PUBLIC DISCLOSURE AUTHORISED

CARIBBEAN DEVELOPMENT BANK

Draft Audited Statement of Financial Position

For the Year Ended December 31, 2019

(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 2020

Caribbean Development Bank
Ordinary Capital Resources

Financial Statements

For the year ended December 31, 2019
(Expressed in thousands of United States Dollars
unless otherwise stated)

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

Index to the Financial Statements
For the year ended December 31, 2019

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **Ordinary Capital Resources** of the **Caribbean Development Bank** ("the Bank"), which comprise the statement of financial position as of 31 December 2019 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	***How our audit addressed the key audit matter***
Expected credit loss	
Related disclosures in the financial statements are included in Note 2, 5, 8, 10, 12 and Note 13. As a Multilateral Development Bank (MDB), the Bank's largest exposure is country credit risk, which is the risk that a borrowing member country is unable or unwilling to service its obligations to the Bank. As at 31 December 2018, an allowance for expected credit losses in the amount of $18.0M was held on the Bank's financial assets in accordance with IFRS 9. $16.1M of this allowance related to prior periods and was recorded as an opening retained earnings adjustment as at 1 January 2018.	We assessed and tested the design and operating effectiveness of controls over: - Management's process for making lending decisions inclusive of the approval, disbursement and monitoring of the loan portfolio. - Data used to determine the allowance for expected credit loss, including transactional data captured at loan origination, internal credit quality assessments, storage of data and computations. We assessed the adequacy of allowance for expected credit loss by testing the key assumptions used in the Bank's calculations. In addition, we assessed the adequacy of the disclosures in the financial statements. We involved relevant specialists in areas that required specific expertise (i.e. compliance with IFRS 9).

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	***How our audit addressed the key audit matter***
Fair value of financial instruments	
Related disclosures in the Financial Statements are included in Note 3, *Risk Management* and Note 5 *Financial Assets, Fair value measurement* (Pages 36 – 38; 41). Valuation models are in use which require the input of market-observable data. The use of different valuation techniques and assumptions however could produce significantly different estimates of fair value. The associated risk management disclosure is complex and dependent upon high quality data.	We included derivative valuation specialists on our team who independently recomputed the fair value of all derivatives held by the Bank and the related sensitivity disclosures in accordance with IFRS 7, using their own internal model. We reviewed the market prices applied to the Bank's debt securities by comparing the prices used to an independent external source. We also assessed the adequacy of the disclosures in the financial statements, including the disclosure of valuation sensitivity and fair value hierarchy in Note 3. We involved IT specialists in areas that required specific expertise (i.e. data reliability, input of market prices).

Other information included in the Bank's 2019 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Bank's 2019 Annual Report, other than the financial statements and our auditor's report thereon. The Bank's 2019 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Oversight and Assurance Committee.

Responsibilities of Management and the Oversight and Assurance Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

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

The Oversight and Assurance Committee is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Oversight and Assurance Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated to the Oversight and Assurance Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the Bank's members, as a body, in accordance with Article 38, sub-section 2 of the Agreement establishing the Caribbean Development Bank entered into force on January 26, 1970. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinion we have formed.

The engagement partner in charge of the audit resulting in this independent auditor's report is John-Paul Kowlessar.

BARBADOS

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF FINANCIAL POSITION
As of December 31, 2019
(expressed in thousands of United States dollars, unless otherwise stated)

	Notes	2019	2018
Assets			
Cash and cash equivalents	6	**$292,045**	$126,736
Debt securities at fair value through other comprehensive income	7	**422,138**	331,301
Receivables and prepaid assets	8	**7,655**	10,813
Cash collateral on derivatives	9	**2,400**	9,750
Loans outstanding	10	**1,249,318**	1,163,542
Receivable from members			
Non-negotiable demand notes	11	**38,512**	37,554
Maintenance of value on currency holdings	12	**4,389**	3,680
Subscriptions in arrears	13	**1,936**	1,856
		44,837	43,090
Derivative financial instruments	14	**60,246**	49,101
Property and equipment	15	**16,875**	13,360
Total Assets		**$2,095,514**	$1,747,693

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, 2019
(expressed in thousands of United States dollars, unless otherwise stated)

	Notes	2019	2018
Liabilities and Equity			
Liabilities			
Accounts payable and accrued liabilities	**17**	**$8,251**	$6,491
Maintenance of value on currency holdings	**12**	**498**	567
Deferred income	**18**	**875**	875
Post-employment obligations	**19**	**36,495**	23,749
Borrowings	**20**	**1,103,190**	796,278
Derivative financial instruments	**14**	**12,622**	21,163
Total Liabilities		**1,161,931**	849,123
Equity			
Subscriptions matured (net)	**21(b)**	**387,187**	386,199
Retained earnings and reserves	**21(e)**	**546,396**	512,371
Total Equity		**933,583**	898,570
Total Liabilities and Equity		**$2,095,514**	$1,747,693

Approved by the Board of Directors on XXXX and signed on their behalf by:

Wm. Warren Smith
President

Carlyle Assue
Director, Finance and Information Technology Solutions

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, 2019
(expressed in thousands of United States dollars, unless otherwise stated)

	Notes	Capital Stock	Retained Earnings	Post Employment Obligations Reserve	Fair value Reserve	Other Reserves	Total
Balance as of January 1, 2018 as previously reported		**$383,889**	**$508,370**	**$(12,040)**	**$(3,524)**	**$13,260**	**$889,955**
Transfer of General Banking Reserve to Retained Earnings		**-**	**7,006**	**-**	**-**	**(7,006)**	**-**
New Capital subscriptions		**2,310**	**-**	**-**	**-**	**-**	**2,310**
Net Income for the year		**-**	**3,288**	**-**	**-**	**-**	**3,288**
Other comprehensive gain/(loss)		**-**	**-**	**3,486**	**(469)**	**-**	**3,017**
Balance as of December 31, 2018		**$386,199**	**$518,664**	**$(8,554)**	**$(3,993)**	**$6,254**	**$898,570**
Balance as of January 1, 2019		**$386,199**	**$518,664**	**$(8,554)**	**$(3,993)**	**$6,254**	**$898,570**
New capital subscriptions	**21(b)**	**988**	**-**	**-**	**-**	**-**	**988**
Net income for the year		**-**	**40,271**	**-**	**-**	**-**	**40,271**
Other comprehensive (loss)/gain	**19**	**-**	**-**	**(11,894)**	**5,648**	**-**	**(6,246)**
Balance as of December 31, 2019		**$387,187**	**$558,935**	**$(20,448)**	**$1,655**	**$6,254**	**$933,583**

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, 2019
(expressed in thousands of United States dollars, unless otherwise stated)

	Notes	2019	2018
Interest and similar income	**22(a)**	**$66,927**	$56,178
Interest expense and similar charges	**22(b)**	**(26,958)**	(26,316)
Net interest income		**39,969**	29,862
Other income		**289**	1,351
		40,258	31,213
Operating expenses	**23**	**(18,820)**	(14,784)
Impairment recovery/(charges)	**24**	**3,142**	(1,906)
Operating income before derivative and foreign denominated borrowing adjustments		**24,580**	14,523
Derivative fair value adjustment	**26**	**20,654**	(8,419)
Foreign exchange loss in translation	**20(b)**	**(4,963)**	(2,816)
Net income for the year		**40,271**	3,288
Other comprehensive gain that will not be reclassified to the income statement			
Re-measurements – Actuarial (loss)/gains	**19**	**(11,894)**	3,486
Other comprehensive loss that will be reclassified to the income statement			
Fair value gains/(losses) on debt securities at fair value through OCI		**5,648**	(469)
Total other comprehensive (loss) income		**(6,246)**	3,017
Total comprehensive income for the year		**$34,025**	$6,305

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, 2019
(expressed in thousands of United States dollars, unless otherwise stated)

	Notes		2019	2018
Operating activities:				
Net income for the year			$40,271	$3,288
Adjustments:				
Unrealised losses on debt securities		-		-
Depreciation	15	1,428		1,815
Impairment on financial assets	24	2,941		1,906
Gain on sale of property and equipment		2		-
Derivative fair value adjustment	26	(20,654)		8,419
Interest income		(66,927)		(56,178)
Interest expense		26,958		26,316
Foreign exchange loss in translation	20(b)	4,963		2,816
(increase)/decrease in maintenance of value on currency holdings		(778)		487
Total cash flows used in operating activities before changes in operating assets and liabilities			(11,796)	(11,131)
Changes in operating assets and liabilities:				
Decrease in receivables and prepaid assets		3,159		3,009
Decrease/(increase) in cash collateral on derivatives		7,350		(3,075)
Increase in accounts payable and accrued liabilities		1,760		1,681
Increase in post-employment obligations		852		1,463
Net (increase)/decrease in debt securities at fair vaue through other comprehensive income		(84,652)		21,642
Cash (used in)/provided by operating activities			(83,328)	13,589
Disbursements on loans	10(b)		(197,922)	(206,035)
Principal repayments on loans	10(b)		110,180	103,280
Interest received			65,415	51,884
Net cash used in operating activities			(105,655)	(37,282)
Investing activities:				
Purchase of property and equipment	15	(4,946)		(2,850)
Proceeds from sale of property and equipment and non-current asset held for sale			1	-
Net cash used in investing activities			(4,945)	(2,850)
Financing activities:				
New borrowings		348,806		175,537
Repayments on borrowings	20(b)	(45,412)		(74,432)
Interest paid on borrowings	20(b)	(27,435)		(24,540)
New capital subscriptions	21(b)	988		2,310
Decrease in receivables from members		(1,038)		2,032
Net cash provided by financing activities			275,909	80,907
Net increase in cash and cash equivalents			165,309	40,775
Cash and cash equivalents at beginning of year			126,736	85,961
Cash and cash equivalents at end of year	6		$292,045	$126,736

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

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 Wildey 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.

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.

The Bank's members are classified as either:-
- Borrowing member countries ("BMCs") which comprise members of the Region that are qualified to borrow from the Bank.
- Non-regional members ("NRMs") which comprise of members outside of the region that do not qualify to borrow from the Bank.

The BMCs are also shareholders of the Ordinary Capital Resources ("OCR") of the Bank and are therefore considered related parties.

The current membership of the Bank is comprised of twenty-three (23) regional states and territories and five (5) non-regional states (2018: 23 regional states and territories and 5 non-regional states). A detailed listing of the membership is provided at Note 21(c) - Equity.

Reducing poverty in the region is CDB's main objective and it finances development projects in its BMCs primarily through its 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 and support.

Special funds 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. 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.

NOTE 1 – NATURE OF OPERATIONS *…continued*

Mobilising financial resources is an integral part of CDB's strategic and operational activities, where alone or jointly, it administers funds under agreements that are restricted to 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.

NOTE 2 – ACCOUNTING POLICIES (GENERAL)

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

Foreign currency translation
The functional and presentation currency of the Bank is the United States dollar (USD). Monetary assets and liabilities in currencies other than USD 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 into USD using the prevailing exchange rates at the effective dates of the initial transactions.

Foreign currency transactions are initially translated into USD 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.

Basis of preparation

Statement of compliance
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 other comprehensive income (FVOCI) (refer to Note 5) 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 (USD) and all values are rounded to the nearest thousand, except where otherwise indicated.

NOTE 2 – ACCOUNTING POLICIES (GENERAL)…*continued*

Basis of preparation…*continued*

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, 2019 (the reporting date).

Presentation of financial statements
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 is the basis upon which the Bank's financial, liquidity, capital adequacy, efficiency and other performance ratios and measures are determined.

The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in Notes 6 – 20 as applicable.

Financial assets and financial liabilities are generally reported gross in the statement of financial position. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Bank and/or its counterparties

Derivative assets and liabilities with master netting arrangements (e.g. ISDAs) are only presented net when they satisfy the eligibility of netting for all of the above criteria and not just in the event of default.

Significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. 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. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Bank's control and are reflected in the assumptions if and when they occur.

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 on the following page:

NOTE 2 – ACCOUNTING POLICIES (GENERAL)…*continued*

Significant accounting judgements, estimates and assumptions…*continued*

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 its operations 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

IFRS 16 Leases

Effective for annual periods beginning on or after 1 January 2019. The scope of IFRS 16 includes leases of all assets, with certain exceptions. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Effective for annual periods beginning on or after 1 January 2019. Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

Effective for annual periods beginning on or after 1 January 2019. The amendments address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to re-measure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event.
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to re-measure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

NOTE 2 – ACCOUNTING POLICIES (GENERAL)…*continued*

Annual improvements 2015 – 2017 cycle: IAS 23 Borrowing Costs Borrowing costs eligible for capitalisation

Effective for annual periods beginning on or after 1 January 2019. The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

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

Other standards, interpretations and amendments effective January 1, 2019
The following are the amendments and interpretations which apply for the first time in 2018, but do not have an impact on the financial statements of the Bank.

- IFRIC Interpretation 23 - Uncertainty over Incime Tax treatments
- Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters

Standards in issue not yet effective which may be applicable to the Bank

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

Definition of Material – Amendments to IAS 1 and IAS 18

The Conceptual Framework for Financial Reporting

NOTE 2 – ACCOUNTING POLICIES (GENERAL)…*continued*

Standards in issue not yet effective which may be applicable to the Bank…*continued*

Other standards, interpretations and amendments not yet effective which may not be applicable to the Bank

AIP IFRS 3 Business Combinations – Previoulsy held interests in a joint operation
AIP IFRS 11 – Joint Arrangements – Previoulsy held interests in a joint operation
AIP IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity

Amendmenst to IFRS 3 Definition of a business – January 1, 2020
IFRS 17 Insurance Contracts – January 1, 2021

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, receivables, cash and short-term deposits and debt securities at fair value through other comprehensive income 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. All derivative activities for risk management purposes are undertaken by senior management in accordance with the approved Board of Directors (BOD) policy which includes the provision that derivatives are held to maturity except under specific conditions and that no trading in derivatives for speculative purposes may be undertaken.

The Bank's 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 BOD. Operationally, CDB seeks to minimise its risks via the implementation of robust mitigating controls aimed at achieving 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 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 within the Bank's operations and among the Bank's employees. 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, and is built around the following committees:

(i) The Enterprise Risk Committee (ERC) which is responsible for monitoring adherence to BOD approved policies related to financial and other risks;
(ii) The Loans Committee (LC) which reviews and recommends Loans, Grants and Technical Assistance (TA) applications to the BOD for consideration;
(iii) The Oversight and Assurance Committee (OAC) through which the ORM, the Office of Institutional integrity, Compliance and Accountability (ICA), the Office of Independent Evaluation (OIE) and the Internal Audit Division (IAD) report to the BOD. ICA was established to operationalise the strategic framework for integrity, compliance and accountability. It is responsible for managing institutional integrity, compliance, anti-money laundering (AML), countering the financing of terrorism (CFT) and financial sanctions, ethics, whistleblowing, and project accountability;
(iv) The Advisory Management Team (AMT) which is the highest decision making body of the Bank.

NOTE 3 – RISK MANAGEMENT…*continued*

The Bank is exposed to market risk, credit risk, liquidity risk and operational risk which is overseen by its senior management through its established committees. Market risk includes currency, interest rate and price risk. The most important types of risk faced by CDB are associated with its BMCs in relation to country credit risk and concentration risk.

The Bank manages and controls concentration of credit risk through financial policies which limit the amount of exposure in relation to a single borrower and to groups of borrowers, by counterparties, credit ratings and by type of investments. Performance against these limits is measured and reported on a monthly and quarterly basis to the ERC.

Credit risk

A 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 BMC 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, 2018 is reported in Note 4 and Note 10.

The Bank manages its credit risk in liquid funds and derivative financial instruments by ensuring that all individual investments carry a minimum credit rating as follows:

	Standard & Poor's	Moody's Investors Service
Commercial bank obligations	A-	A3
Government obligations	A-	A3
Corporate obligations	BBB+	Baa1

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 BBB/Baa2 (by Standard & Poor's and Moody's respectively), with a minimum rating for new transactions of A-/ A3 (stable outlook) by Standard & Poor's and Moody's respectively.

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.

