summary Statement of Loans	8 - 14
Statement of Contributed Resources	15 - 20
Statement of Accumulated Net Income	21 - 22
Notes to the Financial Statements	23 - 30

## **Independent Auditors' Report**

### **To the Board of Governors of Caribbean Development Bank**

We have audited the accompanying financial statements of the **Special Development Fund** of the **Caribbean Development Bank** (the Bank) which comprise the statement of financial position as of December 31, 2015, statement of comprehensive income and accumulated net income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared using the basis of accounting described in Note 2.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements using the basis of accounting described in Note 2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion**

In our opinion, the financial statements of the Special Development Fund for the year ended December 31, 2015 are prepared, in all material respects, in accordance with the basis of accounting described in Note 2.

#### **Basis of accounting**

Without modifying our opinion, we draw attention to Note 2 of the financial statements which describes the basis of accounting. The financial statements are prepared for the specific purpose of reflecting the sources and applications of member subscriptions and contributions and other development resources and as a result, may not be suitable for any other purpose.

Chartered Accountants  
Barbados



**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**STATEMENT OF FINANCIAL POSITION**

**As of December 31, 2015**

(expressed in thousands of United States dollars)

	<b>2015</b>			<b>2014</b>		
	<b>Unified</b>	<b>Other</b>	<b>Total</b>	<b>Unified</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents – Note 3	<b>\$31,548</b>	<b>\$12,129</b>	<b>\$43,677</b>	\$12,700	\$9,076	\$21,776
Debt securities at fair value through profit or loss (Schedule 1)	<b>262,464</b>	<b>43,509</b>	<b>305,973</b>	260,581	50,145	310,726
Loans outstanding (Schedule 2)	<b>543,427</b>	<b>15,756</b>	<b>559,183</b>	529,875	16,959	546,834
<b>Receivables</b>						
Accounts receivable – Note 9	<b>1</b>	<b>-</b>	<b>1</b>	5,041	-	5,041
	<b>\$837,440</b>	<b>\$71,394</b>	<b>\$908,834</b>	\$808,197	\$76,180	\$884,377
<b>Receivable from contributors</b>						
Non-negotiable demand notes (Schedule 3)	<b>\$73,176</b>	<b>\$-</b>	<b>\$73,176</b>	\$64,631	\$-	\$64,631
Contribution in arrears	<b>12,124</b>	<b>-</b>	<b>12,124</b>	5,793	-	5,793
	<b>85,300</b>	<b>\$-</b>	<b>85,300</b>	70,424	-	70,424
<b>Total assets</b>	<b>\$922,740</b>	<b>\$71,394</b>	<b>\$994,134</b>	<b>\$878,621</b>	<b>\$76,180</b>	<b>\$954,801</b>
<b>Liabilities and Funds</b>						
<b>Liabilities</b>						
Accounts payable – Note 10	<b>\$60,375</b>	<b>\$1,498</b>	<b>\$61,873</b>	\$60,360	\$4,508	\$64,868
Subscriptions in advance	<b>2,350</b>	<b>-</b>	<b>2,350</b>	1,762	-	1,762
Accrued charges on Contributions	<b>-</b>	<b>-</b>	<b>-</b>	-	-	-
	<b>62,725</b>	<b>1,498</b>	<b>64,223</b>	62,122	4,508	66,630

The accompanying schedules and notes form an integral part of these financial statements.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**STATEMENT OF FINANCIAL POSITION... *continued***

**As of December 31, 2015**

(expressed in thousands of United States dollars)

	<b>2015</b>			<b>2014</b>		
	<b>Unified</b>	<b>Other</b>	<b>Total</b>	<b>Unified</b>	<b>Other</b>	<b>Total</b>
<b>Funds – Note 5</b>						
Contributed resources (Schedule 3)						
Contributions	<b>\$1,201,875</b>	<b>\$40,905</b>	<b>\$1,242,780</b>	\$1,149,617	\$41,174	\$1,190,791
Less amounts not yet made available	<b>(81,827)</b>	<b>-</b>	<b>(81,827)</b>	(85,853)	-	(85,853)
Amounts made available	<b>1,120,048</b>	<b>40,905</b>	<b>1,160,953</b>	1,063,764	41,174	1,104,938
Allocation to technical assistance and grant resources	<b>(430,600)</b>	<b>(2,285)</b>	<b>(432,885)</b>	(405,600)	(2,266)	(407,866)
	<b>689,448</b>	<b>38,620</b>	<b>728,068</b>	658,164	38,908	697,072
Accumulated net income (Schedule 4)	<b>52,513</b>	<b>30,351</b>	<b>82,864</b>	61,374	31,838	93,212
Technical assistance and grant resources – Note 7	<b>118,054</b>	<b>925</b>	<b>118,979</b>	96,961	926	97,887
	<b>\$860,015</b>	<b>\$69,897</b>	<b>\$929,912</b>	\$816,499	\$71,672	\$888,171
<b>Total liabilities and funds</b>	<b>\$922,740</b>	<b>\$71,394</b>	<b>\$994,134</b>	\$878,621	\$76,180	\$954,801

The accompanying schedules and notes form an integral part of these financial statements.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**  
**STATEMENT OF COMPREHENSIVE INCOME AND ACCUMULATED NET INCOME**  
**For the year ended December 31, 2015**

(expressed in thousands of United States dollars)

	<b>2015</b>			<b>2014</b>		
	<b>Unified</b>	<b>Other</b>	<b>Total</b>	<b>Unified</b>	<b>Other</b>	<b>Total</b>
<b>Interest and similar income</b>						
Loans	\$12,110	\$378	\$12,488	\$11,601	\$406	\$12,007
Investments and cash balances	1,076	308	1,384	1,512	548	2,060
	<b>13,186</b>	<b>686</b>	<b>13,872</b>	<b>13,113</b>	<b>954</b>	<b>14,067</b>
<b>Expenses</b>						
Administrative expenses	16,804	1,050	17,854	13,602	894	14,496
Charges on contributions	-	-	-	-	11	11
Foreign exchange translation	(757)	89	(668)	(885)	429	(456)
	<b>16,047</b>	<b>1,139</b>	<b>17,186</b>	<b>12,717</b>	<b>1,334</b>	<b>14,051</b>
<b>Total comprehensive income/ (loss) for the year</b>	<b>\$(2,861)</b>	<b>\$(453)</b>	<b>\$(3,314)</b>	<b>\$396</b>	<b>\$(380)</b>	<b>\$16</b>
<b>Accumulated net income</b>						
Accumulated net income – beginning of year	\$61,374	\$31,838	\$93,212	\$54,978	\$33,253	\$88,231
Appropriations for technical assistance	(12,000)	(1,034)	(13,034)	-	(1,035)	(1,035)
Total comprehensive income/ (loss) for the year	(2,861)	(453)	(3,314)	396	(380)	16
Allocation from OCR	6,000	-	6,000	6,000	-	6,000
<b>Accumulated net income – end of year</b>	<b>\$52,513</b>	<b>\$30,351</b>	<b>\$82,864</b>	<b>\$61,374</b>	<b>\$31,838</b>	<b>\$93,212</b>

The accompanying schedules and notes form an integral part of these financial statements.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (UNIFIED)**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2015**  
(expressed in thousands of United States dollars)

	<b>2015</b>	<b>2014</b>
<b>Operating activities</b>		
Total comprehensive (loss)/ income for the year	<b>\$(2,861)</b>	\$396
Adjustments for non-cash items		
Unrealised loss/ (gain) on debt securities at fair value through profit or loss	1,649	(336)
Interest income	(14,661)	(13,409)
Net foreign exchange gain	(1,382)	(1,955)
<i>Total cash flows used in operating activities before changes in operating assets and liabilities</i>	<b>(17,255)</b>	(15,304)
Changes in operating assets and liabilities		
Decrease/ (increase) in accounts receivable	5,040	(5,040)
Increase /(decrease) in accounts payable	15	(6,989)
<i>Cash used in operating activities</i>	<b>(12,200)</b>	(27,333)
Disbursements on loans	<b>(39,080)</b>	(49,026)
Principal repayments to the Bank on loans	<b>25,613</b>	22,701
Interest received	<b>14,368</b>	13,374
Net increase in debt securities at fair value through profit or loss	<b>(3,324)</b>	(4,846)
Technical assistance disbursements	<b>(14,442)</b>	(14,806)
<i>Net cash used in operating activities</i>	<b>(29,065)</b>	(59,936)
<b>Financing activities</b>		
Increase/ (decrease) in contributions for loans	32,666	(4,995)
Increase in receivables from contributors	(14,876)	(3,583)
Increase/ (decrease) in subscriptions in advance	588	(881)
Technical assistance allocation	35,535	53,217
Allocation from OCR	(6,000)	6,000
<i>Net cash provided by financing activities</i>	<b>47,913</b>	49,758
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>18,848</b>	(10,178)
Cash and cash equivalents - beginning of year	<b>\$12,700</b>	\$22,878
<b>Cash and cash equivalents - end of year</b>	<b>\$31,548</b>	\$12,700

The accompanying schedules and notes form an integral part of these financial statements.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (OTHER)**  
**STATEMENT OF CASH FLOWS**  
**For the year ended December 31, 2015**

(expressed in thousands of United States dollars)

	<b>2015</b>	<b>2014</b>
<b>Operating activities</b>		
Total comprehensive loss for the year	<b>\$(453)</b>	\$(380)
Adjustments for non-cash items		
Unrealised loss/ (gain)/ on debt securities at fair value through profit or		
Loss	171	(122)
Interest income	(840)	(833)
Interest expense	-	11
Net foreign exchange gains	(288)	(670)
<b>Total cash flows used in operating activities before changes in operating assets and liabilities</b>	<b>(1,410)</b>	(1,994)
Changes in operating assets and liabilities		
(Decrease) / increase in accounts payable	<b>(3,031)</b>	3,181
<i>Cash (used in)/ provided by operating activities</i>	<b>(4,421)</b>	1,187
Principal repayments to the Bank on loans	<b>1,192</b>	1,153
Interest received	<b>863</b>	863
Interest paid	-	(13)
Net decrease in debt securities at fair value through profit or loss	<b>6,453</b>	5,329
<b>Net cash provided by operating activities</b>	<b>4,087</b>	8,519
<b>Financing activities:</b>		
Repayments of contributions	-	(590)
Technical assistance allocation	-	19
Appropriations of accumulated net income	(1,034)	(1,035)
<b>Net cash used in financing activities</b>	<b>(1,034)</b>	(1,606)
Net increase in cash and cash equivalents	<b>3,053</b>	6,913
Cash and cash equivalents – beginning of year	<b>9,076</b>	2,163
<b>Cash and cash equivalents - end of year</b>	<b>\$12,129</b>	\$9,076