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

NOTE 3 – RISK MANAGEMENT*…continued*

Credit risk*…continued*

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

CDB Grade	Description of the grade	CDB Rating
1	Basic monitoring	AAA, AA, A Range
2	Standard monitoring	BBB, BB, B Range
3	Special monitoring	CCC to C Range
4	Sub-standard	D Range

The CDB ratings are aligned to a large extent with external ratings and mapped to corresponding proxy default rates. The observed defaults per rating category vary year on year, based on current and projected economic cycles.

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.

	2019	**2018**
Single largest borrower's exposure to total outstanding loans	**20.9%**	16.2%
Three largest borrowers' exposure to total outstanding loans	**42.2%**	41.4%
Three largest borrowers' exposure to available capital	**59.7%**	57.0%

Cash and cash equivalents and Debt securities FVOCI

The Bank's results as at December 31 against the BOD approved policy ratios were as follows:

Investment Type	**Maximum policy limit (based upon total investment portfolio)**	**2019**	**2018**
Single entity	10%	**6.6%**	6.5%
US Treasury or US Government Agency	35%	**24.0%**	35.3%
Commercial entity	50%	**28.9%**	13.2%

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 million with respect to bonds issued by the Government of St. Kitts and Nevis (GOSKN). These commitments expose the Bank to similar risk as loans and are mitigated by the same control processes and policies.

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

NOTE 3 – RISK MANAGEMENT...*continued*

Credit risk...*continued*

Master netting arrangements

All of the Bank's derivatives are executed under International Swap Dealers' Association (ISDA) Master Agreements and the Schedule to the Master Agreement in order to limit exposure to credit risk through the provisions in these agreements for offsetting 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 make 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 is currently party to five swaps with four counterparties.

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

The table below shows the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are the gross carrying amounts net of impairment allowances. Details of the Bank's internal grading system are explained in Note 3 (above) and policies about whether the calculation of the ECL allowances are disclosed in Note 5.

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Cash and cash equivalents	**$292,045**	$-	$-	**$292,045**
Debt securities at fair value through OCI	**422,138**	-	-	**422,138**
Sovereign loans outstanding	**1,125,021**	60,381		**1,185,402**
Non-sovereign loans outstanding	**63,916**	-	-	**63,916**
Derivative financial instruments	**60,246**	-	-	**60,246**
Non-negotiable demand notes	**38,512**	-	-	**38,512**
Maintenance of value on currency holdings	**4,389**	-	-	**4,389**
Subscriptions in arrears	**1,936**	-	-	**1,936**
Receivables	**7,655**	-	-	**7,655**
	$2,015,858	$60,381	$-	**$2,076,239**
Commitments				
Undisbursed sovereign loan balances	**$449,951**	$-	$-	**$449,951**
Undisbursed non-sovereign loan balances	**18**	-	-	**18**
Commitments	**15,000**	-	-	**15,000**
Guarantees	**12,000**	-	-	**12,000**
	$476,969	$-	$-	**$476,969**
	$2,492,827	$60,381	$-	**$2,553,208**

(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…*continued*

	2018			
	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	$126,736	$-	$-	$126,736
Debt securities at fair value through OCI	331,301	-	-	331,301
Sovereign loans outstanding	895,950	227,542	-	1,123,492
Non-sovereign loans outstanding	40,050	-	-	40,050
Derivative financial instruments	49,101	-	-	49,101
Non-negotiable demand notes	37,554	-	-	37,554
Maintenance of value on currency holdings	3,680	-	-	3,680
Subscriptions in arrears	1,856	-	-	1,856
Receivables	8,521	-	1,602	10,123
	$1,494,749	$227,542	$1,602	$1,723,893
Commitments				
Undisbursed sovereign loan balances	$451,892	$-	$-	$451,892
Undisbursed non-sovereign loan balances	16,352	-	-	16,352
Commitments	15,000	-	-	15,000
Guarantees	12,000	-	-	12,000
	$495,244	$-	$-	$495,244
	$1,989,993	$227,542	$1,602	$2,219,137

The above tables represents a worst case scenario of credit risk exposure as at December 31, 2019 and 2018, without taking account of any collateral held or other credit enhancements attached.

The Bank's policy in relation to collateral is disclosed in Note 10 to these financial statements.

As shown, the total gross maximum exposure from loans and commitments to the sovereign was XXXX (2018: 71.0%), and to the non-sovereign was XXX (2018: 2.5%).

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

NOTE 3 – RISK MANAGEMENT…*continued*

Credit quality

Debt securities, treasury bills and other eligible bills
The main investment management objectives are for capital preservation and liquidity. In accordance with 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 based on Standard & Poor's rating or equivalent. As of December 31, 2019, the Bank's debt securities were classified as fair value through other comprehensive income. These assets were individually assessed for ECL and were all classified as Stage 1 financial assets.

2019

	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	Total
Obligations guaranteed by Governments[1]	$74,056	$93,563	$15,752	$-	$183,371
Time Deposits	-	760	-	-	760
Sovereign Bonds	4,032	59,778	-	-	63,809
Supranational Bonds[2]	91,090	6,022	-	-	97,113
Corporate Bonds	2,130	25,843	41,433	7,679	77,085
	$171,308	$185,966	$57,185	$7,679	$422,138

[1] Freely convertible currencies in Government and Government-guaranteed obligations which are members of the G7 or EU and its agencies.

[2] 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.

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

NOTE 3 – RISK MANAGEMENT…*continued*

Credit risk…*continued*

As of December 31, 2018, the Bank's debt securities were classified as fair value through profit and loss and were not subject to an impairment assessment.

	AAA	AA+ to AA-	A+ to A-	Total
Obligations guaranteed by Governments[1]	$66,688	$107,969	$14,505	$189,162
Time Deposits	-	749	-	749
Sovereign Bonds	40,392	13,838	-	54,230
Supranational Bonds[2]	81,229	5,931	-	87,160
	$188,309	$128,487	$14,505	$331,301

[1] Freely convertible currencies in Government and Government-guaranteed obligations which are members of the G7 or EU and its agencies.

[2] 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.

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

NOTE 3 – RISK MANAGEMENT…*continued*

Credit risk…*continued*

Credit quality…*continued*

In accordance with the Bank's internal rating scale 100% (2017: 100%) of debt securities, treasury bills and other eligible bills are classified as 'Basic monitoring'.

Loans and advances

As of December 31, 2019, loans that were classified as Stage 1 and Stage 2 represented 99.8% (2018: 99.6%) of gross loans outstanding. Loans are summarised as follows:

December 31, 2019

	Sovereign	Non-sovereign	Total
Stage 1	**$1,126,323**	**$72,402**	**$1,198,725**
Stage 2	**60,499**	**-**	**60,499**
Stage 3	**-**	**3,013**	**3,013**
Gross	**1,186,822**	**75,415**	**1,262,237**
Less: allowance for ECL	**(1,420)**	**(11,499)**	**(12,919)**
Net	**$1,185,402**	**$63,916**	**$1,249,318**

December 31, 2018

	Sovereign	Non-sovereign	Total
Stage 1	$896,850	$42,953	$939,803
Stage 2	228,900	-	228,900
Stage 3	-	4,817	4,817
Gross	1,125,750	47,770	1,173,520
Less: allowance for ECL	(2,258)	(7,720)	(9,978)
Net	$1,123,492	$40,050	$1,163,542

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

NOTE 3 – RISK MANAGEMENT…*continued*

Credit risk…*continued*

Credit quality…*continued*

Loans and advances – Stage 1 and Stage 2
The credit quality of the loan portfolio classified as Stage 1 and Stage 2 was assessed by reference to the internal rating system adopted by the Bank.

	2019		
	Sovereign	**Non-Sovereign**	**Total Loans**
Standard monitoring	**$712,751**	**$37,609**	**$750,360**
Special monitoring	**434,310**	**26,307**	**460,617**
Sub-standard	**38,341**	**-**	**38,341**
	1,185,103	**$64,215**	**$1,249,318**

	2018		
	Sovereign	**Non-Sovereign**	**Total Loans**
Standard monitoring	$694,947	$21,293	$716,240
Special monitoring	201,903	21,660	223,563
Sub-standard	228,900	-	228,900
	$1,125,750	$42,953	$1,168,703

As at December 31, 2019, there were no loans and advances past due but not impaired.

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

(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

Other financial assets carried at amortised cost and classified as Stage 1

	2019				
	Basic Monitoring	**Standard Monitoring**	**Special Monitoring**	**Sub-Standard**	**Total**
Cash and cash equivalents	**$62,329**	**$-**	**$-**	**$-**	**$62,329**
Receivables	**-**	**-**	**7,655**	**-**	**7,655**
Non-negotiable demand notes	**5,558**	**29,325**	**1,764**	**1,865**	**38,512**
Maintenance of value on currency holdings	**1,250**	**3,139**	**-**	**-**	**4,389**
Subscriptions in arrears	**-**	**1,936**	**-**	**-**	**1,936**
	$69,137	**$34,400**	**$9,419**	**$1,865**	**$114,821**

Other financial assets – Fair value through profit and loss

	2019				
	Basic Monitoring	**Standard Monitoring**	**Special Monitoring**	**Sub-Standard**	**Total**
Derivative financial instruments	**47,034**	**-**	**-**	**-**	**47,034**

	2018				
	Basic Monitoring	**Standard Monitoring**	**Special Monitoring**	**Sub-Standard**	**Total**
Cash and cash equivalents	$105,743	$6,058	$6,078	$8,857	$126,736
Receivables	-	-	8,521	-	8,521
Non-negotiable demand notes	4,724	25,671	3,346	3,813	37,554
Maintenance of value on currency holdings	1,062	2,550	68	-	3,680
Subscriptions in arrears	-	1,856	-	-	1,856
	$111,529	$36,135	$18,013	$12,670	$178,347

Other financial assets – Fair value through profit and loss

	2018				
	Basic Monitoring	**Standard Monitoring**	**Special Monitoring**	**Sub-Standard**	**Total**
Derivative financial instruments	49,101	-	-		49,101

(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 gross amounts, net of impairment allowances, 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 10.

	2019				
	Borrowing Member Countries	**Non-Regional Members**	**USA**	**Other**	**Total**
Cash and cash equivalents	**$-**	**$10,294**	**$52,035**	**$-**	**$62,329**
Debt securities at fair value through OCI	**-**	**84,146**	**177,468**	**160,524**	**422,138**
Sovereign loans outstanding	**1,185,402**	-	-	-	1,185,402
Non-sovereign loans outstanding	**63,916**	**-**	**-**	**-**	**63,916**
Derivative financial instruments	-	**29,407**	**30,250**	**(12,623)**	**47,034**
Maintenance of value on currency Holdings	**742**	**3,647**	**-**	**-**	**4,389**
Non-negotiable demand notes	**32,963**	**5,549**			**38,512**
Subscriptions in arrears	**1,936**	**-**	**-**	**-**	**1,936**
Receivables	**7,629**	**-**	**-**	**-**	**7,629**
	$1,292,614	**$133,043**	**$259,753**	**$147,901**	**$1,833,285**

(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

	2018				
	Borrowing Member Countries	**Non-Regional Members**	**USA**	**Other**	**Total**
Cash and cash equivalents	$21,083	$20,871	$82,068	$2,714	$126,736
Debt securities at fair value through OCI	749	73,605	172,002	84,945	331,301
Sovereign loans outstanding	1,123,492	-	-	-	1,123,492
Non-sovereign loans outstanding	40,050	-	-	-	40,050
Derivative financial instruments	-	26,995	22,106	-	49,101
Maintenance of value on currency Holdings	728	2,952	-	-	3,680
Non-negotiable demand notes	32,302	5,252	-	-	37,554
Subscriptions in arrears	1,856	-	-	-	1,856
Receivables	10,123	-	-	-	10,123
	$1,230,383	$129,675	$276,176	$87,659	$1,723,893

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.

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 foreign 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 where borrowing currencies are not denominated in USD. 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.

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

NOTE 3 – RISK MANAGEMENT…*continued*

Market risk…*continued*

Concentrations of foreign currency risk

				2019		
As at December 31	**US$**	**Yen**	**CHF**	**Euro**	**Other**	**Total**
Assets						
Cash and cash equivalents	**$62,329**	**$-**	**$-**	**$-**	**$-**	**$62,329**
Debt securities at fair value through OCI	**417,709**	**-**	**-**	**-**	**4,429**	**422,138**
Loans outstanding	**1,249,318**	**-**	**-**	**-**	**-**	**1,249,318**
Derivative financial instruments	**18,469**	**41,188**	**-**	**-**	**-**	**59,657**
Receivable from members	**38,177**	**-**	**-**	**-**	**6,660**	**44,837**
Receivables	**5,297**	**-**	**-**	**-**	**1,823**	**7,120**
Total financial assets	**1,791,299**	**41,188**	**-**	**-**	**12,912**	**1,845,399**
Liabilities						
Accounts payable	**5,452**	**-**	**-**	**-**	**4**	**5,456**
Borrowings	**513,733**	**174,859**	**149,650**	**264,948**	**-**	**1,103,190**
Derivative financial instruments	**-**	**-**	**12,622**	**-**	**-**	**12,622**
Total financial liabilities	**$519,185**	**$174,859**	**$162,272**	**$264,948**	**4**	**1,121,268**
Net on-balance sheet financial position	**$1,272,114**	**$(133,671)**	**($162,272)**	**(264,948)**	**12,908**	**$724,131**
Credit commitments	**$468,244**	**$-**	**$-**	**$-**	**$-**	**$468,244**

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

NOTE 3 – RISK MANAGEMENT...*continued*

Market risk...*continued*

Concentrations of foreign currency risk ...*continued*

	2018				
As at December 31	**US$**	**Yen**	**CHF**	**Other**	**Total**
Assets					
Cash and cash equivalents	$84,873	$-	$-	$41,863	$126,736
Debt securities at fair value through OCI	325,860	-	-	5,441	331,301
Loans outstanding	1,163,542	-	-	-	1,163,542
Derivative financial instruments	4,122	44,979	-	-	49,101
Receivable from members	22,227	-	-	20,863	43,090
Receivables	9,074	-	-	1,049	10,123
Total financial assets	1,609,698	44,979	-	69,216	1,723,893
Liabilities					
Accounts payable	$3,448	$-	$-	$(15)	$3,433
Borrowings	473,098	175,822	147,358	-	796,278
Derivative financial instruments	-	-	21,163	-	21,163
Total financial liabilities	$476,546	175,822	168,521	(15)	820,874
Net on-balance sheet financial position	$1,133,152	$(130,843)	$(168,521)	$69,231	$903,019
Credit commitments	$468,244	$-	$-	$-	$468,244

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 Yen denominated and one Swiss Franc (CHF) borrowings were converted into US dollars in order to hedge against ongoing operational currency and interest rate risks.

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

NOTE 3 – RISK MANAGEMENT…*continued*

Market risk…*continued*

Foreign currency sensitivity…*continued*

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 and the CHF rates respectively:

YEN	**Effect on profit or loss (Income)/Expense**	
Exchange rate movements	**2019**	**2018**
Increase of 5%	**$(8,326)**	$(8,224)
Decrease of 5%	**$9,204**	$9,089
Increase of 10%	**$(15,896)**	$(15,700)
Decrease of 10%	**$19,429**	$19,188

CHF	**Effect on profit or loss (Income)/ Expense**	
Exchange rate movements	**2019**	**2018**
Increase of 5%	**$(7,151)**	$(7,017)
Decrease of 5%	**$7,903**	$7,755
Increase of 10%	**$(13,652)**	$(13,396)
Decrease of 10%	**$16,685**	$16,373

The 'Other' currency category comprises various individual currencies which management does not consider to be material and therefore sensitivity analysis has 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 its liabilities from fixed rate into floating rate obligations where applicable.

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

NOTE 3 – RISK MANAGEMENT…*continued*

Market risk…*continued*

Interest rate risk…*continued*

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.

Exposure to interest rate risk

	2019					
At December 31	**0-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Non-interest generating/ bearing**	**Total**
Assets						
Cash and cash equivalents	**$242,045**	**$-**	**$-**	**$-**	**$-**	**$242,045**
Debt securities at fair value through OCI	**66,730**	**114,990**	**219,671**	**20,747**	**-**	**422,138**
Loans outstanding						**1,249,318**
Derivative financial instruments	**41,188**	**18,469**	**-**	**-**	**-**	**59,657**
Receivable from members	**-**	**-**	**-**	**-**	**44,837**	**44,837**
Receivables	**-**	**-**	**-**	**-**	**7,629**	**7,629**
Total Assets	**$349,963**	**$133,459**	**$219,671**	**$20,747**	**$52,466**	**$2,025,624**
Liabilities						
Accounts payable	**$-**	**$-**	**$-**	**$-**	**$3,131**	**$3,131**
Borrowings						**1,103,190**
Derivative financial instruments	**(12,623)**	**-**	**-**	**-**	**-**	**(12,623)**
Total Liabilities						**$1,093,698**
Total interest sensitivity Gap						

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

NOTE 3 – RISK MANAGEMENT...*continued*

Market risk...*continued*

Exposure to interest rate risk...*continued*

	2018					
At December 31	**0-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Non-interest generating/ bearing**	**Total**
Assets						
Cash and cash equivalents	$126,736	$-	$-	$-	$-	$126,736
Debt securities at fair value through OCI	17,021	74,270	234,232	5,778	-	331,301
Loans outstanding	1,163,542	-	-	-	-	1,163,542
Derivative financial instruments	44,979	4,122	-	-	-	49,101
Receivable from members	-	-	-	-	43,090	43,090
Receivables	-	-	-	-	10,123	10,123
Total Assets	$1,352,278	$78,392	$234,232	$5,778	$53,213	$1,723,893
Liabilities						
Accounts payable	$-	$-	$-	$-	$3,433	$3,433
Borrowings	44,921	5,057	220,382	525,918	-	796,278
Derivative financial instruments	21,163	-	-	-	-	21,163
Total Liabilities	$66,084	$5,057	$220,382	$525,918	$3,433	$820,874
Total interest sensitivity Gap	$1,286,194	$73,335	$13,850	$(520,140)		

Interest rate sensitivity

All other variables held constant (and excluding the effects of the derivative instruments), if interest rates had been 50 bps higher, net income for the year would have increased by XXXXX (2018: $802). Had interest rates been 50 bps lower, net income would have declined by the same amount.

All other variables held constant if interest rates had been 50 bps higher, the impact upon the derivatives would have caused a decrease of XXXXX (2018: $802) in the net income for the year and an increase of XXXX (2018: $5,922) if 50 bps lower.

The sensitivity analyses have shown 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.

NOTE 3 – RISK MANAGEMENT…*continued*

Credit risk…*continued*

Credit quality…*continued*

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 loan commitments. This risk is managed by conformity to the Bank's policy of maintaining a net three years' funding requirement of XXxx (2018: $412 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 XXXX (2018: $596 million), whichever is greater.

The Bank holds a diversified portfolio of cash and 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 can be readily liquidated; and
- Secondary sources of liquidity including a line of credit with a commercial bank.

(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.

	2019				
At December 31	**0 – 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Assets					
Cash and cash equivalents	**$62,392**	**$-**	**$-**	**$-**	**$62,392**
Debt securities at fair value through OCI	**68,700**	**119,032**	**228,167**	**21,097**	**436,996**
Loans outstanding					
Receivable from members					
Receivables					
Total Assets	$	$	$	$	$
Liabilities					
Accounts payable	$	$	$	$	$
Borrowings					
Total Liabilities	$	$	$	$	$

	2018				
At December 31	**0 – 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Assets					
Cash and cash equivalents	$126,736	$-	$-	$-	$126,736
Debt securities at fair value through OCI	18,309	78,610	246,108	6,202	349,229
Loans outstanding	58,795	115,751	575,422	751,596	1,501,564
Receivable from members	-	43,090	-	-	43,090
Receivables	8,202	340	698	883	10,123
Total Assets	$212,042	237,791	$822,228	$758,681	$2,030,742
Liabilities					
Accounts payable	$12	$199	$-	$3,222	$3,433
Borrowings	7,960	20,419	298,340	582,546	909,265
Total Liabilities	$7,972	$20,618	$298,340	$585,768	$912,698

(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 reporting date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

	2019				
At December 31	**0 - 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Derivative asset:					
Derivative financial instruments	**$4,087**	**$8,260**	**$71,936**	**$29,159**	**$113,442**
Derivative liability:					
Derivative financial instruments	**$(4,678)**	**$(9,148)**	**$(68,527)**	**$(43,267)**	**$(125,620)**

	2018				
At December 31	**0 -3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Total**
Derivative asset:					
Derivative financial instruments	$2,276	$623	$10,767	$2,575	$16,241
Derivative liability:					
Derivative financial instruments	$3,229	$3,027	$23,988	$(12,128)	$18,116

(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.

Other commitments comprise a proposed allocation, subject to the approval of the Board of Governors of the Bank, from the net income of the OCR to the operations of the Special Development Fund [SDF (U)] in respect of the four (4) year cycle (Cycle 9) covering the period 2017 to 2020.

	2019		
At December 31	**0-12 months**	**1-5 years**	**Total**
Loan commitments	**$259,000**	**$190,969**	**$449,969**
Other commitments	**10,000**	**5,000**	**15,000**
Guarantees	**12,000**	**-**	**12,000**
	$281,000	**$195,969**	**$479,969**

	2018		
At December 31	**0-12 months**	**1-5 years**	**Total**
Loan commitments	$220,000	$248,244	$468,244
Other commitments	5,000	10,000	15,000
Guarantees	12,000	-	12,000
	$237,000	$258,244	$495,244

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

NOTE 3 – RISK MANAGEMENT…*continued*

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.
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

	2019			
December 31	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Financial assets at fair value through profit or loss				
Derivative financial instruments	**$-**	**$59,657**	**-**	**$59,657**
Financial assets at fair value through OCI				
Debt securities	**-**	**422,138**	**-**	**422,138**
	$-	**$481,795**	**-**	**$481,795**
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	**$-**	**$12,623**	**$-**	**$12,623**
	$-	**$12,623**	**$-**	**$12,623**

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

(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*

Financial assets and liabilities measured at fair value…*continued*

	2018			
December 31	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Financial assets at fair value through profit or loss				
Derivative financial instruments	$-	$49,101	$-	$49,101
Financial assets at fair value through OCI				
Debt securities	-	331, 301	-	331,301
	$-	$380,402	$-	$380,402
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	$-	$21,163	$-	$21,163
	$-	$21,163	$-	$21,163

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

(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**	
	2019	**2018**	**2019**	**2018**
Financial assets – loans and receivables				
Loans outstanding	**1,249,318**	$1,163,542		$921,749
Financial liabilities – amortised cost				
Borrowings	**$1,103,190**	$796,278		$873,617

The fair value of both the loans outstanding and borrowings disclosed above is ranked as Level 2 in the fair value hierarchy. There is no active market for loans made by CDB's to its BMCs and therefore there are no quoted market prices which can be used to value such assets. The discounted cash flow method which is used to derive the fair value of the loans contains inputs in the form of a series of interest rates which reflect the tenor and the credit risk associated with the cash flows arising from the loans. Yield curves which are derived from observable market trades of US-dollar denominated bonds, issued by US-based financial institutions with credit-ratings similar to those assigned to CDB's BMCs, are deemed to be acceptable proxies for the yield curves required by the discounted cash flow valuation process. The credit ratings for BMCs which have been assigned ratings by international credit rating agencies are used in the cashflow analysis.

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 mandate.

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; 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.

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

NOTE 3 – RISK MANAGEMENT…*continued*

Capital Management…*continued*

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 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 (comprising a methodology for calculating capital requirements based on the types and levels of risks, such as borrower defaults, operational losses, or market changes).

As at December 31, 2019 the Bank's available capital was 232.9 % (2018: 200.4%) of its economic capital.

No changes were made to the objectives, policies or processes for managing capital during the year ended December 31, 2019.

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 of the Bank's Charter, the President is the Chief Executive Officer (CEO) and is required to conduct, under the direction of the Board of Directors (BOD) the current business of the Bank.

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, 2019 and 2018, and associated interest income by countries which generated in excess of 10% of the loan interest income for the years ended December 31, 2019 and 2018:

	Interest income		Loans outstanding	
Country	**2019**	**2018**	**2019**	**2018**
Barbados	**$9,121**	$5,672	**$276,592**	$176,073
Jamaica	**7,578**	7,693	**174,928**	189,239
Antigua and Barbuda	**6,242**	5,613	**117,359**	119,116
Others	**35,677**	30,295	**680,439**	679,114
	$58,618	$49,273	**$1,249,318**	$1,163,542

NOTE 5 – FINANCIAL ASSETS

Initial recognition and measurement of financial assets
Financial assets, with the exception of loans, are initially recognised on the settlement date, i.e., the date on which the transaction becomes final and payment must be made. This includes regular way trades - purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value except in the case of financial assets recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price.

Measurement categories of financial assets

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost.
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit and loss (FVPL)

The Bank classifies and measures its derivatives at FVPL.

The Bank has not designated any financial instruments at FVPL in order to eliminate or significantly reduce measurement or recognition inconsistencies (accounting mismatches).

Subsequent measurement

Loans outstanding, receivable from members and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and 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 of loans and receivables are recognised in the statement of comprehensive income in 'Impairment Charges'.

NOTE 5 – FINANCIAL ASSETS *…continued*

Subsequent measurement*…continued*

Loans outstanding, receivable from members and receivables…continued

The Bank measures Loans outstanding, receivable from members and receivables at amortised cost having determined that both of the following conditions are met:

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

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective and in which loans to members, receivables from members and receivables are assessed on a counterparty level having regard to the small number of borrowers in the portfolio.

Assessment is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's key management personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) of meeting and, in particular, the way those risks are managed.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test
As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether it meets the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount, if applicable). The Bank's loans are approved for fixed amounts with predermined repayment dates and other terms in settlement of principal and interest amounts. The receivables from members and receivables are for fixed amounts, but without pre-determined repayment dates.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set. The Bank's operating currency is US Dollars and interest rates for loans are set on a quarterly basis based on the cost of funds and an appropriate margin to cover operating expenditures and to realise a return. Receivables from members and receivables are interest free.

NOTE 5 – FINANCIAL ASSETS *…continued*

Subsequent measurement*…continued*

Debt securities

The Bank classifies its debt securities at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECL calculation for Debt securities at FVOCI is explained below. Where the Bank holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Derivatives recorded at fair value through profit or loss
The Bank's derivatives are classified at FVPL.

The Bank enters into interest rate swaps and/or cross currency swaps with various counterparties and in accordance with approved policy. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed in Note 14. Changes in the fair value of derivatives are 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 Note 22 (b) and are included in *'Interest expense and similar charges'* in the statement of comprehensive income.

Fair Value Measurement

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 the inclusion of estimates by management. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

NOTE 5 – FINANCIAL ASSETS *…continued*

Fair Value Measurement*…continued*

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.

Impairment of financial assets

Overview of the ECL principles
The adoption of IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing IAS 39's "incurred loss" approach with a forward-looking "expected credit loss" [ECL] approach. From January 1, 2018, the Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL) that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12mECLs are calculated on an individual basis.

Determination of significant increase in credit risk
The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Bank groups its financial assets into Stage 1, Stage 2, Stage 3 as described below:

- Stage 1: When financial assets are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 financial assets also include those assets where the credit risk has improved and the asset has then been reclassified from Stage 2. The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast exposure at default (EAD) and multiplied by the expected loss given default (LGD) and discounted by an approximation to the original EIR. This calculation is made for each of three scenarios, as explained above.

- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. These also include assets for which the credit risk has improved and the loan has been reclassified from Stage 3. The mechanics are similar to those outlined above for Stage 1, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

NOTE 5 – FINANCIAL ASSETS *…continued*

Impairment of financial assets*…continued*

- Stage 3: For loans considered credit-impaired the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the Probability of default [PD] set at 100%.

The calculation of ECLs

The Bank calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The three probability weighted scenarios comprise a base case, an optimistic scenario and a pessimistic scenario each of which is associated with different PDs, Exposure at Default [EAD]s and Loss given default [LGD]s.

The maximum period for which the credit losses is determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. The mechanics of the ECL calculations are outlined below:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

- PCT factor – The Preferred Creditor Treatment (PCT) is calculated as a mitigation of the total ECL computed in accordance with the standard formula, to reflect the status of the Bank as a preferred creditor by its sovereign borrowers. PCT treatment includes the obligation to meet the payments of all sovereign debts in full and on time, no re-negotiation or "hair-cuts" on outstanding amounts and the role of the Bank as a lender of last resort which rests in large part on the respect of PCT treatment to all institutions similar to the Bank.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market, counterparties or business model at the date of the financial statements. To reflect this, adjustments or overlays are occasionally made when such differences are significantly material. This includes taking into account the Bank's preferred creditor treatment (PCT) afforded by its borrowing members as well as forward looking information.

Loans outstanding, receivables from members and receivables

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.

NOTE 5 – FINANCIAL ASSETS *…continued*

Impairment of financial assets*…continued*

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to the statement of comprehensive income. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

Forward looking information
In its ECL models, the Bank relies on a broad range of forward looking information as economic and financial inputs, more especially for its sovereign borrowers, such as:

- GDP growth projections
- Unemployment rate trends
- Debt profiles, debt management and projected levels
- Foreign exchange reserves outlook
- Political and social stability
- Growth trends in significant economic sectors
- External evaluation reports such as those of other IFIs such as the World Bank, IMF and internationally recognised credit rating agencies

The inputs and models used for calculating ECLs may not always capture all characteristics of the market and economy at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Definition of default and cure

The Bank considers a loan defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 180 days past due in the case of sovereign borrowers and 90 days past due in the case of non-sovereign on their contractual payments. Members receivables are considered defaulted when the payments are 180 days past due. Debt securities and other receivables are considered defaulted when the contractual payments are 90 days past due.

As a part of a qualitative assessment of whether a sovereign or non-sovereign borrower is in default, the Bank also considers a variety of instances that may indicate inability to pay so as to determine whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events (only some of which will be applicable to each type of borrower), include:

- External and Internal credit rating of the borrower
- Prognosis of economic performance
- Debt restructuring, consolidations or defaults to lenders
- The borrower requesting emergency funding from the Bank or other sources
- The borrower entering into a structured economic programme with other MDBs
- The borrower having past due liabilities to public creditors or employees
- A covenant breach not waived by the Bank
- Breach of the Bank's preferred creditor treatment

NOTE 5 – FINANCIAL ASSETS *…continued*

Impairment of financial assets*…continued*

- The debtor (or any legal entity within the debtor's group) filing for bankruptcy application/protection
- Debtor's listed debt or equity suspended at the primary exchange because of indicators or facts about financial difficulties.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3, when none of the default criteria have been present for at least six consecutive months in the case of sovereign loans In the case of non-sovereign loans and other financial assets the assessment period would be at least for a minimum period ofone year.The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated economic and financial performance at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

Write-offs

The Bank, however, does not write-off, renegotiate or take "haircuts" on its sovereign loans in accordance with its business model, polices and its legal status. Financial assets of a non-sovereign nature are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

The Bank's internal rating and PD estimation process
The Bank's ORM operates its internal rating models. The models incorporate both qualitative and quantitative information and, in addition to information specific to the borrower, utilise supplemental external information that could affect the borrower's behaviour. Where practical, they also build on information from external rating agency action and information. These information sources are first used to determine the PDs within the Bank's Basel III framework. The internal credit grades are assigned based on these Basel III grades. PDs are then adjusted for

IFRS 9 ECL calculations to incorporate forward looking information and the IFRS 9 Stage classification of the exposure. This is repeated for each economic scenarios as appropriate.

Sovereign loans
Due to the nature of its borrowers and guarantors and relevant aspects of the Bank's business model, management expects that all of its sovereign and sovereign guaranteed loans will be repaid in full. The OCR has had a fully performing sovereign and sovereign guaranteed loan portfolio since its inception in 1970.

Recognition of interest income on written-off loans
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.

Significant accounting judgements, estimates and assumptions
The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses as well as the assessment of a significant increase in credit risk (specific to IFRS 9). These estimates are driven by a number of factors, changes in which can result in different allowance amounts.