The accompanying schedules and notes form an integral part of these financial statements.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUND RESOURCES – SPECIAL DEVELOPMENT FUND**  
**SUMMARY STATEMENT OF INVESTMENTS**  
**As of December 31, 2015**

(expressed in thousands of United States dollars)

**SCHEDULE 1**

	<b>2015</b>			<b>2014</b>		
	<b>Market value</b>			<b>Market value</b>		
<b>Debt securities at fair value through profit or loss – Note 4</b>	<b>Unified</b>	<b>Other</b>	<b>Total</b>	<b>Unified</b>	<b>Other</b>	<b>Total</b>
Government and Agency Obligations	\$170,186	\$24,273	\$194,459	\$189,683	\$38,130	\$227,813
Supranationals	71,304	17,205	88,509	60,169	9,975	70,144
Time Deposits	20,150	1,890	22,040	10,112	1,886	11,998
<b>Sub-total</b>	<b>261,640</b>	<b>43,368</b>	<b>305,008</b>	<b>259,964</b>	<b>49,991</b>	<b>309,955</b>
Accrued interest	824	140	964	617	154	771
<b>Total – December 31</b>	<b>\$262,464</b>	<b>\$43,508</b>	<b>\$305,972</b>	<b>\$260,581</b>	<b>\$50,145</b>	<b>\$310,726</b>

**Residual term to contractual maturity**

	<b>2015</b>	<b>2014</b>
One month to three months	\$26,005	\$86,338
Over three months to one year	57,717	93,792
From one year to five years	189,403	127,263
From five years to ten years	32,847	3,333
<b>Total – December 31</b>	<b>\$305,972</b>	<b>\$310,726</b>

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (UNIFIED)**  
**SUMMARY STATEMENT OF LOANS**  
**As of December 31, 2015**  
(expressed in thousands of United States dollars)

**SCHEDULE 2**

Member countries in which loans have been made	2015			% of Total Loans Outstanding
	Loans approved but not yet effective	Undisbursed	Outstanding <sup>1/</sup>	
Anguilla	\$425	\$-	\$2,444	0.5
Antigua and Barbuda	-	-	2,008	0.4
Bahamas	-	-	639	0.1
Barbados	-	-	281	0.1
Belize	-	31,259	42,449	7.9
British Virgin Islands	-	277	1,249	0.2
Dominica	32,977	13,658	55,387	10.2
Grenada	3,000	21,256	77,704	14.4
Guyana	-	44,946	110,924	20.5
Jamaica	-	10,800	119,253	22.0
Montserrat	-	1,286	3,348	0.6
St. Kitts and Nevis	8,000	259	44,865	8.3
St. Lucia	6,000	28,958	44,153	8.2
St. Vincent and the Grenadines	-	23,013	28,519	5.3
Suriname	-	3,370	-	0.0
Trinidad and Tobago	1,000	-	-	0.0
Turks and Caicos Islands	-	-	4,016	0.7
Regional	-	6,375	3,207	0.6
<b>Sub-total</b>	<b>\$51,402</b>	<b>\$185,457</b>	<b>\$540,446</b>	<b>100.0</b>
Accrued interest	-	-	2,981	
<b>Total – December 31</b>	<b>\$51,402</b>	<b>\$185,457</b>	<b>\$543,427</b>	

1/ There are no overdue installments of principal (2013 - nil).

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (UNIFIED)**  
**SUMMARY STATEMENT OF LOANS...continued**  
**As of December 31, 2015**

(Expressed in thousands of United States dollars)

**SCHEDULE 2**

Member countries in which loans have been made	2014			% of Total Loans Outstanding
	Loans approved but not yet effective	Undisbursed	Outstanding <sup>1/</sup>	
Anguilla	\$425	\$112	\$2,603	0.5
Antigua and Barbuda	-	-	2,274	0.4
Bahamas	-	90	660	0.1
Barbados	-	-	344	0.1
Belize	2,581	17,952	41,584	7.8
British Virgin Islands	-	300	1,362	0.3
Dominica	-	16,082	55,457	10.5
Grenada	10,700	12,009	74,085	14.1
Guyana	28,938	20,950	110,153	20.9
Jamaica	-	26,113	112,054	21.3
Montserrat	-	2,500	2,320	0.4
St. Kitts and Nevis	-	548	47,218	9.0
St. Lucia	6,000	35,581	40,392	7.7
St. Vincent and the Grenadines	-	25,492	28,472	5.4
Suriname	3,370	-	-	0.0
Trinidad and Tobago	1,000	-	-	0.0
Turks and Caicos Islands	-	-	4,620	0.9
Regional	6,375	-	3,381	0.6
<b>Sub-total</b>	<b>\$59,389</b>	<b>\$157,729</b>	<b>\$526,979</b>	<b>100.0</b>
Accrued interest	-	-	2,896	
<b>Total – December 31</b>	<b>\$59,389</b>	<b>\$157,729</b>	<b>\$529,875</b>	

1/ There are no overdue installments of principal (2013 - nil).



**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (OTHER)**  
**SUMMARY STATEMENT OF LOANS...continued**  
**As of December 31, 2015**

(expressed in thousands of United States dollars)

**SCHEDULE 2**

<b>2015</b>			
<b>Member countries in which loans have been made</b>	<b>Undisbursed</b>	<b>Outstanding<sup>1/</sup></b>	<b>% of Total Loans Outstanding</b>
Antigua and Barbuda	\$-	\$381	2.4
Belize	-	6,232	39.8
Dominica	-	1,760	11.2
Grenada	-	149	1.0
Jamaica	-	1,249	8.0
St. Kitts and Nevis	-	4,463	28.4
St. Lucia	-	401	2.6
St. Vincent and the Grenadines	-	1,033	6.6
<b>Sub-total</b>	<b>\$-</b>	<b>\$15,668</b>	<b>100.0</b>
Accrued interest	-	89	
<b>Total</b>	<b>\$-</b>	<b>\$15,757</b>	

1/ There were no overdue installments of principal (2013 - nil).

<b>2014</b>			
<b>Member countries in which loans have been made</b>	<b>Undisbursed</b>	<b>Outstanding<sup>1/</sup></b>	<b>% of Total Loans Outstanding</b>
Antigua and Barbuda	\$-	\$410	2.4
Belize	-	6,706	39.8
Dominica	-	1,866	11.1
Grenada	-	158	0.9
Jamaica	-	1,400	8.3
St. Kitts and Nevis	-	4,771	28.3
St. Lucia	-	444	2.6
St. Vincent and the Grenadines	-	1,105	6.6
<b>Sub-total</b>	<b>\$-</b>	<b>\$16,860</b>	<b>100.0</b>
Accrued interest		99	
<b>Total</b>	<b>\$-</b>	<b>\$16,959</b>	

1/ There were no overdue installments of principal (2013 - nil).

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**SUMMARY STATEMENT OF LOANS...continued**

**As of December 31, 2015**

(expressed in thousands of United States dollars)

**SCHEDULE 2**

	2015			
Analysis by Contributor	Loans approved but not yet effective	Undisbursed	Outstanding <sup>1/</sup>	% of total loans outstanding
Special Development Fund (Unified)				
Members/Contributors	\$51,402	\$185,457	\$540,446	100.0
Accrued interest	-	-	2,981	
Total Special Development Fund (Unified)	\$51,402	\$185,457	\$543,427	
Special Development Fund (Other)				
Members				
Colombia	-	-	97	0.6
Germany	-	-	115	0.7
Mexico	-	-	1,729	11.0
Venezuela	-	-	13,698	87.5
	-	-	15,639	
Other contributors				
Sweden	-	-	29	0.2
	-	-	29	100.0
Sub-total	-	-	15,668	
	-	-	89	
Accrued interest				
Total – Special Development Fund (Other)	\$-	\$-	\$15,757	
Total Special Development Fund	\$51,402	\$185,457	\$559,184	

<sup>1/</sup>There were no overdue installments of principal (2013- nil).

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**SUMMARY STATEMENT OF LOANS...continued**

**As of December 31, 2015**

(expressed in thousands of United States dollars)

**SCHEDULE 2**

	2014			
Analysis by Contributor	Loans approved but not yet effective	Undisbursed	Outstanding <sup>1/</sup>	% of total loans outstanding
Special Development Fund (Unified)				
Members/Contributors	\$59,389	\$157,729	\$526,979	100.0
Accrued interest	-	-	2,896	
Total Special Development Fund (Unified)	\$59,389	\$157,729	\$529,875	
Special Development Fund (Other)				
Members	-	-	115	0.7
Colombia				
Germany	-	-	121	0.7
Mexico	-	-	1,860	11.0
Venezuela	-	-	14,733	87.4
	-	-	16,829	
Other contributors				
Sweden	-	-	31	0.2
			31	100.0
Sub-total	-	-	\$16,860	
Accrued interest	-	-	99	
Total – Special Development Fund (Other)	\$-	\$-	\$16,959	
Total Special Development Fund	\$59,389	\$157,729	\$546,834	

<sup>1/</sup>There were no overdue installments of principal (2013- nil).

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**SUMMARY STATEMENT OF LOANS...continued**

**As of December 31, 2015**

(expressed in thousands of United States dollars)

**SCHEDULE 2**

Currencies Receivable	2015					Loans out- standing 2015
	Loans out- standing 2014	Net interest earned	Disburse- ments	Sub- total	Repay- ments	
<b>(a) Special Development Fund (Unified)</b>						
United States dollars	\$526,979	\$-	\$39,080	\$566,059	\$(25,613)	\$540,446
Accrued interest	2,896	85	-	2,981	-	2,981
<b>Total – December 31</b>	<b>\$529,875</b>	<b>\$85</b>	<b>\$39,080</b>	<b>\$569,040</b>	<b>\$(25,613)</b>	<b>\$543,427</b>
<b>(b) Special Development Fund (Other)</b>						
United States dollars	\$16,860	\$-	\$-	\$16,860	\$(1,192)	\$15,668
Accrued interest <sup>1</sup>	99	(10)	-	89	-	89
<b>Total</b>	<b>\$16,959</b>	<b>\$(10)</b>	<b>\$-</b>	<b>\$16,949</b>	<b>\$(1,192)</b>	<b>\$15,757</b>

**Maturity structure of loans outstanding**

January 1, 2016 to December 31, 2016	\$31,683
January 1, 2017 to December 31, 2017	30,072
January 1, 2018 to December 31, 2018	30,082
January 1, 2019 to December 31, 2019	30,085
January 1, 2020 to December 31, 2020	31,714
January 1, 2021 to December 31, 2025	150,470
January 1, 2026 to December 31, 2030	131,337
January 1, 2031 to December 31, 2035	81,475
January 1, 2036 to December 31, 2040	38,212
January 1, 2041 to December 31, 2045	4,054
<b>Total</b>	<b>\$559,184</b>