NOTE 5 – FINANCIAL ASSETS…*continued*

Impairment of financial assets…*continued*

The Bank's Expected Credit Loss (ECL) calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit rating model, which assigns Probabilities of Default (PDs) to the individual ratings;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Life Time ECL basis and the associated qualitative assessment;
- Utilisation of appropriately tested ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs and the effect on PDs, Exposure at Default (EADs) and Losses given Default (LGDs);
- Selection of forward-looking macroeconomic scenarios and their probability weightings to derive the economic inputs into the ECL models;
- Evaluation of the impact of unique mitigating factors against credit losses based on the nature of the Bank, its ownership, borrowers and its preferred creditor status.
- Determination of the mitigating factor for the Bnak's PCT status

Collateral valuation

To mitigate its credit risks in its non-sovereign portfolio the Bank seeks to use collateral to secure or further secure its loans primarily in non-interest bearing cash deposits and charges against trade assets in the non-sovereign portfolio. The Bank's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9 is the same is it was under IAS 39. Non-cash collateral, unless repossessed, is not recorded on the Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed annually. The Bank held cash collateral with respect to two non-sovereign borrowers amounting to XXXX (2018 : $2.3 million against one borrower) Other collateral held at the and of the reporting period is not material.

Renegotiated loans

It is the Bank's policy not 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. There are no renegotiated loans in the Bank's portfolio.

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.

NOTE 5 – FINANCIAL ASSETS…*continued*

Impairment of 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, time deposits, treasury bills and other eligible bills, amounts due from other banks and short-term government securities.

Cash and cash equivalents comprise the following balances:

	2019	**2018**
Due from banks	$229,716	$77,552
Time deposits	62,329	49,184
	$292,045	$126,736

Due from banks includes cash and inter-bank placements. The estimated fair value of floating rate placements and overnight deposits is their carrying value.

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

NOTE 7 – DEBT SECURITIES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The accounting policy is as defined in Note 5.

(a) A summary of the Bank's debt securities at fair value through other comprehensive income as at December 31, 2019 is as follows:

	USD	CAD	Other	Total
December 31				
Obligations guaranteed by Governments[1]	**$ 244,591**	**$2,590**	**-**	**$247,181**
Multilateral organisations	**96,034**	**1,079**	**-**	**97,113**
Corporations	**62,329**	**-**	**-**	**63,089**
Time deposits	**-**	**-**	**760**	**760**
	$402,954	**$3,669**	**$760**	**$407,383**

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

The ECL computed for debt securities at FVOCI was nil as at December 31, 2018

A summary of the Bank's debt securities at fair value through profit or loss as at December 31, 2018 is as follows:

	USD	CAD	Other	Total
December 31				
Obligations guaranteed by Governments[1]	$239,720	$3,672	-	**$243,392**
Multilateral organisations	86,140	1,020	-	**87,160**
Time deposits	-	-	749	**749**
	$325,860	$4,692	$749	**$331,301**

(b) A maturity analysis of debt securities at fair value through other comprehensive income as at December 31, 2019 and fair value through profit or loss as at December 31, 2018 is as follows:

	2019	2018
Current	$183,126	$91,291
Non-current	239,012	240,010
	$422,138	$331,301

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

NOTE 8 – RECEIVABLES AND PREPAID ASSETS

The accounting policy for receivables is as defined at Note 5. Prepaid assets are not financial assets and 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 receivables and prepaid assets, fair value is assumed to be equal to carrying value.

Receivables and prepaid assets comprise the following:

	2019	2018
Inter-fund receivable – Note 27	**$5,342**	$6,720
Staff loans and other receivables	**710**	738
Value added tax receivable	**1,263**	1,421
Institutional receivables	**231**	1,671
Prepaid assets	**535**	690
	8,081	11,240
Less impairment provision	**426**	(427)
	$7,655	$10,813

An assessment of the impairment provision as at December 31, 2019 is as follows:

	Stage 1	**Stage 3**	**Total**
Opening adjustment re: IFRS 9 as at January 1, 2018 (Note 2)	**$-**	**$333**	**$333**
Impairment charge (Note 24)	**1**	**93**	**94**
Impairment provision as at December 31	**$1**	**$426**	**$427**

NOTE 9 – CASH COLLATERAL ON DERIVATIVES

The Bank attempts to reduce counterparty credit exposure in derivative transactions through bilateral collateral requirements. Under these arrangements collateral is not required to be posted up to an agreed valuation threshold beyond which collateral is posted in cash by either one of the parties based on the exposure that is in excess of the credit threshold. When the Bank's derivative is in a liability position, it posts collateral to the counterparty and records the collateral posted as an asset receivable. When the Bank's derivative is in a receivable position, it receives collateral from the counterparty and records the collateral received as a reduction in the receivable or an increase in the liability.

The Bank is party to a currency swap with Credit Suisse International AG to convert $145 million CHF to USD at a fixed exchange rate on a fixed date and to exchange a fixed interest rate of 0.297% for a floating rate based on USD Libor. As at December 31, 2019, the Bank held a collateral receivable of $2,400 (2018: $9,750) from Credit Suisse International in respect of this cross currency interest rate swap. Interest on this account is calculated at the daily US Federal Funds rate and the amounts earned for the year was $125(2018: $152).

NOTE 9 – CASH COLLATERAL ON DERIVATIVES…*continued*

These arrangements form part of the Credit Support Annex ("CSA") to the ISDA Agreement and is an integral part of the valuation of the fair value of the underlying derivatives as disclosed Note 3 – *Risk Management* and Note 14 – *Derivative financial instruments.*

NOTE 10 – 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 BMCs and are disbursed and repaid in US Dollars. Loans are granted for a maximum period of twenty-two years, including a grace period, which typically covers the period of the project implementation and are for the purpose of financing development projects and programmes, and are not intended for sale. Interest rates are reset quarterly. The interest rate prevailing as at December 31, 2019 was 4.80% (2018: 4.80%)

The estimated fair values of the loans 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.

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 provided by CDB to their 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) by its BMCs by which, in applicable circumstances, the Bank's loans are not included in any debt rescheduling arrangements and defaults 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 is determined on a case-by-case basis. The Bank secures non-interest bearing cash collateral against certain non-sovereign loans the amounts of which are estimated to be sufficient to maintain the loan in a current status in the event that this would become a requirement. If not utilised the amounts are refundable to the borrower upon maturity of the loan. 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 collateral held (off-balance sheet) for the impaired non-sovereign loans was not able to be valued due to the nature of the collateral and the cost effectiveness of establishing the value of the security, being the fair value of sub-loans and the Bank's portion of the estimated realisable value of a property. These values would not, in management's view, material to the financial statements.

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

NOTE 10 – LOANS OUTSTANDING...*continued*

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

	2019			
Borrowers	**Loans not yet effective**	**Undisbursed**	**Outstanding**	**% of Loans outstanding**
Anguilla	$6,230	$3,478	$80,524	6.5
Antigua and Barbuda	-	65,371	116,193	9.3
Bahamas	52,893	28,177	24,154	1.9
Barbados	29,800	26,256	260,723	20.9
Belize	-	78,635	115,022	9.4
British Virgin Islands	9,299	45,939	81,599	6.6
Dominica	-	8,083	18,472	1.5
Grenada	-	11,120	38,126	3.1
Guyana	-	1,303	26,964	2.2
Jamaica	-	123	149,018	12.0
St. Kitts and Nevis	-	4,099	26,693	2.1
St. Lucia	10,603	28,292	61,534	4.9
St. Vincent and the Grenadines	101,414	35,856	68,847	5.5
Suriname	-	87,725	61,320	4.9
Trinidad and Tobago	-	6,337	32,900	2.6
Turks and Caicos Islands	-	1,114	1,307	0.1
Regional	-	-	8,969	0.7
Non-sovereign	-	18,061	74,018	5.9
Sub-total	210,239	449,969	1,246,383	100.0
Provision for impairment	-	-	(12,920)	
Accrued interest and other charges	-	-	15,855	
	$210,239	449,969	$1,249,318	
Current			$124,070	
Non-current		1,125,248		
			$1,249,318	

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

NOTE 10 – LOANS OUTSTANDING…*continued*

(a) Credit exposures…*continued*

	2018			
Borrowers	**Loans not yet effective**	**Undisbursed**	**Outstanding**	**% of Loans outstanding**
Anguilla	$6,230	$4,306	$85,945	7.4
Antigua and Barbuda	-	70,128	117,814	10.2
Bahamas	17,450	20,168	18,194	1.6
Barbados	-	39,854	187,546	16.2
Belize	32,428	59,994	104,393	9.0
British Virgin Islands	9,299	49,843	79,571	6.9
Dominica	-	10,424	17,689	1.5
Grenada	-	14,766	39,184	3.4
Guyana	-	2,272	28,805	2.5
Jamaica	-	7,016	173,917	15.0
St. Kitts and Nevis	-	6,194	28,456	2.4
St. Lucia	13,067	46,733	55,677	4.8
St. Vincent and the Grenadines	14,527	14,471	76,333	6.6
Suriname	-	99,798	54,247	4.7
Trinidad and Tobago	-	-	34,860	3.0
Turks and Caicos Islands	672	441	2,424	0.2
Regional	-	5,484	6,811	0.6
Non-sovereign	34,388	16,352	46,774	4.0
Sub-total	128,061	468,244	1,158,640	100.0
Provision for impairment			(9,978)	
Accrued interest and other charges			14,880	
	$128,061	$468,244	$1,163,542	

	2018
Current	$111,628
Non-current	1,051,914
	$1,163,542

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

NOTE 10 – LOANS OUTSTANDING...*continued*

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

2019

Currencies receivable	Loans out-standing 2018	Net interest	Disburse-ments	Sub-Total	Repay-ments	Provision for impairment	Loans out-standing 2019
United States dollars	**$1,158,640**	**$-**	**$197,922**	**$1,356,562**	**$(110,180)**	$-	**$1,246,382**
Sub-total	**1,158,640**	**-**	**197,922**	**1,356,562**	**(110,180)**	-	**1,246,382**
Provision for impairment	**(9,978)**	**-**	**-**	**(9,978)**	**-**		**(9,978)**
Accrued interest	**14,880**	**975**	**-**	**15,855**	**-**	-	**15,885**
Total – December 31	**$1,163,542**	**$975**	**$197,922**	**$1,362,439**	**$(110,180)**	-	**$1,252,259**

2018

Currencies receivable	Loans out-standing 2017	Opening adjustment re: IFRS 9 (Note 2)	Sub-total: opening balance (Note 2)	Net interest	Disburse -ments	Repay-ments	Provision for impairment	Loans out-standing 2018
United States dollars	**$1,055,885**	$-	**$1,055,885**	$-	$206,035	$(103,280)	$-	**$1,158,640**
Sub-total	**1,055,885**	-	**1,055,885**	-	206,035	(103,280)	-	**1,158,640**
Provision for impairment	**(6,309)**	(1,659)	**(7,968)**	-	-	-	(2,010)	**(9,978)**
Accrued interest	**10,506**	-	**10,506**	4,374	-	-	-	**14,880**
Total – December 31	**$1,060,082**	($1,659)	**$1,058,423**	$4,374	$206,035	$(103,280)	($2,010)	**$1,163,542**

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

NOTE 10 – LOANS OUTSTANDING…*continued*

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

	Stage 1	Stage 2	Stage 3	Total
Opening balance as at January 1, 2019	**$5,134**	**$-**	**$4,844**	**$9,978**
Impairment charge (Note 24)	**4,654**	**118**	**(1,831)**	**2,941**
Impairment provision as at December 31	**$9,788**	**$118**	**$3,013**	**$12,919**

NOTE 11 – NON-NEGOTIABLE DEMAND NOTES

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

Under the provisions of its Charter 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. They are thus classified as current assets and their fair value is therefore estimated to be their carrying value.

As at December 31, 2019 the non-negotiable demand notes were comprised as follows:-

	2019	2018
Gross carrying amount	$39,989	$44,181
Less impairment provision	(1,477)	(6,627)
	$38,512	$37,554

An assessment of the impairment provision as at December 31, 2019 is as follows:

	Stage 1
Opening balance as at January 1, 2019 (Note 2- included in *"Receivable from members" line*)	**$6,627**
Impairment recovery	**(5,150)**
Impairment provision as at December 31	**$1,477**

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

NOTE 12 – 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 are 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, 2019 maintenance of value on currency holdings was comprised as follows:

	2019	2018
Gross carrying amount	$4,389	$4,331
Less impairment provision	-	(651)
	$4,389	$3,680

.

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

NOTE 12 – MAINTENANCE OF VALUE (MOV) ON CURRENCY HOLDINGS...*continued*

An assessment of the impairment provision as at December 31, 2019 is as follows:

	Stage 1
Opening balance as at January 1, 2019 (Note 2 – included in *"Receivable from members" line*)	**$651**
Impairment recovery (Note 24 – *included in "Receivable from members" line*)	**(651)**
Impairment provision as at December 31	**$-**

As at December 31, 2019 $498 (2018: $567) was due by the Bank.

NOTE 13 – 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 in six instalments. The values below represent amounts that are due and not yet paid by certain members.

The amount reported as subscriptions in arrears is comprised as follows:

	2019	2018
Gross carrying amount	$1,981	$2,183
Less impairment provision	(45)	(327)
	$1,936	$1,856

The impairment provisions are as follows:

	Stage 1
Opening balance (Note 2 – included in *"Receivable from members" line*)	**$327**
Impairment recovery (Note 24 – *included in "Receivable from members" line*)	**(282)**
Impairment provision as at December 31	**$45**

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

NOTE 14 – DERIVATIVE FINANCIAL INSTRUMENTS

The accounting policy is as defined at Note 5.

The Bank is party to five swaps with four counterparties. Two swaps were used to transform underlying fixed rate borrowings in Japanese Yen to floating rate obligations in USD. One of these swaps has subsequently been modified to reinstate fixed rate exposure, at a rate lower than that of the original underlying note. The two fixed rate Japanese Yen notes which mature in 2022 and 2030 carry interest rates of 2.75% and 4.35%, respectively. The principal amounts due on maturity are in Japanese Yen, while the interest payments are due in USD.

Two interest rate swaps were executed in August 2013 and September 2014, which transformed a fixed-rate borrowing of 300 million USD into obligations with LIBOR based floating rates of interest. Both swaps mature in November 2027.

A cross currency interest rate swap was also executed in July 2016 related to a bond issue of 145 million Swiss Francs. The swap was used to transform the underlying 0.297% fixed rate borrowing in Swiss Francs to LIBOR based floating rate obligations in USD. The swap matures concurrently with the borrowing in 2028.

Counterparties to derivative contracts are selected in accordance with the Bank's approved policy. In accordance with this policy, engaging in speculative activities is 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.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when it is negative. The fair values of derivative financial instruments held at December 31, were as follows:

		2019	2018
		Fair values	
	Notional Amount		
Derivative financial asset			
Cross currency interest rate swaps	$163,220	**$42,252**	$47,189
Interest rate swaps	$300,000	**18,961**	3,849
Bilateral non-performance risk adjustment		(967)	(1,937)
		$60,246	$49,101
Derivative financial liability			
Cross currency interest rate swap	$151,341	$12,765	$21,617
Bilateral non-performance risk adjustment		(143)	(454)
		$12,622	$21,163

NOTE 15 – 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.

Land totaling 2.2 hectares and the associated buildings were conveyed to the Bank by the Government of Barbados in 1983. These assets are not accounted for by the Bank and therefore do not form part of the Bank's financial records. Management does not consider the historical cost to be material and is in the process of obtaining legal vesting of the asset to the Bank.

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:

	Years
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.

Duirng the year the Bank undertook an assessment of the economic life of its computer assets for accounting purposes and it was determined that the current policy was still applicable.

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.

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

NOTE 15 – PROPERTY AND EQUIPMENT…*continued*

The carrying values of property and equipment were as follows:

	2019					
	Projects in Progress	Land, Buildings and Ancillary Works	Computers	Furniture and Equipment	Motor Vehicles	Total
Opening net book value	$5,285	$4,958	$2,245	$819	$53	$13,360
Additions	4,553	-	341	52	-	4,946
Transfers from computers	674	-	(674)	-	-	-
Transfers from projects in progress	(163)	36	97	30	-	-
Disposals - cost	-	-	(43)	(22)	-	(65)
Disposals - accumulated depreciation	-	-	43	19	-	62
Depreciation expense	-	(307)	(732)	(349)	(40)	(1,428)
Closing net book value	$10,349	$4,687	$1,277	$549	$13	$16,875
At December 31						
Cost	$10,349	$12,235	$12,737	$6,900	$267	$42,588
Accumulated depreciation	-	(7,648)	(11,466)	(6,351)	(254)	(25,713)
Closing net book value	$10,349	$4,687	$1,277	$549	$13	$16,875

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

NOTE 15 – PROPERTY AND EQUIPMENT…*continued*

	2018					
	Projects in Progress	Land, Buildings and Ancillary Works	Computers	Furniture and Equipment	Motor Vehicles	Total
Opening net book value	$4,356	$5,117	$1,740	$1,027	$85	$12,325
Additions	2,362	68	284	116	20	2,850
Transfers from projects in progress	(1,433)	76	1,189	168	-	-
Disposals - cost	-	-	(1)	-	-	(1)
Disposals - accumulated depreciation	-	-	1	-	-	1
Depreciation expense	-	(303)	(968)	(492)	(52)	(1,815)
Closing net book value	$5,285	$4,958	$2,245	$819	$53	$13,360
At December 31						
Cost	$5,285	$12,299	$13,016	$6,840	$267	$37,707
Accumulated depreciation	-	(7,341)	(10,771)	(6,021)	(214)	(24,347)
Closing net book value	$5,285	$4,958	$2,245	$819	$53	$13,360

NOTE 16 – FINANCIAL LIABILITIES

Financial liabilities are recognised on the statement of financial position when the Bank becomes a party to the contractual provisions of an instrument. Management determines the classification of its financial instruments at initial recognition.

The Bank's financial liabilities include accounts payable and borrowings. Further information is included at Notes 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.

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

NOTE 16 – FINANCIAL LIABILITIES…*continued*

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 and 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.

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.

NOTE 17 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounting policy for accounts payable is as defined at Note 16.

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:

	2019	2018
Accounts payable	$5,446	3,433
Accrued liabilities	2,805	3,058
	$8,251	$6,491

NOTE 18 – DEFERRED INCOME

Deferred income comprises freehold land donated to the Bank as a Government grant and is stated at historical value of $875 (2018: $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, approval for which was given by the Bank's BOD and preliminary undertakings are in process.

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") to secure 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 respectively, 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 "*Operating expenses*". 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 equity 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.

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 most recent actuarial valuation was performed as at January 1, 2017. The financial statements of the plans are audited annually by independent external auditors. The level of contributions necessary to meet future obligations is approved by the Trustees acting on professional advice.

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

Description of the plans…continued
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 16.9% of contributing members' salaries and fund any deficit over a maximum period of 40 years.

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 effective January 1, 2017 as certified by the Actuary and applied by the Bank is 30.7% (2017: 30.7%) 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 latest changes to the Plan were approved by the BOD in 2014 and in 2019.

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 of 65% and 35% respectively.

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 independent actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the applicable 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 and approved by management 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 applying a single weighted average discount rate that reflects the estimated timing and amounts of benefit payments and the currency in which the benefits are to be paid extrapolated as needed along the yield curve to correspond with the average expected term of the defined benefit obligation.

With respect to the Post-Retirement Medical Plan, the appropriate discount rate has been determined to be based on the yield on Government of Barbados long term Bonds since there is no deep market in Barbados Dollar denominated long term Corporate Bonds. Barbados Dollar Bonds are used as the liability is denominated in that currency.

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.

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

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

Key assumptions and quantitative sensitivity analyses...continued
Future salary increases and pension increases are based on expected future inflation rates of the country of the Bank's location. The key assumptions and their sensitivity analyses are discussed further below.

Risks factors that may impact the Bank
The defined benefit new 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 in order to counter the inflation risk and improve the investment return. As at the reporting date XXXX (2018: 53.4%) of the plan assets were invested in equities.

The hybrid pension scheme also exposes the Bank to the same longevity, inflation and interest rate risks. The investment risk inherent in the cash balance option has been managed by concentrating on short term high quality dated securities, leaving the Bank exposed to the inflation and interest rate risks in the pension option.

Net post-employment obligations

	2019	2018
Defined benefit pension liability	$25,098	$15,203
Hybrid pension liability	8,812	6,336
Post-retirement medical obligation	2,585	2,210
	$36,495	$23,749

Net pension costs recognised in profit or loss

	2019	2018
Defined benefit pension liability	$5,447	$5,952
Hybrid pension liability	314	291
Post-retirement medical obligation	246	229
	$6,007	$6,472

Net re-measurements recognised in other comprehensive income

	2019	2018
Defined benefit obligation	$8,787	$(4,198)
Hybrid pension liability	2,866	712
Post-retirement medical obligation	241	-
	$11,894	$(3,486)

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

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

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

	Pensions			
	Defined Benefit Pension Plan		Hybrid Pension Scheme	
	2019	**2018**	**2019**	**2018**
Present value of funded obligations	**$95,943**	$75,277	**$27,457**	$24,204
Fair value of plan assets	**(70,845)**	(60,074)	**(18,645)**	(17,868)
Net defined benefit liability	**$25,098**	$15,203	**$8,812**	$6,336

The amounts recognised in profit or loss are as follows:

	Pensions			
	Defined Benefit Pension Plan		Hybrid Pension Scheme	
	2019	**2018**	**2019**	**2018**
Current service costs	**$4,945**	$5,424	**$84**	$99
Net interest on net defined benefit liability	**502**	528	**230**	192
Net pension cost	**$5,447**	$5,952	**$314**	$291

Re-measurements recognised in other comprehensive income are as follows:

	Pensions			
	Defined Benefit Pension Plan		Hybrid Pension Scheme	
	2019	**2018**	**2019**	**2018**
Experience (gains)/losses	$8,787	$(4,198)	$2,866	$712
Total amount recognised in other comprehensive income	$8,787	$(4,198)	$2,866	$712

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

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

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

	Pensions			
	Defined Benefit Pension Plan		Hybrid Pension Scheme	
	2019	2018	2019	2018
Opening defined benefit liability	$15,203	$17,649	$6,336	$6,055
Net pension cost	5,447	5,952	314	291
Re-measurements recognised in other comprehensive income	8,787	(4,198)	2,866	712
Bank contribution paid	(4,339)	(4,200)	(704)	(722)
Balance as at December 31	$25,098	$15,203	$8,812	$6,336

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

	Pensions			
	Defined Benefit Pension Plan		Hybrid Pension Scheme	
	2019	2018	2019	2018
Balance at January 1	$75,277	$75,588	$24,204	$24,452
Current service costs	4,945	5,424	84	99
Interest costs	2,964	2,608	947	836
Members' contributions	989	957	469	450
Re-measurements				
Experience adjustments	(3,245)	(934)	(836)	125
Actuarial losses/(gains) from changes in demographic assumptions	2,873	-	560	-
Actuarial (gains)/losses from changes in financial assumptions	14,513	(6,231)	3,098	(603)
Benefits paid	(2,373)	(2,135)	(1,069)	(1,155)
Balance as at December 31	$95,943	$75,277	$27,457	$24,204

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

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

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

	Pensions			
	Defined Benefit Pension Plan		Hybrid Pension Scheme	
	2019	2018	2019	2018
Balance at January 1	$60,074	$57,939	$17,868	$18,397
Interest income	2,462	2,080	717	644
Return on plan assets, excluding interest	5,354	(2,967)	(44)	(1,190)
Bank contributions	4,339	4,200	704	722
Members' contributions	989	957	469	450
Benefits paid	(2,373)	(2,135)	(1,069)	(1,155)
Balance as at December 31	$70,845	$60,074	$18,645	$17,868

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

	2019	2018
Quoted in active markets		
Equity securities	$36,928	$32,080
	$36,928	$32,080
Unquoted investments		
Cash and cash equivalents	2,198	1,335
Debt securities	32,878	26,933
	$35,076	$28,268
Net accruals	(1,159)	(274)
Total	$70,845	$60,074

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

	2019	2018
Unquoted investments		
Government and Government guaranteed bonds	$11,113	$11,776
Supranational bonds	4,539	4,973
Corporate bonds	1,515	-
Cash, cash equivalents and net accruals	1,478	1,119
Total	$18,645	$17,868

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

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

The principal actuarial assumptions used for accounting purposes are:

	Defined Benefit Pension Plans	
	2019	**2018**
Discount rate	2.97%	4.00%
Future salary increases	4.00%	4.00%
Future pension increases – Defined benefit pension plan	2.00%	2.00%

It was assumed that there would be no future pension increases with respect to the hybrid pension scheme.

The proportion of the defined benefit pension plan preserved members opting for pension was assumed to be 75% (2018: 75%). The proportion of other members opting for pension was assumed to be 75% (2018: 75%).

Mortality rate

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

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

	2019	**2018**
Male	**21.7 years**	21.0 years
Female	**26.0 years**	25.1 years

The average life expectancy at age 60 for current members age 40 as at the reporting date is as follows:

	2019	**2018**
Male	**22.6 years**	21.4 years
Female	**26.9 years**	25.4 years

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

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

Sensitivity analysis and liability profile

(a) Defined benefit pension plan

A quantitative sensitivity analysis for significant assumptions as at December 31, 2019 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	$(14,40)	$18,308	$4,378	$(3,825)	$11,055	$(9,250)

	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	$1,011	$(965)	$1,934	$(1,915)

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 to the defined benefit obligation:

	2019	2018
Within the next 12 months (annual reporting period)	$4,400	$4,300
Between 1 year and 2 years		$5,180

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

Active members………………. 63% (2018: 70%)
Deferred members………………1% (2018: -)
Pensioners………………………..36% (2018: 30%)

The weighted average duration of the defined benefit obligation was 17.2 years (2018: 15.8 years).

Ninety-four percent 91%(2018: 94%) of the benefits for active members were vested, 21% (2018: 22%) of the defined benefit obligation for active members was conditional on future salary increases.

(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, 2019 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 hybrid pensionscheme	**$(2,767)**	**$3,405**	**$310**	**$(284)**

	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 hybrid pension scheme	**$270**	**$(262)**	**$417**	**$(447)**

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 to the defined benefit obligation:

	2019	2018
Within the next 12 months	**$700**	$700
Between 1 year and 2 years		$523

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

Active members…………………. 53% (2018: 54%)
Pensioners…………………………......47% (2018: 46%)

The weighted average duration of the hybrid pension scheme was 11 years (2018:11 years).

One hundred percent 100% (2018: 100%) of the benefits for active members were vested, 8% (2018: 7%) of the hybrid pension scheme for active members is conditional on future salary increases.

(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:

		Pension charge to profit & loss			Remeasurement (gains)/losses in OCI				
	1-Jan-19	Current Service Cost	Net interest cost	Sub-total included in profit or loss (Note 23)	Experience adjustments	Loss from change in financial assumptions	Sub-total included in OCI	Premiums paid by the bank	31-Dec-19
Medical obligation	$2,210	$84	$162	$246	$241	$-	$241	$(112)	$2,585

		Pension charge to profit & loss			Remeasurement (gains)/losses in OCI				
	1-Jan-18	Current Service Cost	Net interest cost	Sub-total included in profit or loss (Note 23)	Experience adjustments	Loss from change in financial assumptions	Sub-total included in OCI	Premiums paid by the bank	31-Dec-18
Medical obligation	$2,068	$72	$157	$229	$(63)	$63	$-	$(87)	$2,210

(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:

	Post-employment medical obligation	
	2019	**2018**
Discount rate	7.50%	7.50%
Medical cost increase	4.00%	5.00%

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 $75 (2018: $74).

Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions as at December 31, 2018 is as shown below:

	Discount rate		Medical cost increases	
	1% p.a. increase	**1% p.a. decrease**	**1% p.a. increase**	**1% p.a. decrease**
Impact on medical obligation	**$(272)**	**$(328)**	**$336**	**$283**

The expected contributions to be made to the post-retirement medical obligation within the next twelve months is $123 (2018: $92).

Liability profile

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

Active members………………..38% (2018: 41%)
Pensioners……………………..62% (2018: 59%)

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

Post-retirement medical plan...*continued*

Liability profile...*continued*

The weighted average duration of the post-retirement medical obligation was 12.4 years (2018: 13.1 years). Fifty-seven percent 59% (2018: 57%) of the benefits of active members were vested.

NOTE 20 – BORROWINGS

The accounting policy for borrowings is as defined at Note 16.

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, 2018, total borrowings amounted to \$1,103,190 (2018 \$796,278).

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, 2019, the ratio of total outstanding borrowings and undrawn commitments of \$1,233,214 (2018: \$934,852) to the borrowing limit of \$1,458,567 (2018: \$1,417,031) was 84.5% (2018: 65.9%).

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

NOTE 20 – BORROWINGS...*continued*

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

	2019						
	Original amounts[1/]	Translation adjustments & other	Repayments to date	Currency swap[2/]	Undrawn	Outstanding	Due dates
Short term Borrowing							
Line of credit	$75,000	$-	$-	$-	$-	$75,000	2019
	75,000	-	-	-	-	75,000	
CDB Market Borrowings							
4.35% Notes – Yen	60,000	(337)	-	-	-	59,663	2030
2.75% Notes – Yen	100,000	15,197	-	-	-	115,197	2022
4.375% Bonds – US$	300,000	-	-	-	-	300,000	2027
0.297% Bonds – CHF	151,341	(1,175)	-	-	-	150,166	2028
0.875% Notes – EUR	275,550	5,191	-	-	-	280,741	
Unamortised transaction costs	(17,198)	(341)	-	-	-	(17,539)	
Unamortised currency swap	3,126	-	-	(968)	-	2,158	
	872,819	18,535	-	(968)	-	890,386	
European Investment Bank							
Global Loan 111 – US$	16,598	-	(3,320)	-	-	13,278	2023
Climate Action Credit I– US$	65,320	-	(573)	-	(9,178)	55,569	2032
Climate Action Credit II– US$	115,821	-	-	-	(86,791)	29,030	2033
Unamortised transaction costs	(259)	-	-	-	-	(259)	
	197,480	-	(3,893)	-	(95,969)	97,618	
Inter-American Development Bank							
Loan 926/OC-RG-US$	19,347	-	(17,678)	-	-	1,669	
Loan 2798/BL-RG	14,000	-	(407)	-	(3,274)	10,319	
Loan 3561/OC – RG	20,000	-	-	-	(12,781)	7,219	
	53,347	-	(18,085)	-	(16,055)	19,207	
Agence Francaise de Developpement	33,000	-	-	-	(18,000)	15,000	
Sub-total	1,231,646	18,535	(21,978)	(968)	(130,024)	1,097,211	
Accrued interest	5,979	-	-	-	-	5,979	
Total – December 31	$1,237,625	$18,535	$(21,978)	$(968)	$(130,024)	$1,103,190	

1/ Net of cancellations and borrowings fully paid.
2/ Unwinding of terminated fair value hedge.

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

NOTE 20 – BORROWINGS...*continued*

	2018						
	Original amounts[1/]	Translation adjustments & other	Repayments to date	Currency swap[2/]	Undrawn	Outstanding	Due dates
Short term Borrowing							
Line of credit	40,000	$-	$-	$-	$-	40,000	2019
	40,000	-	-	-	-	40,000	
CDB Market Borrowings							
4.35% Notes – Yen	60,000	(1,076)	-	-	-	58,924	2030
2.75% Notes – Yen	100,000	13,771	-	-	-	113,771	2022
4.375% Bonds – US$	300,000	-	-	-	-	300,000	2027
0.297% Bonds – CHF	151,341	(3,983)	-	-	-	147,358	2028
Unamortised transaction costs	(2,241)	225	-	-	-	(2,016)	
Unamortised currency swap	4,095	-	-	(968)	-	3,127	
	613,195	8,937	-	(968)	-	621,164	
European Investment Bank							
Global Loan 111 – US$	34,857	-	(18,259)	-	-	16,598	2023
Climate Action Credit I– US$	65,320	-	-	-	(9,178)	56,142	2032
Climate Action Credit II– US$	118,133	-	-	-	(89,103)	29,030	2033
Unamortised transaction costs	(289)	-	-	-	-	(289)	
	218,021	-	(18,259)	-	(98,281)	101,481	
Inter-American Development Bank							
Loan 926/OC-RG-US$	19,347	-	(16,565)	-	-	2,782	2021
Loan 2798/BL-RG	14,000	-	-	-	(4,326)	9,674	2043
Loan 3561/OC – RG	20,000	-	-	-	(15,279)	4,721	2037
	53,347	-	(16,565)	-	(19,605)	17,177	
Agence Francaise de Developpement	33,000	-	-	-	(23,000)	10,000	2028
Sub-total	957,563	8,937	(34,824)	(968)	(140,886)	789,822	
Accrued interest	6,456	-	-	-	-	6,456	
Total – December 31	$964,019	$8,937	$(34,824)	$(968)	$(140,886)	$796,278	

1/ Net of cancellations and borrowings fully paid.
2/ Unwinding of terminated fair value hedge.