<sup>1</sup>/Relates to amounts disbursed and outstanding.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**SUMMARY STATEMENT OF LOANS...continued**

**As of December 31, 2015**

(expressed in thousands of United States dollars)

**SCHEDULE 2**

Currencies Receivable	2014					Loans out- standing 2014
	Loans out- standing 2013	Net interest earned	Disburse- ments	Sub- total	Repay- ments	
<b>(c) Special Development Fund (Unified)</b>						
United States dollars	\$500,654	\$-	\$49,026	\$549,680	\$(22,701)	\$526,979
Accrued interest	2,864	32	-	2,896	-	2,896
<b>Total – December 31</b>	<b>\$503,518</b>	<b>\$32</b>	<b>\$49,026</b>	<b>\$552,576</b>	<b>\$(22,701)</b>	<b>\$529,875</b>
<b>(d) Special Development Fund (Other)</b>						
United States dollars	18,012	\$-	\$-	\$18,012	\$(1,152)	\$16,860
Accrued interest <sup>1</sup>	105	(6)	-	99	-	99
<b>Total</b>	<b>\$18,117</b>	<b>\$(6)</b>	<b>\$-</b>	<b>\$18,111</b>	<b>\$(1,152)</b>	<b>\$16,959</b>

**Maturity structure of loans outstanding**

January 1, 2015 to December 31, 2015	\$30,255
January 1, 2016 to December 31, 2016	28,139
January 1, 2017 to December 31, 2017	29,348
January 1, 2018 to December 31, 2018	29,339
January 1, 2019 to December 31, 2019	29,318
January 1, 2020 to December 31, 2024	144,961
January 1, 2025 to December 31, 2029	127,133
January 1, 2030 to December 31, 2034	86,045
January 1, 2035 to December 31, 2039	36,198
January 1, 2040 to December 31, 2044	6,098
<b>Total</b>	<b>\$546,834</b>

<sup>1</sup>/Relates to amounts disbursed and outstanding.

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

### STATEMENT OF CONTRIBUTED RESOURCES

As of December 31, 2015

(expressed in thousands of United States dollars)

### SCHEDULE 3

2015						
Contributors	Total approved <sup>1/</sup>	Approved but not yet effective <sup>2/</sup>	Total contribution agreed	Amounts not yet made available	Amounts made available	Receivable from members non- negotiable demand notes
<b>Special Development Fund</b>						
<b>(Unified)</b>						
<b>Members</b>						
Trinidad and Tobago	\$45,935	\$-	\$45,935	\$2,638	\$43,297	\$7,784
Bahamas	25,685	-	25,685	1,469	24,216	11,126
Barbados	25,681	-	25,681	1,469	24,212	2,832
Jamaica	43,755	-	43,755	2,638	41,117	13,573
Guyana	25,686	-	25,686	1,469	24,217	4,407
Antigua and Barbuda	2,889	632	2,257	-	2,257	777
Belize	6,575	-	6,575	360	6,215	2,252
Dominica	6,315	-	6,315	360	5,955	2,549
St. Kitts and Nevis	6,575	1,441	5,134	-	5,134	2,494
St. Lucia	6,575	-	6,575	360	6,215	2,612
St. Vincent and the Grenadines	6,587	-	6,587	360	6,227	2,029
Grenada	3,977	-	3,977	152	3,825	2,990
Montserrat	2,677	632	2,045	-	2,045	-
British Virgin Islands	2,677	-	2,677	158	2,519	-
Turks and Caicos Islands	2,677	632	2,045	-	2,045	-
Cayman Islands	2,577	1,237	1,340	-	1,340	-
Anguilla	2,677	632	2,045	-	2,045	736
Colombia	30,657	-	30,657	881	29,776	-
Venezuela	25,506	3,524	21,982	-	21,982	-
Canada	342,182	-	342,182	33,217	308,965	-
United Kingdom	277,331	-	277,331	26,026	251,305	14,820
Germany	101,173	-	101,173	7,980	93,193	1,115
Italy	65,296	3,244	62,052	-	62,052	-
China	48,298	-	48,298	1,750	46,548	-
Haiti	2,505	945	1,560	-	1,560	-
Suriname	2,160	-	2,160	540	1,620	1,080
Mexico	20,524	3,524	17,000	-	17,000	-
	1,135,152	16,443	1,118,709	81,827	1,036,882	73,176
<b>Other contributors</b>						
France	58,254	-	58,254	-	58,254	-
Chile	10	-	10	-	10	-
Netherlands	24,902	-	24,902	-	24,902	-
	1,218,318	16,443	1,201,875	81,827	1,120,048	73,176
Technical assistance allocation	(430,600)	-	(430,600)	-	(430,600)	-
	\$787,718	\$16,443	\$771,275	\$81,827	\$689,448	\$73,176

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**STATEMENT OF CONTRIBUTED RESOURCES...continued**

**As of December 31, 2015**

(expressed in thousands of United States dollars)

**SCHEDULE 3**

<b>2015</b>						
<b>Contributors</b>	<b>Total approved <sup>1/</sup></b>	<b>Approved but not yet effective <sup>2/</sup></b>	<b>Total contribution agreed</b>	<b>Amounts not yet made available</b>	<b>Amounts made available</b>	<b>Receivable from members non- negotiable demand notes</b>
<b>Sub-total b/fwd</b>	\$787,718	\$16,443	\$771,275	\$81,827	\$689,448	\$73,176
<b>Special Development Fund</b>						
<b>– Other</b>						
<b>Members</b>						
Colombia	5,000	-	5,000	-	5,000	-
Mexico <sup>3/</sup>	13,067	-	13,067	-	13,067	-
Venezuela	17,473	-	17,473	-	17,473	-
<b>Other contributors</b>						
Sweden	3,080	-	3,080	-	3,080	-
<b>Sub-total</b>	3,080	-	3,080	-	3,080	-
	38,620	-	38,620	-	38,620	
<b>Total SDF</b>	<b>\$826,338</b>	<b>\$16,443</b>	<b>\$809,895</b>	<b>\$81,827</b>	<b>\$728,068</b>	<b>\$73,176</b>
<b>Summary</b>						
Members	\$764,994	\$16,443	\$748,551	\$81,827	\$666,724	\$73,176
Other contributors	61,344	-	61,344	-	61,344	-
	<b>\$826,338</b>	<b>\$16,443</b>	<b>\$809,895</b>	<b>\$81,827</b>	<b>\$728,068</b>	<b>\$73,176</b>

<sup>1/</sup>Net of repayments

<sup>2/</sup>Contributions not yet firmly pledged by Governments

<sup>3/</sup> Net of appropriation for Technical Assistance of \$2,266,000

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**STATEMENT OF CONTRIBUTED RESOURCES...continued**

**As of December 31, 2015**

(expressed in thousands of United States dollars)

2014						
Contributors	Total approved 1/	Approved but not yet effective 2/	Total contribution agreed	Amounts not yet made available	Amounts made available	Receivable from members non-negotiable demand notes
<b>Special Development Fund (Unified)</b>						
<b>Members</b>						
Trinidad and Tobago	\$45,935	\$10,551	\$35,384	\$-	\$35,384	\$7,784
Bahamas	25,685	-	25,685	2,938	22,747	11,764
Barbados	25,681	-	25,681	2,938	22,743	2,832
Jamaica	43,755	-	43,755	5,275	38,480	11,595
Guyana	25,686	5,876	19,810	-	19,810	-
Antigua and Barbuda	2,889	632	2,257	-	2,257	777
Belize	6,575	-	6,575	721	5,854	2,029
Dominica	6,315	-	6,315	721	5,594	2,549
St. Kitts and Nevis	6,575	1,441	5,134	-	5,134	2,494
St. Lucia	6,575	-	6,575	721	5,854	2,390
St. Vincent and the Grenadines	6,588	-	6,588	721	5,867	2,304
Grenada	3,977	-	3,977	304	3,673	2,687
Montserrat	2,677	632	2,045	-	2,045	-
British Virgin Islands	2,677	-	2,677	316	2,361	-
Turks and Caicos Islands	2,677	1,237	1,440	-	1,440	-
Cayman Islands	2,577	1,237	1,340	-	1,340	-
Anguilla	2,677	632	2,045	-	2,045	946
Colombia	30,657	-	30,657	1,762	28,895	-
Venezuela	25,506	3,524	21,982	-	21,982	-
Canada	329,324	-	329,324	33,217	296,107	-
United Kingdom	260,352	-	260,352	23,659	236,693	10,910
Germany	98,197	-	98,197	7,980	90,217	2,490
Italy	65,882	3,244	62,638	-	62,638	-
China	48,298	-	48,298	3,500	44,798	-
Haiti	2,505	945	1,560	-	1,560	-
Suriname	2,160	-	2,160	1,080	1,080	1,080
Mexico	20,524	6,524	14,000	-	14,000	-
	1,102,926	36,475	1,066,451	85,853	980,598	64,631
<b>Other contributors</b>						
France	58,254	-	58,254	-	58,254	-
Chile	10	-	10	-	10	-
Netherlands	24,902	-	24,902	-	24,902	-
	1,186,092	36,475	1,149,617	85,853	1,063,764	64,631
Technical assistance allocation	(405,600)	-	(405,600)	-	(405,600)	-
	\$780,492	\$36,475	\$744,017	\$85,853	\$658,164	\$64,631



**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**STATEMENT OF CONTRIBUTED RESOURCES...continued**

**As of December 31, 2015**

(expressed in thousands of United States dollars)

**SCHEDULE 3**

<b>2014</b>						
<b>Contributors</b>	<b>Total approved <sup>1/</sup></b>	<b>Approved but not yet effective <sup>2/</sup></b>	<b>Total contribution agreed</b>	<b>Amounts not yet made available</b>	<b>Amounts made available</b>	<b>Receivable from members non- negotiable demand notes</b>
<b>Sub-total b/fwd</b>	\$780,492	\$36,475	\$744,017	\$85,853	\$658,164	\$64,631
<b>Special Development Fund – Other</b>						
<b>Members</b>						
Colombia	5,000	-	5,000	-	5,000	-
Mexico <sup>3/</sup>	13,067	-	13,067	-	13,067	-
Venezuela	17,473	-	17,473	-	17,473	-
	35,540	-	35,540	-	35,540	-
<b>Other contributors</b>						
Sweden	3,368	-	3,368	-	3,368	-
	3,368	-	3,368	-	3,368	-
<b>Sub-total</b>	38,908	-	38,908	-	38,908	-
<b>Total SDF</b>	<b>\$819,400</b>	<b>\$36,475</b>	<b>\$782,925</b>	<b>\$85,853</b>	<b>\$697,072</b>	<b>\$64,631</b>
<b>Summary</b>						
Members	\$732,866	\$36,475	\$696,391	\$85,853	\$610,538	\$64,631
Other contributors	86,534	-	86,534	-	86,534	-
	<b>\$819,400</b>	<b>\$36,475</b>	<b>\$782,925</b>	<b>\$85,853</b>	<b>\$697,072</b>	<b>\$64,631</b>