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

NOTE 20 – BORROWINGS...*continued*

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

2019							
Currencies Repayable	**Outstanding at December 2018**	**Translation adjustment**	**Net interest expense/ paid**	**Draw-downs**	**Currency swap amortisation [1/]**	**Repayments**	**Outstanding at December 2019**
United States Dollars	**$468,946**	**$-**	**$-**	**$83,549**	**$-**	**$(45,412)**	**$507,083**
Swiss Francs	**147,358**	**2,808**	**-**	**-**	**-**	**-**	**150,166**
Euro	**-**	**-**	**-**	**280,741**	**-**	**-**	**280,741**
Japanese Yen	**175,822**	**2,165**	**-**	**-**	**(968)**	**-**	**177,019**
Sub-total	**792,126**	**4,973**	**-**	**364,290**	**(968)**	**(45,412)**	**$1,115,009**
Amortised borrowing costs	**(2,304)**	**(10)**	**-**	**(15,484)**	**-**	**-**	**(17,798)**
Accrued interest	**6,456**	**-**	**(477)**	**-**	**-**	**-**	**5,979**
Total – December 31	**$796,278**	**$4,963**	**$(477)**	**$348,806**	**$(968)**	**$(45,412)**	**$1,103,190**

2018							
Currencies Repayable	**Outstanding at December 2017**	**Translation adjustment**	**Net interest expense/ paid**	**Draw-downs**	**Currency swap amortisation [1/]**	**Repayments**	**Outstanding at December 2018**
United States Dollars	$367,775	$-	$-	$175,603	$-	$(74,432)	$468,946
Swiss Francs	148,657	(1,299)	-	-	-	-	147,358
Japanese Yen	172,678	4,112	-	-	(968)	-	175,822
Sub-total	689,110	2,813	-	175,603	(968)	(74,432)	792,126
Amortised borrowing costs	(2,241)	3	-	(66)	-	-	(2,304)
Accrued interest	4,680	-	1,776	-	-	-	6,456
Total – December 31	$691,549	$2,816	$1,776	$175,537	$(968)	$(74,432)	$796,278

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

	2019	**2018**
Current	**$88,002**	$51,855
Non-current	**1,015,188**	744,423
	$1,103,190	$796,278

[1/]Unwinding of terminated fair value hedge.

NOTE 20 – BORROWINGS*…continued*

On March 14, 2018 Standard & Poor's reaffirmed the Bank's long-term issuer credit rating of 'AA+' and its short-term credit rating of 'A-1+', both with a Stable outlook.

On XX 2019 Moody's Investors Service reaffirmed the Bank's long term issuer rating at 'Aa1' and maintained the Stable outlook.

On March 05, 2019 Fitch Ratings Limited affirmed the Bank's Long-Term Issuer Default rating of 'AA+' with a Stable Outlook and a Short Term Issuer Default rating of 'F1+'.

Please refer to Note 29 – Subsequent events

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. Amounts paid in advance of the due dates by members are treated as a liability and classified as subscriptions in advance. 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.

(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 has 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:

	2019	2018
Authorised capital: 312,971 shares (2018: 312,971) shares		
Subscribed capital 279,399 shares (2018: 279,399) shares	**$1,763,656**	$1,763,656
Less callable capital: 218,050 shares (2018: 218,050) shares	**(1,375,135)**	(1,375,135)
Paid-up capital: 61,349 shares (2018: 61,349) shares	**$388,521**	$388,521
Less: Subscriptions not yet matured	**(1,334)**	(2,322)
	$387,187	$386,199

(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:

	2019	2018
	No. of shares	No. of shares
Balance at January 1 and December 31	**61,349**	61,349

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

	2019	2018
Balance at January 1	**$386,199**	$383,889
Regional States and Territories		
Subscriptions maturing during the year	**988**	2,310
	988	2,310
Sub Total	**387,187**	386,199
Less: Prepayment discounts (Note 21 d)		-
Balance at December 31	**$387,187**	$386,199

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

(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:

2019

Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions Matured	Voting Power: No. of votes	Voting Power: % of total votes	Gross[2] Receivable from members non-negotiable demand notes[1]
Regional States and Territories:									
Jamaica	48,354	17.31	$291,659	$227,614	$64,045	$64,045	48,504	17.14	$11,848
Trinidad and Tobago	48,354	17.31	291,659	227,614	64,045	64,045	48,504	17.14	10,637
Bahamas	14,258	5.10	86,001	67,115	18,886	18,885	14,408	5.09	1,612
Guyana	10,417	3.73	62,833	49,038	13,795	13,795	10,567	3.73	2,080
Colombia	7,795	2.79	47,017	36,691	10,326	10,326	7,945	2.81	-
Mexico	7,795	2.79	47,017	36,691	10,326	10,326	7,945	2.81	-
Venezuela	7,795	2.79	47,017	36,691	10,326	10,326	7,945	2.81	3,203
Barbados	9,074	3.25	54,732	42,717	12,015	12,015	9,224	3.26	1,070
Suriname	4,166	1.49	25,128	19,627	5,501	5,501	4,316	1.53	2,806
Belize	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	-
Dominica	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	286
Grenada	1,839	0.66	11,093	8,661	2,432	2,431	1,989	0.70	106
St. Lucia	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	360
St. Vincent and the Grenadines	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	-
Antigua and Barbuda	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	296
St. Kitts and Nevis	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	127
Anguilla /1	455	0.16	2,744	2,141	603	603			-
Montserrat /1	533	0.19	3,215	2,509	706	706			-
British Virgin Islands /1	533	0.19	3,215	2,509	706	706	2,737	0.97	-
Cayman Islands /1	533	0.19	3,215	2,509	706	706			8
Turks and Caicos Islands /1	533	0.19	3,215	2,509	706	706			-
Haiti	2,187	0.78	13,191	10,296	2,895	2,895	2,337	0.83	-
Brazil	3,118	1.12	18,807	14,687	4,120	3,460	3,268	1.15	-
	180,627	**64.65**	**1,089,494**	**850,273**	**239,221**	**238,559**	**183,477**	**64.83**	**34440**

1/ 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.

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

NOTE 21 – EQUITY…*continued*

Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions Matured	Voting Power: No. of votes	Voting Power: % of total votes	Gross[2] Receivable from members non-negotiable Demand notes[1]
Non-Regional States:									
Canada	26,004	9.31	156,849	122,408	34,441	34,441	26,154	9.24	-
United Kingdom	26,004	9.31	156,849	122,408	34,441	34,441	26,154	9.24	-
Italy	15,588	5.58	94,023	73,376	20,647	20,647	15,738	5.56	-
Germany	15,588	5.58	94,023	73,376	20,647	20,647	15,738	5.56	5,549
China	15,588	5.58	94,023	73,376	20,647	20,647	15,738	5.56	-
	98,772	35.35	595,767	464,944	130,823	130,823	99,522	35.17	5,549
Sub-total	**279,399**	**100.0**	**1,685,261**	**1,315,217**	**370,044**	**369,381**	**282,999**	**100.0**	**39,989**
Additional subscriptions									
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	2,750	-	-	-
Brazil	-	-	9,403	7,343	2,060	1,730	-	-	-
Sub-total	-	-	78,395	59,918	18,477	18,147	-	-	-
Prepayment discount	-	-	-	-	-	(341)	-	-	-
Total - December 31	**279,399**	**100.0**	**$1,763,656**	**$1,374,915**	**$388,521**	**$386,199**	**282,999**	**100.0**	**$44,181**

1 Gross of ECL.

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

NOTE 21 – EQUITY...*continued*

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

2018

Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions Matured	Voting Power: No. of votes	Voting Power: % of total votes	Gross[2] Receivable from members non-negotiable demand notes[1]
Regional States and Territories:									
Jamaica	48,354	17.31	$291,659	$227,614	$64,045	$64,045	48,504	17.14	$14,211
Trinidad and Tobago	48,354	17.31	291,659	227,614	64,045	64,045	48,504	17.14	10,583
Bahamas	14,258	5.10	86,001	67,115	18,886	18,885	14,408	5.09	1,612
Guyana	10,417	3.72	62,833	49,038	13,795	13,794	10,567	3.74	3,100
Colombia	7,795	2.79	47,017	36,691	10,326	10,326	7,945	2.81	-
Mexico	7,795	2.79	47,017	36,691	10,326	10,326	7,945	2.81	-
Venezuela	7,795	2.79	47,017	36,691	10,326	10,326	7,945	2.81	3,203
Barbados	9,074	3.24	54,732	42,717	12,015	12,015	9,224	3.26	1,070
Suriname	4,166	1.49	25,128	18,747	5,501	5,501	4,316	1.53	2,805
Belize	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	-
Dominica	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	286
Grenada	1,839	0.66	11,093	8,661	2,432	2,431	1,989	0.70	213
St. Lucia	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	360
St. Vincent and the Grenadines	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	-
Antigua and Barbuda	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	296
St. Kitts and Nevis	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	255
Anguilla /1	455	0.16	2,744	2,141	603	603			-
Montserrat /1	533	0.19	3,215	2,509	706	706			-
British Virgin Islands /1	533	0.19	3,215	2,509	706	706	2,737	0.97	-
Cayman Islands /1	533	0.19	3,215	2,509	706	706			8
Turks and Caicos Islands /1	533	0.19	3,215	2,509	706	706			-
Haiti	2,187	0.78	13,191	10,296	2,895	2,895	2,337	0.83	-
Brazil	3,118	1.12	18,807	15,347	4,120	2,802	3,268	1.15	-
	180,627	**64.64**	**1,089,494**	**850,053**	**239,221**	**237,900**	**183,477**	**64.84**	**38,002**

1/ 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.

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

NOTE 21 – EQUITY...*continued*

Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions Matured	Voting Power No. of votes	Voting Power % of total votes	Gross[2] Receivable from members non-negotiable Demand notes[2]
Non-Regional States:									
Canada	26,004	9.31	156,849	122,408	34,441	34,441	26,154	9.24	-
United Kingdom	26,004	9.31	156,849	122,408	34,441	34,441	26,154	9.24	-
Italy	15,588	5.58	94,023	73,376	20,647	20,647	15,738	5.56	630
Germany	15,588	5.58	94,023	73,376	20,647	20,647	15,738	5.56	5,549
China	15,588	5.58	94,023	73,376	20,647	20,647	15,738	5.56	-
	98,772	35.35	595,767	464,944	130,823	130,823	99,522	35.16	6,179
Sub-total	**279,399**	**100.0**	**1,685,261**	**1,314,997**	**370,044**	**368,723**	**282,999**	**100.0**	**44,181**
Additional subscriptions									
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	2,750	-	-	-
Brazil	-	-	9,403	7,343	2,060	1,400	-	-	-
Sub-total	-	-	78,395	59,918	18,477	17,817	-	-	-
Prepayment discount	-	-	-	-	-	(341)	-	-	-
Total - December 31	**279,399**	**100.0**	**$1,763,656**	**$1,374,915**	**$388,521**	**$386,199**	**282,999**	**100.0**	**$44,181**

2 Gross of ECL.

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

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. 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 is disclosed as a charge against equity. During the year, no discounts were provided to members. The cumulative discount provided to date is $341 (2018: $341).

(e) Retained earnings and reserves

Retained earnings and reserves is comprised of:

	2019	**2018**
Opening retained earnings	**$512,371**	$515,376
Net income for the year	**40,271**	3,288
Post-employment obligation reserve	**(11,894)**	(8,554)
Fair value reserve	**5,648**	(3,993)
Other reserves	**-**	6,254
	$546,396	$512,371

(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.

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 (2018: $6,254).

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

NOTE 21 – EQUITY…*continued*

(f) Other reserves…*continued*

General banking reserve
The General banking reserve has been deemed a reserve for asset impairments.. As at December 31, 2019, the amount of the general banking reserve was nil (2018: nil).

Post-employment obligations reserve
Post-employment obligations reserve 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).

	2019	**2018**
Cumulative experience losses	**$(20,448)**	$(8,554)
	$(20,448)	$(8,554)

Fair value reserves
From January 1, 2018 following the Bank's adoption of IFRS 9, it reclassified its debt securities from fair value thorugh profit or loss (FVPL) to fair value thorugh other comprehensive income (FVOCI). As a result all fair value gains or losses are accounted for through Fair value reserve in equity.

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.

In the event of an asset becoming es credit-impaired and is therefore regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

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

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

NOTE 22 – INTEREST INCOME/EXPENSE AND SIMILAR INCOME/CHARGES…*continued*

(a) Interest and similar income

Interest income earned from loans outstanding and debt securities at FVOCI (2019) and FVPL (2018) was as follows:

	2019	**2018**
Interest income	**$53,952**	$45,248
Other fees and charges	**4,666**	4,025
Income from loans and receivables	**58,618**	49,273
Bonds	**6,001**	5,329
US Treasuries	**887**	256
Time deposits	**993**	798
Cash	**285**	424
Cash collateral balance	**125**	152
Management fees	**(51)**	(54)
Interest and similar income	**$8,309**	$56,178

(b) Interest (income)/expense and similar charges

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

	2019	**2018**
Financial liabilities carried at amortised cost (borrowings)		
Gross interest expense	**$25,034**	$22,508
Other finance charges	**772**	512
Borrowings	**$25,806**	$23,020
Financial assets at fair value through profit and loss (derivatives)		
Interest income from derivative financial instruments	**$(18,958)**	$(18,949)
Interest expense from derivative financial instruments	**20,932**	22,245
Net interest expense/(income) from derivatives	**$1,974**	$3,296
Interest expense and similar charges	**$27,780**	$26,316

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

NOTE 23 – OPERATING EXPENSE

Administrative expenses
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.

Other operating expenses
Other operating expenses result from realised fair value losses/gains on debt securities at fair value through profit and loss and foreign exchange losses/gains as a result of daily transactions.

Operating expenses are broken down as follows:

	2019	2018
Realised fair value (gains)/losses	**$(691)**	$(23)
Foreign exchange translation	**3,438**	71
Administrative expenses:		
Employee related	**10,548**	10,203
Transformation Office	**122**	-
Professional fees and consultancies	**889**	1,033
Travel	**686**	669
Depreciation	**663**	808
Other expenses	**385**	392
Utilities and maintenance	**345**	380
Training and seminars	**115**	50
Supplies and printing	**104**	85
Board of Governors and Directors	**316**	219
Computer services	**558**	538
Communications	**315**	237
Bank charges	**79**	86
Insurance	**38**	36
	$17,931	$14,784

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

NOTE 23 – OPERATING EXPENSE...*continued*

Employee costs charged to the OCR were as follows:

	2019	2018
Salaries and allowances	**$7,184**	$6,685
Restructuring costs	**-**	-
Pension costs – hybrid scheme[1/]	**146**	130
Pension costs – defined benefit plan[1/]	**2,482**	2,561
Medical costs	**290**	272
Other benefits	**443**	555
	$10,545	$10,203

[1/]This represents the allocation of the net pension costs to the OCR. The full pension expense for the hybrid scheme amounted to XXXX (2018: $291), for the defined benefit new pension plan it amounted to XXXXX (2018: $5,952) and for the medical plan it was XXXX (2018: $229).

NOTE 24 – IMPAIRMENT CHARGE (ECL)

The table below shows the ECL charges/ (recoveries) on financial instruments recorded in profit or loss in the statement of comprehensive income.

	2019				
	Stage 1 12month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Impaired**	**OCI**	**Total**
Debt securities	**$-**	**$-**	**$-**	**$-**	**$-**
Loans outstanding	**4,654**	**118**	**(1,831)**	**-**	**2,941**
Receivables	**-**	**-**	**-**	**-**	**-**
Cash collateral	**-**	**-**	**-**	**-**	**-**
Receivable from members	**(6,083)**	**-**	**-**	**-**	**(6,083)**
Total Impairment (recovery)/charges	$(1,429)	$118	$(1,831)	$-	$(3,142)

	2018				
	Stage 1 12month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Impaired**	**OCI**	**Total**
Debt securities	**$-**	**$-**	**$-**	**$-**	**$-**
Loans outstanding	**1,225**	**796**	**(11)**	**-**	**2,010**
Receivables	**1**	**-**	**93**		**94**
Cash collateral	**-**	**-**	**-**	**-**	**-**
Receivable from members	**(198)**	**-**	**-**	**-**	**(198)**
Total Impairment charges	$1,028	$796	$82	$-	$1,906

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

NOTE 25 – 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.

As part of the Agreement governing the new Special Development Fund Cycle (SDF 9) which forms part of the Bank's SFR, an allocation of $15 million has been committed but not yet settled from the net income of the OCR to SDF 9 to be met over the 4 year cycle.

NOTE 26 – DERIVATIVE FAIR VALUE ADJUSTMENT

The derivative fair value adjustment of $14,008 (2018: $(11,235) included in the statement of comprehensive income is derived as a result of the revaluation of the derivative financial instruments (cross currency and interest rate swaps) of $18,971 (2018: $(8,419) and the foreign exchange effect thereon of $(4,963) [2018: $(2,816)].

NOTE 27 – RELATED PARTY TRANSACTIONS

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

	2019	**2018**
Balance at January 1	**$6,729**	$9,115
Advances	**27,222**	34,844
Allocation of administrative expenses	**17,148**	18,375
Repayments	**(45,748)**	(55,614)
Inter-fund receivable December 31	**$5,342**	$6,720

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. Inter-fund balances are settled in cash on a quarterly basis.

The composition of the balances as at December 31, 2019 and 2018 was as follows:

Included in "Receivables and prepaid assets":

	2019	**2018**
Due from SDF	**$11,114**	$4,666
Due from OSF	**$(6,917)**	$1,611
Due from Pension schemes	**$1,030**	$193
Due to Others	**$115**	$250
	$5,342	$6,720

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

NOTE 27 – RELATED PARTY TRANSACTIONS…*continued*

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

	2019	2018
Salaries and allowances		$1,930
Post-employment benefits		-
		$1,930

(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, $359 (2018: $399) 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 28 – 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.

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 10 – Loans outstanding*) and OCR commitments to the operations of the SDF(U) (Refer to Note 3: *Risk Management – Commitments, Guarantees and Contingent liabilities*).

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.

NOTE 28 – COMMITMENTS AND GUARANTEES…*continued*

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.

NOTE 29 – SUBSEQUENT EVENTS

On March 14, 2019 Standard & Poor's affirmed the Bank's credit rating at "AA+/ A-1+" - Stable Outlook following a review under its revised criteria - "Multilateral Lending Institutions And Other Supranational Institutions Rating Methodology" issued on December 14, 2018.

On May 4, 2020 Fitch Ratings affirmed the Bank's Long-Term Issuer Default Rating (IDR) of 'AA+' with a Stable Outlook and a Short-Term IDR of 'F1+'.

Caribbean Development Bank
Special Funds Resources – Special Development Fund

Financial Statements

For the year ended December 31, 2019
(Expressed in thousands of United States dollars unless otherwise stated)

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

INDEX TO THE FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of **Special Development Fund** ("the Fund") of the **Caribbean Development Bank** ("the Bank"), which comprise the statement of financial position as of December 31, 2019, and the statement of comprehensive income and accumulated net income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with the basis of accounting described in Note 2.

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

Emphasis of Matter
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. Our opinion is not modified in respect of this matter.

Other information included in the Bank's 2016 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Bank's 2016 Annual Report, other than the financial statements and our auditor's report thereon. The Bank's 2016 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Oversight and Assurance Committee

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and the Oversight and Assurance Committee for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with select accounting policies as 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.

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

The Oversight and Assurance Committee is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Fund's audit. We remain solely responsible for our audit opinion.

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

Other Matters

This report is made solely to the Fund's contributors, as a body, in accordance with Article 38, sub-section 2 of the Agreement establishing the Caribbean Development Bank entered into force on January 26, 1970. Our audit work has been undertaken so that we might state to the Fund's contributors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the Fund's members as a body, for our audit work, for this report, or for the opinion we have formed.

Chartered Accountants
BARBADOS

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF FINANCIAL POSITION
As of December 31, 2019

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

	2019			2018		
	Unified	**Other**	**Total**	Unified	Other	**Total**
Assets						
Cash and cash equivalents – Note 3	**47,137**	**$11,429**	**$58,566**	$41,310	$6,521	**$47,831**
Debt securities at fair value through profit or loss (Schedule 1)	**310,078**	**22,647**	**332,725**	293,119	29,467	**322,586**
Loans outstanding (Schedule 2)	**537,444**	**22,769**	**560,213**	535,205	23,948	**559,153**
Receivables						
Accounts receivable	**534**	**-**	**534**	171	-	**171**
	895,193	**56,845**	**952,038**	869,805	59,936	**929,741**
Receivable from contributors						
Non-negotiable demand notes (Schedule 3)	**71,526**	**-**	**71,526**	80,190	-	**80,190**
Contribution in arrears	**16,671**	**-**	**16,671**	9,675	-	**9,675**
	88,197	**-**	**88,197**	89,865	-	**89,865**
Total assets	**$983,390**	**$56,845**	**$1,040,235**	$959,670	$59,936	**$1,019,606**
Liabilities and Funds						
Liabilities Due to Bank (Note 3)	**$-**	**$5,552**	**$5,552**	$-	$7,749	**$7,749**
Accounts payable – Note 9	**40,279**	**791**	**41,070**	33,444	1,780	**35,224**
Subscriptions in advance	**3,328**	**-**	**3,328**	6,353	-	**6,353**
	43,607	**6,343**	**49,950**	39,797	9,529	**49,326**

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, 2019

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

	2019			2018		
	Unified	**Other**	**Total**	**Unified**	**Other**	**Total**
Funds – Note 5						
Contributed resources (Schedule 3)						
Contributions	**$1,319,655**	**$38,335**	**$1,357,990**	$1,317,146	$38,447	**$1,355,593**
Less amounts not yet made available	**(34,116)**	**-**	**(34,116)**	(71,360)	-	(71,360)
Amounts made available	**1,285,539**	**38,335**	**1,323,874**	1,245,786	38,447	**1,284,233**
Allocation to technical assistance and grant resources	**(544,850)**	**(10,000)**	**(554,850)**	(515,100)	(10,000)	**(525,100)**
	740,689	**28,335**	**769,024**	730,686	28,447	**759,133**
Accumulated net income (Schedule 4)	**55,468**	**21,242**	**76,710**	46,942	21,035	**67,977**
Technical assistance and grant resources – Note 7	143,626	925	**144,551**	142,245	925	**143,170**
	939,783	50,502	**990,285**	919,873	50,407	**970,280**
Total liabilities and funds	$983,390	$56,845	**$1,040,235**	$959,670	$59,936	**$1,019,606**

The accompanying 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, 2019

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

	2019			2018		
	Unified	**Other**	**Total**	**Unified**	**Other**	**Total**
Interest and similar income						
Loans	**$12,113**	**$381**	**$12,494**	$12,263	$356	**$12,619**
Investments and cash balances	13,029	782	**13,811**	4,052	592	**4,644**
	25,142	**1,163**	**26,305**	16,315	948	**17,263**
Expenses						
Administrative expenses	**15,406**	**1,060**	**16,466**	16,277	1,169	**17,446**
Foreign exchange translation	**1,210**	**(104)**	**1,106**	(45)	(221)	**(266)**
	16,616	**956**	**17.572**	16,232	948	**17,180**
Total comprehensive income/ (loss) for the year	**$8,526**	**$207**	**$8,733**	$83	$-	**$83**

Accumulated net income						
Accumulated net income – beginning of year	$46,942	$21,035	**$67,977**	$46,859	$24,662	**$71,521**
Appropriations for technical assistance	-	-	**-**	-	(3,627)	**(3,627)**
Total comprehensive income/ (loss) for the year	8,526	207	**8,733**	83	-	**83**
Accumulated net income – end of year	$55,468	$21,242	**$76,710**	$46,942	$21,035	**$67,977**

The accompanying 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, 2019
(expressed in thousands of United States dollars, unless otherwise stated)

		2019	2018
Operating activities			
Total comprehensive income for the year		**$8,526**	$83
Adjustments for non-cash items			
Unrealised (gain)/loss on debt securities at fair value through profit or loss	**(5,895)**		1,203
Interest income	**(19,247)**		(17,518)
Unrealised net foreign exchange loss/(gain)	**310**		(907)
Total cash flows used in operating activities before changes in operating assets and liabilities		**(16,306)**	(17,139)
Changes in operating assets and liabilities			
(Increase)/decrease in accounts receivable	**(363)**		675
Increase/(decrease)in accounts payable	**6,835**		(8,090)
Cash used in operating activities		**(9,834)**	(24,554)
Disbursements on loans		**(32,234)**	(21,773)
Principal repayments to the Bank on loans		**29,988**	29,559
Interest received		**18,930**	17,562
Net (increase)/decrease in debt securities at fair value through profit or loss		**(10,740)**	26,113
Technical assistance disbursements		**(18,369)**	(15,309)
Net cash (used in)/provided by operating activities		**(22,259)**	11,598
Financing activities			
Increase in contributions to be on-lent to BMCs	**9,693**		15,700
Decrease/(increase) in receivables from contributors	**1,668**		(10,860)
Decrease in subscriptions in advance	**(3,025)**		(3,283)
Technical assistance allocation	**19,750**		19,149
Net cash provided by financing activities		**28,086**	20,706
Net increase in cash and cash equivalents		**5,827**	32,304
Cash and cash equivalents - beginning of year		**41,310**	9,006
Cash and cash equivalents - end of year		**$47,137**	$41,310

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (OTHER)

STATEMENT OF CASH FLOWS…*continued*
For the year ended December 31, 2019

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

		2019	2018
Operating activities			
Total comprehensive income for the year		**$207**	$-
Adjustments for non-cash items			
Unrealised (gain)/loss on debt securities at fair value through profit or loss	**(300)**		61
Interest income	**(863)**		(1,009)
Unrealised net foreign exchange gain	**(112)**		(263)
Total cash flows used in operating activities before changes in operating assets and liabilities		**(1,068)**	(1,211)
Changes in operating assets and liabilities			
(Decrease)/increase in accounts payable		**(3,186)**	316
Cash used in operating activities		**(4,254)**	(895)
Disbursements on loans		**-**	(11,800)
Principal repayments to the Bank on loans		**1,174**	1,234
Interest received		**920**	1,019
Net decrease in debt securities at fair value through profit or loss		**7,068**	10,977
Net cash provided by operating activities		**4,908**	535
Financing activities:			
Appropriations of contributions	**-**		-
Appropriations of accumulated net income	**-**		(3,627)
Net cash used in financing activities		**-**	(3,627)
Net increase/(decrease) in cash and cash equivalents		**4,908**	(3,092)
Cash and cash equivalents – beginning of year		**6,521**	1,864
Cash and cash equivalents - end of year (Note 3)		**$11,429**	$(1,228)

The accompanying 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, 2019

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

SCHEDULE 1

Debt securities at fair value through profit or loss – Note 4	2019 Market value			2018 Market value		
	Unified	**Other**	**Total**	Unified	Other	Total
Government and Agency Obligations	$135,876	$15,739	$151,615	$174,285	$14,544	$188,829
Supranationals	91,647	6,859	98,506	93,513	14,823	108,336
Corporate Bonds	80,746	-	80,746	23,836	-	23,836
Sub-total	308,269	22,598	330,867	291,634	29,367	321,001
Accrued interest	1,809	49	1,858	1,485	100	1,585
Total – December 31	$310,078	$22,647	$332,725	$293,119	$29,467	$322,586

Residual term to contractual maturity

	2019	**2018**
One month to three months	$18,855	$40,295
Over three months to one year	88,763	48,356
From one year to five years	198,691	215,316
From five years to ten years	26,416	18,619
Total – December 31	$332,725	$322,586

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (UNIFIED)
SUMMARY STATEMENT OF LOANS
As of December 31, 2019

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

SCHEDULE 2

	2019			
Member countries in which loans have been made	**Loans approved but not yet effective**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Anguilla	$425	$-	$1,477	0.3
Antigua and Barbuda	-	6,119	947	0.2
Bahamas	750	-	310	0.1
Barbados	-	-	31	0.0
Belize	-	37,395	46,209	8.6
British Virgin Islands	-	5,000	3,353	0.6
Dominica	-	14,150	49,371	9.2
Grenada	-	25,001	71,923	13.5
Guyana	-	26,454	121,882	22.7
Jamaica	-	5,129	100,008	18.7
Montserrat	-	321	3,570	0.7
St. Kitts and Nevis	-	5,516	35,508	6.6
St. Lucia	-	33,968	50,524	9.5
St. Vincent and the Grenadines	10,000	29,490	40,441	7.6
Suriname	-	9,271	1,441	0.3
Trinidad and Tobago	1,000	-	-	0.0
Turks and Caicos Islands	-	-	753	0.1
Regional	-	-	6,707	1.3
Sub-total	12,175	197,814	534,455	100.0
Accrued interest	-	-	2,989	
Total – December 31	$12,175	$197,814	$537,444	

1/ There are no overdue installments of principal (2018 - nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (UNIFIED)
SUMMARY STATEMENT OF LOANS…*continued*
As of December 31, 2019

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

2018

Member countries in which loans have been made	Loans approved but not yet effective	Undisbursed	Outstanding[1/]	% of Total Loans Outstanding
Anguilla	$425	$-	$1,722	0.3
Antigua and Barbuda	-	5,663	1,212	0.2
Bahamas	750	-	392	0.1
Barbados	-	-	94	0.0
Belize	10,089	30,116	46,060	8.7
British Virgin Islands	-	5,679	2,779	0.5
Dominica	-	46,831	49,892	9.4
Grenada	-	26,215	74,415	14.0
Guyana	-	34,202	118,709	22.3
Jamaica	-	5,129	106,342	20.0
Montserrat	-	355	3,722	0.7
St. Kitts and Nevis	-	6,549	37,449	7.0
St. Lucia	2,464	37,052	48,561	9.1
St. Vincent and the Grenadines	-	32,980	33,422	6.3
Suriname	-	10,276	435	0.1
Trinidad and Tobago	1,000	-	-	0.0
Turks and Caicos Islands	-	-	959	0.2
Regional	-	3,003	6,044	1.1
Sub-total	14,728	244,050	532,209	100.0
Accrued interest	-	-	2,996	
Total – December 31	$14,728	$244,050	$535,205	

1/ There are no overdue installments of principal (2017 - nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (OTHER)
SUMMARY STATEMENT OF LOANS…*continued*
As of December 31, 2019

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

SCHEDULE 2

2019

Member countries in which loans have been made	Loans approved but not yet effective	Outstanding[1/]	% of Total Loans Outstanding
Antigua and Barbuda	**$-**	**$12,068**	**53.3**
Belize	**-**	**4,336**	**19.1**
Dominica	**-**	**1,323**	**5.8**
Grenada	**-**	**116**	**0.5**
Jamaica	**-**	**633**	**2.8**
St. Kitts and Nevis	**-**	**3,228**	**14.2**
St. Lucia	**-**	**227**	**1.0**
St. Vincent and the Grenadines	**-**	**746**	**3.3**
Sub-total	**-**	**22,677**	**100.0**
Accrued interest	**-**	**92**	
Total	**$-**	**$22,769**	

1/ There were no overdue installments of principal (2018 - nil). There were also no amounts undisbursed at December 31, 2019.

.

2018

Member countries in which loans have been made	Loans approved but not yet effective	Outstanding[1/]	% of Total Loans Outstanding
Antigua and Barbuda	-	$12,097	50.7
Belize	-	4,809	20.2
Dominica	-	1,429	6.0
Grenada	-	124	0.5
Jamaica	-	767	3.2
St. Kitts and Nevis	-	3,536	14.8
St. Lucia	-	271	1.1
St. Vincent and the Grenadines	-	817	3.5
Sub-total	-	$23,850	100.0
Accrued interest	-	98	
Total	-	$23,948	

1/ There were no overdue installments of principal (2017 - nil). There were also no amounts undisbursed at December 31, 2018..