<sup>1/</sup>Net of repayments

<sup>2/</sup>Contributions not yet firmly pledged by Governments

<sup>3/</sup> Net of appropriation for Technical Assistance of \$2,266,000

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**STATEMENT OF CONTRIBUTED RESOURCES...continued**

**As of December 31, 2015**

(expressed in thousands of United States dollars)

**SCHEDULE 3**

**2015**

<b>Currencies</b>	<b>Amounts made available 2014</b>	<b>Trans- lation adjust- ment</b>	<b>Draw-downs/ appro- priations from capital <sup>1/</sup></b>	<b>Sub- total</b>	<b>Repay- ments</b>	<b>Amounts made available 2015</b>
<b>(a) Special Development Fund (Unified)</b>						
Euros	\$8,110	\$(845)	\$(1,115)	\$6,150	\$-	\$6,150
Pounds sterling	10,910	(537)	4,446	14,819	-	14,819
United States dollar	639,144	-	29,335	668,479	-	668,479
	<b>\$658,164</b>	<b>\$(1,382)</b>	<b>\$32,666</b>	<b>\$689,448</b>	<b>\$-</b>	<b>\$689,448</b>
<b>(b) Special Development Fund (Other)</b>						
Swedish kroners	\$3,368	\$(288)	\$-	\$3,080	\$-	\$3,080
United States dollars	35,540	-	-	35,540	-	35,540
	<b>\$38,908</b>	<b>\$(288)</b>	<b>\$-</b>	<b>\$38,620</b>	<b>\$-</b>	<b>\$38,620</b>

<sup>1/</sup>Net of conversions to United States dollars in accordance with the funding Rules of the Unified Special Development Fund.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**STATEMENT OF CONTRIBUTED RESOURCES...continued**

**As of December 31, 2015**

(expressed in thousands of United States dollars)

**SCHEDULE 3**

**2014**

<b>Currencies</b>	<b>Amounts made available 2013</b>	<b>Trans- lation adjust- ment</b>	<b>Draw-downs/ appro- priations from capital <sup>1/</sup></b>	<b>Sub- total</b>	<b>Repay- ments</b>	<b>Amounts made available 2014</b>
<b>(c) Special Development Fund (Unified)</b>						
Euros	\$6,370	\$4,230	\$(2,490)	\$8,110	\$-	\$8,110
Pounds sterling	14,878	(851)	(3,117)	10,910	-	10,910
United States dollar	643,866	(5,334)	612	639,144	-	639,144
	<b>\$665,114</b>	<b>\$(1,955)</b>	<b>\$(4,995)</b>	<b>\$658,164</b>	<b>\$-</b>	<b>\$658,164</b>
<b>(d) Special Development Fund (Other)</b>						
Swedish kroners	\$4,038	\$(670)	\$-	\$3,368	\$-	\$3,368
United States dollars	36,130	-	-	36,130	(590)	35,540
	<b>\$40,168</b>	<b>\$(670)</b>	<b>\$-</b>	<b>\$39,498</b>	<b>\$(590)</b>	<b>\$38,908</b>

<sup>1/</sup>Net of conversions to United States dollars in accordance with the Funding Rules of the Unified Special Development Fund.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**  
**STATEMENT OF ACCUMULATED NET INCOME**  
**As of December 31, 2015**

(expressed in thousands of United States dollars)

**SCHEDULE 4**

	<b>2015</b>			
<b>Contributors</b>	<b>Brought forward 2014</b>	<b>Net income 2015</b>	<b>Allocation/ (Appropriations)</b>	<b>Carried forward 2015</b>
<b>Special Development Fund ( Unified)</b>	\$61,374	\$(2,861)	\$(6,000)	\$52,513
<b>Special Development Fund (Other)</b>				
<b>Members</b>				
Colombia	2,125	(137)	-	1,988
Germany	(1,088)	(131)	-	(1,219)
Mexico	7,212	(72)	-	7,140
Venezuela	9,918	11	(1,035)	8,894
	18,167	(329)	(1,035)	16,803
<b>Other contributors</b>				
Sweden	2,453	(204)	-	2,249
United States of America	11,218	81	-	11,299
	13,671	(123)	-	13,548
	31,838	(452)	(1,035)	30,351
<b>Total Special Development Fund</b>	<b>\$93,212</b>	<b>\$(3,313)</b>	<b>\$(7,035)</b>	<b>\$82,864</b>
<b>Summary</b>				
Members	\$79,541	\$(3,190)	\$(7,035)	\$69,316
Other contributors	13,671	(123)	-	13,548
<b>Total SDF</b>	<b>\$93,212</b>	<b>\$(3,313)</b>	<b>\$(7,035)</b>	<b>\$82,864</b>

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**STATEMENT OF ACCUMULATED NET INCOME...continued**

**As of December 31, 2015**

(expressed in thousands of United States dollars)

**SCHEDULE 4**

	<b>2014</b>			
<b>Contributors</b>	<b>Brought forward 2013</b>	<b>Net income 2014</b>	<b>Allocation/ (Appropriations)</b>	<b>Carried forward 2014</b>
<b>Special Development Fund ( Unified)</b>	\$54,978	\$396	\$6,000	\$61,374
<b>Special Development Fund (Other)</b>				
<b>Members</b>				
Colombia	2,223	(98)	-	2,125
Germany	(983)	(105)	-	(1,088)
Mexico	7,210	2	-	7,212
Venezuela	10,879	74	(1,035)	9,918
	19,329	(127)	(1,035)	18,167
<b>Other contributors</b>				
Sweden	2,814	(361)	-	2,453
United States of America	11,110	108	-	11,218
	13,924	(253)	-	13,671
	33,253	(380)	(1,035)	31,838
<b>Total Special Development Fund</b>	<b>\$88,231</b>	<b>\$16</b>	<b>\$4,965</b>	<b>\$93,212</b>
<b>Summary</b>				
Members	\$74,307	\$269	\$4,965	\$79,541
Other contributors	13,924	(253)	-	13,671
<b>Total SDF</b>	<b>\$88,231</b>	<b>\$16</b>	<b>\$4,965</b>	<b>\$93,212</b>

# **CARIBBEAN DEVELOPMENT BANK**

## **SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars)

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#### **1. Nature of operations**

The Special Development Fund (SDF) was established to carry out the special operations of the Caribbean Development Bank (the Bank) by providing resources on concessional terms to assist borrowing members primarily for poverty reduction. Resources are provided by contributions from members and other contributors.

#### **2. Summary of significant accounting policies**

Due to the nature of the SDF, these financial statements have been prepared for the specific purpose of reflecting the sources and applications of member subscriptions and contributions and other development resources. These financial statements are not intended to be presented in accordance with International Financial Reporting Standards (IFRS), and have been prepared in accordance with the accounting policies outlined below.

Preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates.

##### **Foreign currency translation**

###### *Functional and presentation currency*

The functional and presentation currency of the Fund is the United States dollar (US\$) and the Fund's financial statements are rounded to the nearest thousand. Monetary assets and liabilities in currencies other than United States dollars are translated at market rates of exchange prevailing at the reporting date. Non-monetary items measured at historical cost in currencies other than United States dollars are translated using the exchange rates at the dates of the initial transactions.

Foreign currency transactions are initially translated into United States dollars at applicable rates of exchange on the transaction dates. Any gains or losses arising as a result of differences in rates applied to income and expenses and to assets and liabilities are shown as an exchange gain or loss in the statement of total comprehensive income for the year.

##### **Debt securities at fair value through profit or loss**

All debt securities are in a portfolio designated at fair value through the profit or loss and reported at fair market value. Securities are recognised on the statement of financial position when the Fund assumes related contractual rights and de-recognised when the rights to secure cash flows from the financial asset expire or when all risks and rewards of ownership have been substantially transferred.

# **CARIBBEAN DEVELOPMENT BANK**

## **SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars)

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#### **2. Summary of significant accounting policies...continued**

##### **Debt securities at fair value through profit or loss...continued**

Regular way purchases and sales of financial assets are recognised on the settlement date which is the date the Fund becomes a party to the contractual provisions of the instrument.

All securities are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income and accumulated net income. Gains and losses arising from changes in the fair value of debt securities through profit or loss are included in the profit for the year in the statement of comprehensive income and accumulated net income in the period in which they arise. Interest income earned whilst holding securities is reported as “Interest and similar income - investments and cash balances” in the statement of comprehensive income and accumulated net income.

##### *Determination of fair value*

For securities traded in active markets, the determination of fair values is based on quoted market prices or dealer price quotations. A security is regarded as quoted in an active market if prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. If the above criteria are not met, the market is regarded as being inactive.

For securities in inactive markets fair values are determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows, or other valuation techniques, using inputs (for example, LIBOR yield curves, FX rates, volatilities and counterparty spreads) existing at the reporting date.

The Fund uses widely recognised valuation models for determining fair values of non-standardised financial instruments. For these securities, inputs into models are generally market-observable.

##### **Loans**

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method net of impairments if any.

All loans by the Fund are made either from currencies available from members’ subscriptions or from currencies borrowed and the principal amounts are repayable to the Fund in the currencies lent. The balances outstanding on loans to members and their agencies are secured by guarantees of the Governments of the member countries in which the loans are made.

# **CARIBBEAN DEVELOPMENT BANK**

## **SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars)

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#### **2. Summary of significant accounting policies...continued**

##### **Loans...continued**

The Fund is one of very few lenders of development and structural adjustment loans to Caribbean countries. There is no secondary market for development loans nor does the Fund intend to sell these loans and as a result, the use of market data to arrive at the fair value of loans will not yield any meaningful results.

The Fund does not make provisions for impairment on loans as any loss that may occur is taken in the statement of comprehensive income and accumulated net income for that year.

##### **Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with maturities of three months or less from the date of acquisition.

##### **Technical assistance and grants**

Technical assistance and grants for capital projects to borrowing member countries are provided either from grants received from contributors or from other resources specifically allocated for this purpose. The contributions from donors are included in the financial statements from the date of the contribution agreement. Technical assistance is recognised when the project is approved and becomes effective.

##### **Interest income and charges on contributions**

For instruments carried at amortised cost, interest income and expense are recognised in the statement of comprehensive income and accumulated net income using the effective interest rate method. Interest income and expense are recognised as earned for items classified as fair value through profit or loss.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

##### **Administrative expenses**

Administrative expenses incurred by the Bank which cannot be directly charged to individual funds are allocated between the Ordinary Capital Resources (“OCR”), the Other Special Funds (“OSF”) and the SDF in accordance with a method of allocation approved by the Board of Directors.



# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars)

### 3. Cash and cash equivalents

Cash and cash equivalents comprise:

	SDF Unified		SDF Other	
	2015	2014	2015	2014
Due to banks	\$1,351	\$(10,811)	\$3,325	\$5,075
Time deposits	30,197	23,511	8,804	4,001
	<b>\$31,548</b>	<b>\$12,700</b>	<b>\$12,129</b>	<b>\$9,076</b>

### 4. Debt securities at fair value through profit or loss

As part of its overall portfolio management strategy, the Bank invests in Government, agency, supranational and bank obligations, including time deposits and euro commercial paper. The Bank limits its activities of investing in securities to well established dealers and counterparties meeting minimum credit rating standards set by the Bank.

The annualised rate of return on the average investments held during the year, including realised and unrealised gains and losses was 0.41% (2014: 0.66%). Net realised gains on investments traded during 2015 for the Unified and Other funds amounted to \$191 (2014: \$40) and net unrealised losses were \$1,850 (2014: \$213).

### 5. Funds

In accordance with the Agreement establishing the Bank (the Charter), Special Funds Resources comprise the Special Development Fund and Other Special Funds established or administered by the Bank, including technical assistance and other grant resources contributed on a non-reimbursable basis. The Special Development Fund was established to receive contributions or loans which may be used to make or guarantee loans of high developmental priority, comprising longer maturities, longer deferred commencement of repayment and lower interest rates than those determined by the Bank in its Ordinary Operations. As a result of Rules adopted by the Bank in May 1983 for the Special Development Fund, contributions to the Special Development Fund currently comprise funds made available to the Bank under the rules applicable to the old Special Development Fund (referred to herein as “Other”) and shown separately from funds made available to the Bank from the Unified SDF (referred to herein as “Unified”).

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars)

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**5. Funds...continued**

Details of contributions and loan resources to the Special Development Fund are stated at the equivalent in thousands of United States dollars where such contributions and loans have been made in currencies other than United States dollars, and are as follows:

**(i) Special Development Fund – Unified**

	<b>2015</b>	<b>2014</b>
Contributions (as per Schedule 3)	<b>\$689,448</b>	\$658,164

All contributions to the Special Development Fund - Unified are interest-free with no date for repayment.

Effective October 27, 2000, France ceased to be a member of the Bank, however under the Rules of the Special Development Fund, its contributions are non-reimbursable.

**(ii) Special Development Fund - Other**

	<b>2015</b>	<b>2014</b>
<b>Colombia</b>	<b>\$5,000</b>	\$5,000

The contribution is interest-free and was not repayable before 2000. The agreement with the contributor provides that not less than 5% or more than 10% of the contribution may be used for technical assistance. To date \$ 39 (2014: \$39) has been incurred on technical assistance and has been charged against the income from the contribution.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars)

**5. Funds...continued**

**(ii) Special Development Fund – Other ...continued**

	<b>2015</b>	<b>2014</b>
<b>Mexico</b>		
First contribution	<b>\$7,000</b>	\$7,000
Less technical assistance	<b>(2,266)</b>	(2,266)
	<b>4,734</b>	4,734
Second contribution	<b>5,000</b>	5,000
Third contribution	<b>3,333</b>	3,333
	<b>\$13,067</b>	\$13,067
Technical assistance resources	<b>\$2,285</b>	\$2,285

The contributions are interest-free and were not subject to call before 2009.

	<b>2015</b>	<b>2014</b>
<b>Venezuela</b>		
First contribution	<b>\$10,000</b>	\$10,000
Less technical assistance	<b>(177)</b>	(177)
	<b>9,823</b>	9,823
Second contribution	<b>7,650</b>	7,650
	<b>\$17,473</b>	\$17,473

The contributions are interest-free and were not subject to calls before 1999 and 2006, respectively. The agreement with the contributor provides that up to 10% of the first contribution may be used to finance technical assistance on the basis of contingent recovery.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars)

**5. Funds...continued**

(ii) **Special Development Fund – Other...continued**

	<b>2015</b>	<b>2014</b>
<b>Sweden</b>	<b>\$3,080</b>	<b>\$3,368</b>
The contribution is interest-free with no definite date for repayment.		
<b>United States of America</b>	<b>2015</b>	<b>2014</b>
First contribution	<b>\$10,000</b>	\$10,000
Less repayments	<b>(10,000)</b>	(10,000)
	-	-
Second contribution	<b>12,000</b>	12,000
Less repayments	<b>(12,000)</b>	(12,000)
	<b>\$-</b>	<b>\$-</b>
Technical Assistance	<b>\$302</b>	<b>\$302</b>

The contributions are subject to interest at the rate of 2% per annum on the amounts outstanding for the first ten years after first disbursement and thereafter at the rate of 3% per annum. The second contribution is repayable over the period 1984 to 2014.

**6. Accumulated net income and total comprehensive income for the year**

In accordance with the rules of the Special Development Fund, the accumulated net income and total comprehensive income for the current year form part of the contributed resources of the fund and are not available for allocation by the Board of Governors.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended December 31, 2015**

(expressed in thousands of United States dollars)

**7. Technical assistance and grant resources – Unified and Other**

In accordance with paragraph 4.9.2 of the Rules for the Special Development Fund, allocations/appropriations of income and capital of the Fund may be made for the purpose of the Bank's technical assistance and grant operations. The movements during the years ended December 31, 2014 and 2013 were as follows:

Balance at December 31, 2013	\$59,456
Allocations for the year	53,236
Expenditure for the year	<u>\$(14,805)</u>
Balance at December 31, 2014	<b>\$97,887</b>
Allocations for the year	35,535
Expenditure for the year	<u>(14,442)</u>
<b>Balance at December 31, 2015</b>	<b><u>\$118,980</u></b>

**8. Loans outstanding – Unified and Other**

The average interest rate earned on loans outstanding was 2.32% (2014: 2.34 %). There were no impaired loans at or during the financial years ended December 31, 2015 and 2014.

**9. Accounts receivable – Unified and Other**

	<u>2015</u>	<u>2014</u>
Inter-fund receivable	<u>\$1</u>	<u>\$5,041</u>

**10. Accounts payable – Unified and Other**

	<u>2015</u>	<u>2014</u>
Accounts payable - general	<b>\$57,628</b>	\$60,360
Interfund payables	<b>4,244</b>	4,508
	<b><u>\$61,872</u></b>	<b><u>\$64,868</u></b>

Caribbean Development Bank  
Special Funds Resources - Other Special Funds

Financial Statements

For the year ended December 31, 2015  
(Expressed in thousands of United States Dollars  
unless otherwise stated)



**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS**  
**INDEX TO THE FINANCIAL STATEMENTS**

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	<b>Pages</b>
Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Comprehensive Income and Accumulated Net Income	3
Statement of Cash Flows	4
Summary Statement of Investments	5
Summary Statement of Loans	6 - 11
Summary Statement of Contributions	12 – 14
Statement of Accumulated Net Income	15
Statement of Technical Assistance and other Grant Resources	16 - 17
Notes to the Financial Statements	18 - 27





## **Independent Auditors' Report**

### **To the Board of Governors of Caribbean Development Bank**

We have audited the accompanying financial statements of the **Other Special Funds** of the **Caribbean Development Bank** (the Bank) which comprise the statement of financial position as of December 31, 2015, statement of comprehensive income and accumulated net income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. These financial statements have been prepared using the basis of accounting described in Note 2.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements using the basis of accounting described in Note 2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion**

In our opinion, the financial statements of the Other Special Funds for the year ended December 31, 2015 are prepared, in all material respects, in accordance with the basis of accounting described in Note 2.

#### **Basis of accounting**

Without modifying our opinion, we draw attention to Note 2 of the financial statements which describes the basis of accounting. The financial statements are prepared for the specific purpose of reflecting the sources and applications of member subscriptions and contributions and other development resources and as a result, may not be suitable for any other purpose.

Chartered Accountants  
Barbados

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

### STATEMENT OF FINANCIAL POSITION

**As of December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Cash and cash equivalents – Note 3	<b>\$28,810</b>	\$31,013
Investments at fair value through profit or loss (Schedule 1)	<b>69,563</b>	71,713
Loans outstanding (Schedule 2)	<b>110,356</b>	116,449
Accounts receivable – Note 8	<b>56,377</b>	60,361
<b>Total assets</b>	<b>\$265,106</b>	\$279,536
<b>Liabilities and Funds</b>		
<b>Liabilities</b>		
Accounts payable – Note 9	<b>\$4,907</b>	\$7,301
Accrued charges on contributions repayable	<b>219</b>	234
	<b>5,126</b>	7,535
<b>Funds</b>		
Contributed resources - (Schedule 3)	\$66,600	70,229
Amounts made available	66,600	70,229
Accumulated net income (Schedule 4)	59,162	55,163
	<b>125,762</b>	125,392
Technical assistance and other grant resources (Schedule 5)	<b>134,218</b>	146,609
<b>Total liabilities and funds</b>	<b>\$265,106</b>	\$279,536

The accompanying schedules and notes and schedules form an integral part of these financial statements.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES – OTHER SPECIAL FUNDS**

**STATEMENT OF COMPREHENSIVE INCOME AND ACCUMULATED NET INCOME**  
**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

	<b>2015</b>	<b>2014</b>
<b>Interest and similar income</b>		
Loans	<b>\$2,454</b>	\$2,563
Investments and cash balances	<b>3,261</b>	1,880
	<b>5,715</b>	4,443
<b>Expenses</b>		
Administrative expenses	<b>1,432</b>	1,189
Charges on contributions repayable	<b>845</b>	931
Foreign exchange translation	<b>(561)</b>	(517)
<b>Total expenses</b>	<b>1,716</b>	1,603
<b>Total comprehensive income for the year</b>	<b>\$3,999</b>	\$2,840
<b>Accumulated net income</b>		
<b>Accumulated net income– beginning of year</b>	<b>\$55,163</b>	\$52,323
Total comprehensive income for the year	<b>3,999</b>	2,840
<b>Accumulated net income– end of year</b>	<b>\$59,162</b>	\$55,163

The accompanying schedules and notes form an integral part of these financial statements.

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

### STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

	2015	2014
<b>Operating activities</b>		
Total comprehensive income for the year	\$3,999	\$2,840
Adjustments for non-cash items		
Net unrealised loss on investments	5,853	27
Interest income	(3,786)	(3,932)
Interest expense	845	931
Net foreign exchange gains	(545)	(573)
<b>Total cash flow from (used in) operating activities before changes in operating assets and liabilities</b>	<b>6,366</b>	<b>(707)</b>
Changes in operating assets and liabilities		
Decrease in accounts receivable	3,984	5,094
(Decrease)/ increase in accounts payable	(2,409)	726
<b>Cash provided by operating activities</b>	<b>7,941</b>	<b>5,113</b>
Disbursements on loans	(1,111)	(3,474)
Principal repayment to the Bank on loans	6,421	5,369
Technical assistance disbursements	(11,849)	(12,629)
Interest received	3,805	3,980
Interest paid	(860)	(946)
Net increase in investments	(3,673)	(989)
<b>Net cash provided by/ (used in) operating activities</b>	<b>674</b>	<b>(3,576)</b>
<b>Financing activities</b>		
Contributions:		
Increase in contributions for loans	699	2,166
Repayments of contributions	(3,018)	(3,161)
Technical assistance contributions	(558)	18,093
<b>Net cash (used in)/ provided by financing activities</b>	<b>(2,877)</b>	<b>17,098</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<b>(2,203)</b>	<b>13,522</b>
Cash and cash equivalents at beginning of year	31,013	17,491
<b>Cash and cash equivalents at end of year</b>	<b>\$28,810</b>	<b>\$31,013</b>

The accompanying schedules and notes form an integral part of these financial statements.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS**

**SUMMARY STATEMENT OF INVESTMENTS**

**As of December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

**SCHEDULE 1**

	<b>2015</b>	<b>2014</b>
	<b>Market value</b>	<b>Market value</b>
<b>Investments</b>		
<b>Debt securities at fair value through profit or loss – Note 4</b>		
Government and Agency obligations	<b>\$39,120</b>	\$37,171
Supranationals	<b>6,902</b>	3,858
<b>Other securities at fair value through profit or loss</b>		
Time deposits	<b>3,505</b>	-
Mutual Funds	<b>8,599</b>	9,024
Managed Funds	<b>3,897</b>	11,184
Equity Investments	<b>7,420</b>	10,386
Sub-total	<b>69,443</b>	71,623
Accrued interest	<b>120</b>	90
	<b>\$69,563</b>	\$71,713
<b>Residual Term to Contractual Maturity</b>		
	<b>2015</b>	<b>2014</b>
1 – 3 months	<b>\$20,037</b>	\$33,148
3 months - 1 year	<b>18,122</b>	12,940
1 year - 5 years	<b>31,404</b>	25,625
	<b>69,563</b>	\$71,713

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

### SUMMARY STATEMENT OF LOANS

As of December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### SCHEDULE 2

Member countries in which loans have been made	2015			% of Total Loans Outstanding
	Principal repaid to Bank	Undisbursed	Outstanding <sup>1/</sup>	
Anguilla	\$494	\$-	\$6	0.0
Antigua and Barbuda	4,411	-	3,862	3.5
Barbados	19,814	-	6,020	5.5
Belize	8,249	-	-	0.0
British Virgin Islands	1,853	-	-	0.0
Cayman Islands	2,717	-	-	0.0
Dominica	16,896	1,420	17,482	15.9
Grenada	9,462	4	22,078	20.1
Guyana	17,390	-	3,194	2.9
Jamaica	40,488	-	28,106	25.6
Montserrat	1,184	-	-	0.0
St. Kitts and Nevis	5,093	-	2,500	2.3
St. Lucia	17,989	574	17,974	16.4
St. Vincent and the Grenadines	14,234	264	7,868	7.2
Trinidad and Tobago	2,172	-	675	0.6
Regional	2,219	-	-	0.0
<b>Sub-total</b>	164,665	2,262	109,765	100.0
Accrued interest	-	-	591	
	<b>\$164,665</b>	<b>\$2,262</b>	<b>\$110,356</b>	

1/There were no overdue installments of principal at December, 2015 (2014 -nil).

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS**

**SUMMARY STATEMENT OF LOANS...continued**

**As of December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

**SCHEDULE 2**

Member countries in which loans have been made	2014			% of Total Loans Outstanding
	Principal repaid to Bank	Undisbursed	Outstanding <sup>1/</sup>	
Anguilla	\$469	\$-	\$31	0.0
Antigua and Barbuda	4,197	-	4,209	3.6
Barbados	19,411	-	6,553	5.7
Belize	8,953	-	-	0.0
British Virgin Islands	1,893	-	-	0.0
Cayman Islands	2,817	-	-	0.0
Dominica	16,192	1,420	18,541	16.1
Grenada	8,950	4	22,934	19.8
Guyana	17,216	-	3,459	3.0
Jamaica	39,052	-	29,770	25.7
Montserrat	1,218	-	-	0.0
St. Kitts and Nevis	5,158	-	2,824	2.4
St. Lucia	17,331	1,087	18,776	16.2
St. Vincent and the Grenadines	14,059	862	7,855	6.8
Trinidad and Tobago	2,321	-	857	0.7
Regional	2,225	-	-	0.0
<b>Sub-total</b>	161,462	3,373	115,809	100.0
Accrued interest	-	-	640	
	<b>\$161,462</b>	<b>\$3,373</b>	<b>\$116,449</b>	



**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS**

**SUMMARY STATEMENT OF LOANS...continued**

**As of December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

**SCHEDULE 2**

Analysis by Contributor	2015			% of Total Loans Outstanding
	Principal repaid to Bank	Undisbursed	Outstanding <sup>1/</sup>	
<b>Members</b>				
Trinidad and Tobago	\$1,301	\$-	\$3	0.0
<b>Other contributors</b>				
Caribbean Development Bank	19,586	574	53,478	48.8
Nigeria	6,385	-	3,250	3.0
United States of America	93,001	-	6	0.0
Inter-American Development Bank	21,324	1,688	37,688	34.3
European Union	7,310	-	1,573	1.4
International Development Association	15,748	-	13,767	12.5
<b>Sub-total</b>	164,655	2,262	109,765	100.0
Accrued interest	-	-	591	
	<b>\$164,655</b>	<b>\$2,262</b>	<b>\$110,356</b>	

1/ There were no overdue installments of principal at December 31, 2015 (2014 – nil).

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

### SUMMARY STATEMENT OF LOANS...*continued*

As of December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### SCHEDULE 2

Analysis by Contributor	2014			% of Total Loans Outstanding
	Principal repaid to Bank	Undisbursed	Outstanding <sup>1/</sup>	
<b>Members</b>				
Trinidad and Tobago	\$1,311	\$-	\$3	0.0
<b>Other contributors</b>				
Caribbean Development Bank	17,718	1,087	56,154	48.5
Nigeria	6,138	-	3,497	3.0
United States of America	92,976	-	31	0.0
Inter-American Development Bank	20,106	2,286	38,865	33.6
European Union	7,920	-	1,997	1.7
International Development Association	15,293	-	15,262	13.2
<b>Sub-total</b>	161,462	3,373	115,809	100.0
Accrued interest	-	-	640	
	<b>\$161,462</b>	<b>\$3,373</b>	<b>\$116,449</b>	

1/ There were no overdue installments of principal at December 31, 2014 (2013 – nil).

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

### SUMMARY STATEMENT OF LOANS...continued

As of December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### SCHEDULE 2

2015							
Currencies receivable	Loans out- standing 2014	Trans- lation adjust- ment	Net interest earned	Disburse- ments	Sub- total	Repay- ments	Loans out- standing 2015
Euros	\$1,997	\$(210)	\$-	\$-	\$1,787	\$(214)	\$1,573
Special Drawing Rights	12,311	(524)	-	-	11,787	(774)	11,013
United States dollars	101,501	-	-	1,111	102,612	(5,433)	97,179
<b>Sub-total</b>	115,809	(734)	-	1,111	116,186	(6,421)	109,765
Accrued interest <sup>1</sup>	640	-	(49)	-	591	-	591
	<b>\$116,449</b>	<b>\$(734)</b>	<b>\$(49)</b>	<b>\$1,111</b>	<b>\$116,777</b>	<b>\$(6,421)</b>	<b>\$110,356</b>

#### Maturity structure of loans outstanding

January 1, 2016 to December 31, 2016	\$7,197
January 1, 2017 to December 31, 2017	6,843
January 1, 2018 to December 31, 2018	6,845
January 1, 2019 to December 31, 2019	6,848
January 1, 2020 to December 31, 2020	6,850
January 1, 2021 to December 31, 2025	33,087
January 1, 2026 to December 31, 2030	23,939
January 1, 2031 to December 31, 2035	13,586
January 1, 2036 to December 31, 2040	1,472
January 1, 2041 to December 31, 2045	654
January 1, 2046 to December 31, 2052	3,035
	<b>\$110,356</b>

1/ Relates to amounts disbursed and outstanding.

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

### SUMMARY STATEMENT OF LOANS...continued

As of December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### SCHEDULE 2

	2014						Loans out- standing 2014
	Loans out- standing 2013	Trans- lation adjust- ment	Net interest earned	Disburse- ments	Sub- total	Repay- ments	
<b>Currencies receivable</b>							
Euros	\$2,535	\$(299)	\$-	\$-	\$2,236	\$(239)	\$1,997
Special Drawing Rights	13,948	(828)	-	-	13,120	(809)	12,311
United States dollars	102,348	-	-	3,474	105,822	(4,321)	101,501
<b>Sub-total</b>	118,831	(1,127)	-	3,474	121,178	(5,369)	115,809
Accrued interest <sup>1</sup>	663	-	(23)	-	640	-	640
	<b>\$119,494</b>	<b>\$(1,127)</b>	<b>\$(23)</b>	<b>\$3,474</b>	<b>\$121,818</b>	<b>\$(5,369)</b>	<b>\$116,449</b>

1/ Relates to amounts disbursed and outstanding.

#### Maturity structure of loans outstanding

January 1, 2015 to December 31, 2015	\$7,112
January 1, 2016 to December 31, 2016	6,645
January 1, 2017 to December 31, 2017	6,882
January 1, 2018 to December 31, 2018	6,884
January 1, 2019 to December 31, 2019	6,887
January 1, 2020 to December 31, 2024	33,928
January 1, 2025 to December 31, 2029	26,231
January 1, 2030 to December 31, 2034	16,572
January 1, 2035 to December 31, 2039	2,087
January 1, 2040 to December 31, 2044	654
January 1, 2045 to December 31, 2052	2,567
	<b>\$116,449</b>

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

### SUMMARY STATEMENT OF CONTRIBUTIONS

As of December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### SCHEDULE 3

	2015	
	Contributions	
Contributors	Total <sup>1/</sup>	Amounts made available
<b>Members</b>		
Canada	\$6,443	\$6,443
<b>Other contributors</b>		
Inter-American Development Bank	148	148
<b>Contributed resources</b>	6,591	6,591
<b>Other contributors</b>		
Inter-American Development Bank <sup>1/</sup>	39,083	39,083
European Investment Bank <sup>1/</sup>	1,088	1,088
United States Agency for International Development	2,263	2,263
European Union	2,279	2,279
International Development Association	15,296	15,296
<b>Repayable contributions</b>	60,009	60,009
	<b>\$66,600</b>	<b>\$66,600</b>

<sup>1/</sup>Net of cancellations and repayments

#### Maturity structure of repayable contributions outstanding

January 1, 2016 to December 31, 2016	\$4,299
January 1, 2017 to December 31, 2017	3,310
January 1, 2018 to December 31, 2018	3,156
January 1, 2019 to December 31, 2019	2,995
January 1, 2020 to December 31, 2020	2,839
January 1, 2021 to December 31, 2025	12,252
January 1, 2026 to December 31, 2030	11,301
January 1, 2031 to December 31, 2035	8,569
January 1, 2036 to December 31, 2040	5,444
January 1, 2041 to December 31, 2053	5,844
	<b>\$60,009</b>

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

### SUMMARY STATEMENT OF CONTRIBUTIONS...continued

As of December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### SCHEDULE 3

1/Net of cancellations and repayments.

	2014	
	Contributions	
Contributors	Total 1/	Amounts made available
<b>Members</b>		
Canada	\$6,726	\$6,726
<b>Other contributors</b>		
Inter-American Development Bank	148	148
<b>Contributed resources</b>	6,874	6,874
<b>Other contributors</b>		
Inter-American Development Bank 1/	39,550	39,550
European Investment Bank 1/	1,215	1,215
United States Agency for International Development	2,874	2,874
European Union	2,907	2,907
International Development Association	16,809	16,809
<b>Repayable contributions</b>	63,355	63,355
	<b>\$70,229</b>	<b>\$70,229</b>

#### Maturity structure of repayable contributions outstanding

January 1, 2015 to December 31, 2015	\$4,308
January 1, 2016 to December 31, 2016	3,282
January 1, 2017 to December 31, 2017	3,381
January 1, 2018 to December 31, 2018	3,228
January 1, 2019 to December 31, 2019	3,067
January 1, 2020 to December 31, 2024	13,033
January 1, 2025 to December 31, 2029	11,811
January 1, 2030 to December 31, 2034	9,034
January 1, 2035 to December 31, 2039	6,077
January 1, 2040 to December 31, 2053	6,134
	<b>\$63,355</b>

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

### SUMMARY STATEMENT OF CONTRIBUTIONS...continued

As of December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### SCHEDULE 3

2015						
Currencies Repayable	Contributions made available 2014	Translation adjustment	Draw-downs/appropriations from capital	Sub-total	Repayments	Contributions made available 2015
Japanese Yen	\$16	\$-	\$-	\$16	\$(16)	\$-
Canadian dollars	1,748	(287)	-	1,461	(19)	1,442
Euros	4,122	(429)	-	3,693	(325)	3,368
Pounds sterling	25	(1)	-	24	(24)	-
Special Drawing Rights	13,893	(592)	-	13,301	(727)	12,574
Swedish kroners	9	(1)	-	8	(8)	-
United States dollars	50,416	-	699	51,115	(1,899)	49,216
	<b>\$70,229</b>	<b>\$(1,279)</b>	<b>\$699</b>	<b>\$69,618</b>	<b>\$(3,018)</b>	<b>\$66,600</b>

2014						
Currencies Repayable	Contributions made available 2013	Translation adjustment	Draw-downs/appropriations from capital	Sub-total	Repayments	Contributions made available 2014
Japanese Yen	\$52	\$(6)	\$-	\$46	\$(30)	\$16
Canadian dollars	1,952	(160)	-	1,792	(44)	1,748
Euros	5,080	(599)	-	4,481	(359)	4,122
Pounds sterling	79	(5)	-	74	(49)	25
Special Drawing Rights	15,578	(925)	-	14,653	(760)	13,893
Swedish kroners	32	(5)	-	27	(18)	9
United States dollars	50,151	-	2,166	52,317	(1,901)	50,416
	<b>\$72,924</b>	<b>\$(1,700)</b>	<b>\$2,166</b>	<b>\$73,390</b>	<b>\$(3,161)</b>	<b>\$70,229</b>

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

### STATEMENT OF ACCUMULATED NET INCOME

As of December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### SCHEDULE 4

2015			
Contributors	Brought forward 2014	Net Income/(Loss) 2015	Carried forward 2015
General Funds	\$45,445	\$4,361	\$49,806
European Investment Bank	(867)	101	(766)
European Union	2,521	(41)	2,480
Inter-American Development Bank	(191)	(306)	(497)
International Development Association	283	63	346
Nigeria	6,032	(56)	5,976
United States of America	1,940	(123)	1,817
	<b>\$55,163</b>	<b>\$3,999</b>	<b>\$59,162</b>

2014			
Contributors	Brought forward 2013	Net Income/(Loss) 2014	Carried forward 2014
General Funds	\$42,518	\$2,927	\$45,445
European Investment Bank	(990)	123	(867)
European Union	2,557	(36)	2,521
Inter-American Development Bank	(43)	(148)	(191)
International Development Association	214	69	283
Nigeria	6,048	(16)	6,032
United States of America	2,019	(79)	1,940
	<b>\$52,323</b>	<b>\$2,840</b>	<b>\$55,163</b>



# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

### STATEMENT OF TECHNICAL ASSISTANCE AND OTHER GRANT RESOURCES

#### As of December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### SCHEDULE 5

Contributors	2015			
	Contributors			Net
	Total <sup>1/</sup>	Amounts made available	Amounts utilized	Amounts available
<b>Members</b>				
Canada	\$58,025	\$58,025	\$41,635	\$16,390
United Kingdom	23,887	23,887	19,945	3,942
Italy	522	522	252	270
	82,434	82,434	61,832	20,602
<b>Other contributors</b>				
Caribbean Development Bank	230,529	230,529	134,217	96,312
United States of America	1,407	1,407	1,407	-
Inter-American Development Bank	3,549	3,549	3,354	195
China	677	677	198	479
Venezuela	586	586	-	586
Nigeria	193	193	147	46
European Commission	17,859	17,859	4,009	13,850
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	298	298	243	55
European Investment Bank Climate Action Support	2,184	2,184	91	2,093
<b>Sub-total</b>	257,282	257,282	143,666	113,616
<b>Total – December 31</b>	<b>\$339,716</b>	<b>\$339,716</b>	<b>\$205,498</b>	<b>\$134,218</b>
<b>Summary</b>				
Basic Needs Trust Fund	\$157,250	\$157,250	\$100,616	\$56,634
Other resources	182,466	182,466	104,882	77,584
	<b>\$339,716</b>	<b>\$339,716</b>	<b>\$205,498</b>	<b>\$134,218</b>

1/Net of cancellation and resources fully utilized and expended in non-reimbursable operations.

**CARIBBEAN DEVELOPMENT BANK**  
**SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS**  
**STATEMENT OF TECHNICAL ASSISTANCE AND OTHER GRANT**  
**RESOURCES...continued**  
**As of December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

**SCHEDULE 5**

Contributors	2014			
	Contributors			Net
	Total <sup>1/</sup>	Amounts made available	Amounts utilized	
<b>Members</b>				
Canada	\$59,032	\$59,032	\$40,754	\$18,278
United Kingdom	27,314	27,314	16,666	10,648
Italy	522	522	252	270
	86,868	86,868	57,672	29,196
<b>Other contributors</b>				
Caribbean Development Bank	228,042	228,042	127,377	100,665
United States of America	1,407	1,407	1,407	-
Inter-American Development Bank	3,540	3,540	3,350	190
China	677	677	198	479
Venezuela	587	587	-	587
Nigeria	193	193	147	46
European Commission	16,586	16,586	3,464	13,122
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH	298	298	158	140
European Investment Bank Climate Action Support	2,184	2,184	-	2,184
<b>Sub-total</b>	253,514	253,514	136,101	117,413
<b>Total – December 31</b>	<b>\$340,382</b>	<b>\$340,382</b>	<b>\$193,773</b>	<b>\$146,609</b>
<b>Summary</b>				
Basic Needs Trust Fund	\$154,750	\$154,750	\$94,309	\$60,441
Other resources	185,632	185,632	99,464	86,168
	<b>\$340,382</b>	<b>\$340,382</b>	<b>\$193,773</b>	<b>\$146,609</b>

<sup>1/</sup>Net of cancellation and resources fully utilized and expended in non-reimbursable operations.

# **CARIBBEAN DEVELOPMENT BANK**

## **SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **1. Nature of operations**

The Other Special Fund Group (OSF or the Fund) was established to carry out the special operations of the Caribbean Development Bank (the Bank) by providing resources on concessional terms to assist borrowing members primarily for poverty reduction. Resources are provided by contributions from members and other contributors.

#### **2. Summary of significant accounting policies**

Due to the nature of the OSF, these financial statements have been prepared for the specific purpose of reflecting the sources and applications of member subscriptions and contributions and other development resources. These financial statements are not intended to be presented in accordance with International Financial Reporting Standards (IFRS). These financial statements have been prepared in accordance with the accounting policies outlined below.

Preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates.

##### **Foreign currency translation**

###### *Functional and presentation currency*

The functional and presentation currency of the Fund is the United States dollar (US\$) and the Fund's financial statements are rounded to the nearest thousand. Monetary assets and liabilities in currencies other than United States dollars are translated at market rates of exchange prevailing at the reporting date. Non-monetary items measured at historical cost in currencies other than United States dollars are translated using the exchange rates at the dates of the initial transactions.

Foreign currency transactions are initially translated into United States dollars at applicable rates of exchange on the transaction dates. Any gains or losses arising as a result of differences in rates applied to income and expenses and to assets and liabilities are shown as an exchange gain or loss in profit or loss in the statement of comprehensive income and accumulated net income for the year.

# **CARIBBEAN DEVELOPMENT BANK**

## **SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **2. Summary of significant accounting policies...continued**

##### **Investments**

All investment securities with the exception of equities are in a portfolio designated at fair value through profit or loss and reported at fair market value. Securities are recognised on the statement of financial position when the Fund assumes related contractual rights and de-recognised when the rights to secure cash flows from the financial asset expire or when all risks and rewards of ownership have been substantially transferred.

Equity instruments are carried at cost where they do not have a quoted market price in an active market and their fair value cannot be reliably measured.

Regular way purchases and sales of financial assets are recognised on the settlement date which is the date the Fund becomes a party to the contractual provisions of the instrument.

All securities are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income and accumulated net income in the period during which they arise. Gains and losses arising from changes in the fair value of securities designated at fair value through profit or loss are included in the profit for the year. Interest or dividend income earned whilst holding securities is reported as "Interest and similar income - investments and cash balances" in the statement of comprehensive income and accumulated net income.

Equity investments are assessed for impairment annually. The impairment assessment is based on the net book value of the underlying asset and adjusted if the carrying value is less than the Fund's proportionate share of net assets. Impairment losses are recorded within income from investments and cash balances in the statement of comprehensive income and accumulated net income. Amounts distributed to the Fund are recorded as a return on investment until such investments are written off and are subsequently recorded as income.

##### *Determination of fair value*

For securities traded in active markets, the determination of fair values is based on quoted market prices or dealer price quotations. A security is regarded as quoted in an active market if prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For debt securities in inactive markets fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows, or other valuation techniques, using inputs (for example, LIBOR yield curves, FX rates, volatilities and counterparty spreads) existing at the reporting date.

# **CARIBBEAN DEVELOPMENT BANK**

## **SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **2. Summary of significant accounting policies...continued**

##### **Investments...continued**

The Fund uses widely recognised valuation models for determining fair values of non-standardised financial instruments. For these securities, inputs into models are generally market-observable.

##### **Loans**

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method less any impairment.

All loans by the Fund are made either from currencies available from members' subscriptions or from currencies borrowed and the principal amounts are payable to the Fund in the currencies lent. The balances outstanding on loans to members and their agencies are secured by guarantees of the Governments of the member countries in which the loans are made.

The Fund is one of very few lenders of development and structural adjustment loans to Caribbean countries. There is no secondary market for development loans nor does the Fund intend to sell these loans. As a result, the use of market data to arrive at the fair value of loans will not yield any meaningful results.

The Fund does not make provisions for impairment on loans as any loss that may occur is taken into the statement of comprehensive income and accumulated net income in the year that the impairment occurred.

# **CARIBBEAN DEVELOPMENT BANK**

## **SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **2. Summary of significant accounting policies...continued**

##### **Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with maturities of three months or less from the date of acquisition.

##### **Technical assistance and grants**

Technical assistance and grants for capital projects to borrowing member countries are provided either from non-reimbursable grants received from contributors or from other resources specifically allocated for this purpose. The contributions from donors are included in the financial statements from the date of the contribution agreement. Technical assistance is recognised when the project is approved and becomes effective.

##### **Interest income and charges on contributions**

Interest income and charges on contributions are recognised in the statement of comprehensive income and accumulated net income for all interest-bearing instruments carried at amortised cost using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

##### **Administrative expenses**

Administrative expenses incurred by the Bank which cannot be directly charged to individual funds are allocated between the OCR, the OSF and the SDF in accordance with a method of allocation which is approved by the Board of Directors.

#### **3. Cash and cash equivalents**

Cash and cash equivalents comprise:

	<b>2015</b>	<b>2014</b>
Due from banks	<b>\$6,117</b>	\$19,810
Time deposits	<b>22,693</b>	11,203
	<b>\$28,810</b>	\$31,013

# **CARIBBEAN DEVELOPMENT BANK**

## **SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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#### **4. Investments at fair value through profit and loss**

As part of its overall portfolio management strategy, the Fund invests in Government agency, supranational and bank obligations, including time deposits. The Fund limits its activities of investing in securities to well established dealers and counterparties meeting minimum credit rating standards set by the Fund.

The annualized rate of return on the average investments held during the year, including realised and unrealised gains and losses was 2.04% (2014: 1.07%). Net realised gains on investments traded during 2015 amounted to \$9,920 (2014: \$541) and net unrealised losses of \$2,268 (2014: \$27).

#### **5. Funds**

In accordance with the Agreement establishing the Bank (the Charter), Special Funds Resources comprise the SDF and OSF established or administered by the Bank, including technical assistance and other grant resources contributed on a non-reimbursable basis. For the purposes of these financial statements, the OSF have been presented separately from the SDF. The OSF are established in accordance with agreements between the Bank and the contributors and are for specific types of projects as agreed between the Bank and the contributors. In accordance with the Agreement, each Special Fund, its resources and accounts are kept entirely separate from other Special Funds, their resources and accounts.

These financial statements reflect the aggregated position of all the funds that comprise the OSF.

Technical assistance and other grant resources include resources for the Basic Needs Trust Fund and other resources established for specific purposes as determined between the Bank and contributors.

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### 5. Funds...continued

Details of contributions, loans and technical assistance resources of the OSF are stated at the equivalent in thousands of United States dollars where such contributions, loans and technical assistance grants have been made in currencies other than United States dollars and are as follows:

	2015	2014
<b>Canada</b>		
Agricultural <sup>1</sup> (Schedule 3)	\$6,443	\$6,726
Technical assistance resources (Schedule 5)	58,025	59,032
<b>Italy</b>		
Technical assistance resources (Schedule 5)	\$522	\$522
<b>China</b>		
Technical assistance resources (Schedule 5)	\$677	\$677
<b>Venezuela</b>		
Technical assistance resources (Schedule 5)	\$586	\$587
<b>Nigeria</b>		
Technical assistance resources (Schedule 5)	\$193	\$193
<b>United Kingdom</b>		
Technical assistance resources	\$23,887	\$27,314
<b>Inter-American Development Bank</b>		
975/SF-RG	\$14,211	\$14,212
Less repayments	(5,622)	(5,203)
	8,589	9,009
Second Global Loan	\$4,649	\$4,583
Less repayments	(4,649)	(4,344)
	-	239
1108/SF-RG Global Credit	\$20,000	\$20,000
Less repayments	(2,294)	(1,639)
	17,706	18,361

<sup>1</sup> The contributions are interest-free with no date for repayment.



# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### 5. Funds...continued

##### Inter-American Development Bank...continued

	2015	2014
1637/SF-RG Credit	\$9,923	\$9,923
2798/BL Regional Global Loan - OECS	2,865	2,166
	12,788	12,089
Sub- total (Schedule 3)	<b>\$39,083</b>	\$39,698
Technical assistance resources (Schedule 5)	<b>\$3,549</b>	\$3,540

Loan 975/SF-RG is subject to interest at the rate of 1% per annum until 2006 and thereafter at 2% per annum and is repayable during the period 2003 to 2036.

The second global loan was subject to interest at the rate of 1% per annum until 1994 and thereafter at 2% per annum and is repayable during the period 1995 to 2015.

Global Credit 1108/SF-RG was subject to interest at the rate of 1% for the first ten years and 2% thereafter and is repayable during the period 2012 to 2042.

Grenada Reconstruction 1637/SF-RG is subject to interest at the rate of 1% per annum until 2015 and thereafter at 2% per annum and is repayable during the period 2016 to 2045.

The loans are subject to a credit fee of 0.5% per annum on any undrawn balance.

	2015	2014
<b>European Investment Bank</b>		
Global loan II – B	<b>\$1,088</b>	\$1,215

Repayable in full in a single installment on September 30, 2016.

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### 5. Funds...continued

	2015		2014	Due Dates
<b>United States of America</b>				
Contributions				
Agricultural	\$7,052		\$7,052	1988-2018
Less repayments	(6,204)	848	(5,882)	1,170
Employment Investment				1990-2000
Promotion	6,732		6,732	
Less repayments	(5,317)	1,415	(5,028)	1,704
Housing	8,400		8,400	1983-2012
Less repayments	(8,400)	-	(8,400)	-
(Schedule 3)		2,263		2,874
Technical Assistance resources (Schedule 5)		<b>\$1,407</b>		<b>\$1,407</b>

All contributions are subject to interest at the rate of 2% per annum on the amount outstanding for the first ten years after first disbursement and thereafter, at the rate of 3% per annum.

	2015		2014	
<b>European Union</b>				
First Contribution	\$6,366		\$7,107	
Less repayments	(4,935)	1,431	(5,253)	1,854
Second Contribution	2,698		3,012	
Less repayments	(1,850)	848	(1,959)	1,053
(Schedule 3)		<b>\$2,279</b>		<b>\$2,907</b>

The contributions are subject to interest at the rate of 1% per annum. The first contribution is repayable during the period 1992 to 2021 and the second contribution is repayable over the period 1994 to 2024.

# CARIBBEAN DEVELOPMENT BANK

## SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2015

(expressed in thousands of United States dollars, unless otherwise stated)

#### 5. Funds...continued

##### International Development Association

	2015		2014		Due dates
Credit No. 960/CRG	\$6,480		\$6,480		1990-2029
Less repayments	(3,758)	2,722	(3,564)	2,916	
Credit No. 1364/CRG	7,523		7,858		
Less repayments	(3,573)	3,950	(3,497)	4,361	1993-2033
Credit No. 1785/CRG	6,521		6,711		
Less repayments	(2,377)	4,144	(2,181)	4,530	1997-2030
Credit No. 2135/CRG	7,724		8,068		2000-2030
Less repayments	(3,244)	4,480	(3,066)	5,002	
(Schedule 3)	<b>\$15,296</b>		<b>\$16,809</b>		

The credits are subject to a service charge of 0.75% per annum on amounts outstanding. In addition, the credits totaling 2015: \$ (2014: \$13,893) are subject to a commitment fee not exceeding 0.5% per annum on amounts eligible for withdrawal but remain undrawn.

	2015	2014
<b>Caribbean Development Bank</b>		
Technical assistance resources (Schedule 5)	<b>\$230,529</b>	\$228,042
<b>Deutsche Gesellschaft Internationale Zusammenarbeit (GIZ)</b>		
Technical assistance resources (Schedule 5)	<b>\$298</b>	\$298
<b>European Investment Bank Climate Action Support</b>		
Technical assistance resources (Schedule 5)	<b>\$2,184</b>	\$2,184
<b>European Commission</b>		
Technical assistance resources (Schedule 5)	<b>\$17,859</b>	\$16,586

# **CARIBBEAN DEVELOPMENT BANK**

## **SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended December 31, 2015**

(expressed in thousands of United States dollars, unless otherwise stated)

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**6. Total accumulated income and total comprehensive income for the year**

It is normal for the Board of Governors to determine the disposition of the accumulated net income and net income for the current year of each of the Other Special Funds, subject to any rules and regulations governing each Fund and any agreement relating thereto.

**7. Loans**

The average interest rate earned on loans outstanding was 2.20% (2014: 2.20%). There were no impaired loans at December 31, 2015 and 2014.

**8. Accounts receivable**

	<b>2015</b>	<b>2014</b>
Institutional receivables	<b>\$56,377</b>	\$60,361

**9. Accounts payable**

	<b>2015</b>	<b>2014</b>
Accounts payable - general	\$435	\$2,643
Interfund payable	4,472	4,658
	<b>\$4,907</b>	\$7,301