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS...*continued*
As of December 31, 2019

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

SCHEDULE 2

Analysis by Contributor	2019 Loans approved but not yet effective	Undisbursed	Out-standing[1/]	% of total loans outstanding
Special Development Fund (Unified)				
Members/Contributors	$12,175	$197,814	$534,455	100.0
Accrued interest	-	-	2,989	
Total - Special Development Fund (Unified)	$12,175	$197,814	$537,444	
Special Development Fund (Other)				
Members				
Germany	$-	$-	$90	0.4
Mexico	-	-	1,207	5.4
Venezuela	-	-	9,556	42.1
	-	-	10,854	47.9
Other contributors				
Sweden	-	-	23	0.1
United States of America	-	-	11,800	52.0
Sub-total – SDF (Other)	-	-	11,823	100.0
Accrued interest	-	-	92	
Total – Special Development Fund (Other)	$-	$-	$22,769	
Total Special Development Fund	$-	$197,814	$560,213	

1/There were no overdue installments of principal (2017- nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
SUMMARY STATEMENT OF LOANS...*continued*
As of December 31, 2019

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

SCHEDULE 2

	2018			
Analysis by Contributor	**Loans approved but not yet effective**	**Undisbursed**	**Out-standing[1/]**	**% of total loans outstanding**
Special Development Fund (Unified)				
Members/Contributors	$14,728	$244,050	$532,209	100.0
Accrued interest	-	-	2,996	
Total - Special Development Fund (Unified)	14,728	244,050	535,205	
Special Development Fund (Other)				
Members				
Germany	-	-	96	0.4
Mexico	-	-	1,338	5.6
Venezuela	-	-	10,592	44.4
	-	-	12,026	
Other contributors				
Sweden	-	-	24	0.1
United States of America	-	-	11,800	49.5
Sub-total – SDF (Other)	-	-	11,824	100.0
Accrued interest	-	-	98	
Total – Special Development Fund (Other)	-	-	23,948	
Total Special Development Fund	$14,728	$244,050	$559,153	

1/There were no overdue installments of principal (2017- nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
SUMMARY STATEMENT OF LOANS...*continued*
As of December 31, 2019

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

SCHEDULE 2

	2019					
Currencies Receivable	**Loans out-standing 2017**	**Net interest earned**	**Disburse-ments**	**Sub-total**	**Repay-ments**	**Loans out-standing 2018**
(a) Special Development Fund (Unified)						
United States dollars	**$532,209**	**$-**	**$32,234**	**$564,443**	**$(29,988)**	**$534,455**
Accrued interest	**2,996**	**(7)**	**-**	**2,989**	**-**	**2,989**
Total – December 31	**$535,205**	**$(7)**	**$32,234**	**$567,432**	**$(29,988)**	**$537,444**
(b) Special Development Fund (Other)						
United States dollars	**$23,850**	**$-**	**$-**	**$23,851**	**$(1,174)**	**$22,677**
Accrued interest[1]	**98**	**(6)**	**-**	**92**	**-**	**92**
				-		
Total – December 31	**$23,948**	**$(6)**	**$-**	**$23,943**	**$(1,174)**	**$22,769**

Maturity structure of loans outstanding

January 1, 2020 to December 31, 2020	**$35,707**
January 1, 2021 to December 31, 2021	**34,460**
January 1, 2022 to December 31, 2022	**34,699**
January 1, 2023 to December 31, 2023	**35,583**
January 1, 2024 to December 31, 2024	**35,661**
January 1, 2025 to December 31, 2029	**167,603**
January 1, 2030 to December 31, 2034	**123,127**
January 1, 2035 to December 31, 2039	**70,474**
January 1, 2040 to December 31, 2044	**22,148**
January 1, 2045 to December 31, 2047	**751**
Total – December 31	**$560,213**

1/Relates to amounts disbursed and outstanding.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS…*continued*
As of December 31, 2019

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

SCHEDULE 2

				2018			
Currencies Receivable		**Loans out-standing 2017**	**Net interest earned**	**Disburse-ments**	**Sub-total**	**Repay-ments**	**Loans out-standing 2018**
(c)	**Special Development Fund (Unified)**						
	United States dollars	$539,995	$-	$21,773	$561,768	$(29,559)	$532,209
	Accrued interest	3,035	(39)	-	2,996	-	2,996
	Total – December 31	$543,030	$(39)	$21,773	$564,764	$(29,559)	$535,205
(d)	**Special Development Fund (Other)**						
	United States dollars	$13,284	$-	$11,800	$25,084	$(1,234)	$23,850
	Accrued interest[1]	77	21	-	98	-	98
	Total – December 31	$13,361	$21	$11,800	$25,182	$(1,234)	$23,948

Maturity structure of loans outstanding

January 1, 2019 to December 31, 2019	$34,223
January 1, 2020 to December 31, 2020	32,294
January 1, 2021 to December 31, 2021	33,676
January 1, 2022 to December 31, 2022	33,560
January 1, 2023 to December 31, 2023	33,854
January 1, 2024 to December 31, 2028	163,407
January 1, 2029 to December 31, 2033	126,732
January 1, 2034 to December 31, 2038	71,119
January 1, 2039 to December 31, 2043	28,801
January 1, 2044 to December 31, 2047	1,487
Total – December 31	$559,153

1/Relates to amounts disbursed and outstanding.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES
As of December 31, 2019

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

SCHEDULE 3

Contributors	2019 Total approved 1/	Approved but not yet effective 2/	Total contribution agreed	Amounts made available	Receivable from members non-negotiable demand notes
Special Development Fund (Unified) Members					
Trinidad and Tobago	57,014	-	57,014	$52,582	$7,784
Bahamas	31,855	-	31,855	30,313	14,908
Barbados	31,851	6,170	25,681	25,681	2,833
Brazil	5,000	-	5,000	5,000	-
Jamaica	54,834	-	54,834	52,064	16,055
Guyana	31,856	-	31,856	30,314	2,889
Antigua and Barbuda	3,553	664	2,889	2,889	777
Belize	8,088	-	8,088	7,710	3,380
Dominica	7,828	-	7,828	7,450	2,064
St. Kitts and Nevis	8,088	2,954	5,134	5,134	2,494
St. Lucia	8,088	-	8,088	7,710	2,168
St. Vincent and the Grenadines	8,101	-	8,101	7,723	2,487
Grenada	5,490	-	5,490	5,112	3,269
Montserrat	3,341	-	3,341	3,175	-
British Virgin Islands	3,341	-	3,341	3,175	-
Turks and Caicos Islands	3,341	-	3,341	3,175	-
Cayman Islands	3,241	1,901	1,340	1,340	-
Anguilla	3,341	1,296	2,045	2,045	571
Colombia	34,157	-	34,157	33,282	-
Venezuela	29,006	7,024	21,982	21,982	-
Canada	374,703	-	374,703	362,784	-
United Kingdom	280,368	-	280,368	278,371	5,939
Germany	109,903	-	109,903	106,733	1,151
Italy	68,647	-	68,647	68,023	-
China	54,573	-	54,573	52,856	-
Haiti	3,497	1,937	1,560	1,560	-
Suriname	8,330	-	8,330	7,193	2,758
Mexico	24,024	7,024	17,000	17,000	-
	$1,265,459	$28,970	$1,236,489	$1,202,373	$71,526
Other contributors					
France	58,254	-	58,254	58,254	-
Chile	10	-	10	10	-
Netherlands	24,902	-	24,902	24,902	-
	1,348,625	28,970	1,319,655	1,285,539	71,526
Technical assistance allocation	(544,850)	-	(544,850)	(544,850)	-
	803,775	28,970	774,805	740,689	71,526

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
STATEMENT OF CONTRIBUTED RESOURCES…*continued*
As of December 31, 2019
(expressed in thousands of United States dollars, unless otherwise stated)

SCHEDULE 3

	2019				
Contributors	Total approved [1/]	Approved but not yet effective [2/]	Total contribution agreed	Amounts made available [3/]	Receivable from members non-negotiable demand notes
Sub-total brought forward - SDF - Unified	**803,775**	**28,970**	**774,805**	**740,689**	**71,526**
Special Development Fund – Other					
Members					
Colombia	5,000	-	5,000	5,000	-
Mexico	13,067	-	13,067	13,067	-
Venezuela	17,473	-	17,473	17,473	-
	35,540	-	35,540	35,540	-
Other contributors					
Sweden	2,795	-	2,795	2,795	-
	2,795	-	2,795	2,795	-
Technical Assistance Allocation	(10,000)	-	(10,000)	(10,000)	-
Sub-total – SDF - Other	28,335	-	28,335	28,335	-
Total SDF	$832,110	$28,970	$803,140	$769,024	$71,526
Summary					
Members	$746,149	$28,970	$717,179	$683,063	$71,526
Other contributors	85,961	-	85,961	85,961	-
Total SDF	$832,110	$28,970	$803,140	$769,024	$71,526

1/Net of repayments

2/Contributions not yet firmly pledged by Governments

3/ There were no amounts not yet made available

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES…*continued*
As of December 31, 2019

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

SCHEDULE 3

2018

Contributors	Total approved 1/	Approved but not yet effective 2/	Total contribution agreed	Amounts made available	Receivable from members non-negotiable demand notes
Special Development Fund (Unified) Members					
Trinidad and Tobago	$57,014	$-	$57,014	$50,367	$7,784
Bahamas	31,855	-	31,855	28,770	14,908
Barbados	31,851	6,170	25,681	25,681	2,832
Brazil	5,000	-	5,000	5,000	-
Jamaica	54,834	-	54,834	49,295	13,978
Guyana	31,856	-	31,856	28,771	4,936
Antigua and Barbuda	3,553	664	2,889	2,889	777
Belize	8,088	-	8,088	7,332	3,380
Dominica	7,828	-	7,828	7,072	3,281
St. Kitts and Nevis	8,088	2,954	5,134	5,134	2,494
St. Lucia	8,088	-	8,088	7,332	2,865
St. Vincent and the Grenadines	8,101	-	8,101	7,345	2,487
Grenada	5,490	-	5,490	4,734	3,269
Montserrat	3,341	664	2,677	2,677	-
British Virgin Islands	3,341	-	3,341	2,843	-
Turks and Caicos Islands	3,341	664	2,677	2,677	-
Cayman Islands	3,241	1,901	1,340	1,340	-
Anguilla	3,341	1,296	2,045	2,045	571
Colombia	34,157	-	34,157	32,407	-
Venezuela	29,006	7,024	21,1982	21,982	-
Canada	374,703	-	374,703	349,333	-
United Kingdom	279,051	-	279,051	271,467	11,522
Germany	110,011	-	110,011	103,413	2,348
Italy	68,675	-	68,675	67,279	-
China	54,573	-	54,573	51,364	-
Haiti	3,497	1,937	1,560	1,560	-
Suriname	8,330	-	8,330	5,515	-
Mexico	24,024	7,024	17,000	17,000	-
	$1,264,278	$30,298	$1,233,980	$1,162,620	$80,190
Other contributors					
France	58,254	-	58,254	58,254	-
Chile	10	-	10	10	-
Netherlands	24,902	-	24,902	24,902	-
	1,347,444	30,298	1,317,146	1,245,786	80,190
Technical assistance allocation	(515,100)	-	(515,100)	(515,100)	-
	$832,344	$30,298	$802,046	$730,686	$80,190

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
STATEMENT OF CONTRIBUTED RESOURCES…*continued*
As of December 31, 2019

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

SCHEDULE 3

	2018				
Contributors	**Total approved [1/]**	**Approved but not yet effective [2/]**	**Total contribution agreed**	**Amounts made available [3/]**	**Receivable from members non-negotiable demand notes**
Sub-total brought forward – SDF –Unified	$832,344	$30,298	$802,046	$730,686	$80,190
Special Development Fund – Other					
Members					
Colombia	5,000	-	5,000	5,000	-
Mexico	13,067	-	13,067	13,067	-
Venezuela	17,473	-	17,473	17,473	-
	35,540	-	35,540	35,540	-
Other contributors					
Sweden	2,907	-	2,907	2,907	-
	2,097	-	2,907	2,907	-
Technical Assistance Allocation	(10,000)	-	(10,000)	(10,000)	-
Sub-total – SDF - Other	28,447	-	28,447	28,447	-
Total SDF	$860,791	$30,298	$830,493	$759,133	$80,190
Summary					
Members	$774,718	$30,298	$744,420	$673,060	$80,190
Other contributors	86,073	-	86,073	61,171	-
Total SDF	$860,791	$30,298	$830,493	$759,133	$80,190

1/Net of repayments

2/Contributions not yet firmly pledged by Governments

3/ There were no amounts not yet made available

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
STATEMENT OF CONTRIBUTED RESOURCES...*continued*
As of December 31, 2019

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

SCHEDULE 3

			2019			
Currencies	Amounts made available 2018	Translation adjustment	Drawdowns/ appropriations from capital 1/	Sub-total	Repayments	Amounts made available 2019
(a) Special Development Fund (Unified)						
Euros	2,348	$(46)	$(407)	$1,895	$-	$1,805
Pounds sterling	11,522	356	17,817	29,695	-	29,695
United States dollar	716,816	-	(7,717)	709,099	-	709,099
	$730,686	$310	$9,693	$740,689	$-	$740,689
(b) Special Development Fund (Other)						
Swedish kroners	$2,907	$(112)	$-	$2,795	$-	$2,795
United States dollars	25,540	-	-	25,540	-	25,540
	$28,447	$(112)	$-	$28,335	$-	$28,335

1/Net of conversations 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, 2019

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

SCHEDULE 3

2018

Currencies	Amounts made available 2017	Trans-lation adjust-ment	Drawdowns/ appro-priations from capital 1/	Sub-total	Repay-ments	Amounts made available 2018
(c) Special Development Fund (Unified)						
China Renminbi	$1,576	$-	$(1,576)	$-	$-	$-
Euros	13,029	(586)	(10,095)	2,348	-	2,348
Pounds sterling	6,082	(321)	5,761	11,522	-	11,522
United States dollar	695,206	-	21,610	716,816	-	716,816
	$715,893	$(907)	$15,700	$730,686	$-	$730,686
(d) Special Development Fund (Other)						
Swedish kroners	$3,170	$(263)	$-	$2,907	$-	$2,907
United States dollars	25,540	-	-	25,540	-	25,540
	$28,710	$(263)	$-	$28,447	$-	$28,447

1/Net of conversations 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
For the year ended December 31, 2019

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

SCHEDULE 4

2019

Contributors	Brought forward 2018	Net income 2018	Appro-priations	Carried forward 2019
Special Development Fund (Unified)	$46,942	$8,526	$-	$55,468
Special Development Fund (Other)				
Members				
Colombia	1,249	159	-	1,408
Germany	(1,603)	(102)	-	(1,705)
Mexico	406	100	-	506
Venezuela	7,625	(59)	-	7,566
	$7,677	$98	$-	$7,775
Other contributors				
Sweden	$1,974	$45	$-	$2,019
United States of America	11,384	64	-	11,448
	13,358	109	-	13,467
Sub-total – SDF - Other	21,035	207	-	21,242
Total Special Development Fund	$67,977	$8,733	$-	$76,710
Summary				
Members	$54,619	$8,624	$-	$63,243
Other contributors	13,358	109	-	13,467
Total Special Development Fund	$67,977	$8,733	$-	$76,710

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
STATEMENT OF ACCUMULATED NET INCOME…*continued*
For the year ended December 31, 2019

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

SCHEDULE 4

	2018			
Contributors	**Brought forward 2017**	**Net income 2018**	**Appro-priations**	**Carried forward 2018**
Special Development Fund (Unified)	$46,859	$83	$-	$46,942
Special Development Fund (Other)				
Members				
Colombia	1,791	85	(627)	1,249
Germany	(1,499)	(104)	-	(1,603)
Mexico	3,273	133	(3,000)	406
Venezuela	7,692	(67)	-	7,625
	$11,257	$47	$(3,627)	$7,677
Other contributors				
Sweden	$1,838	$136	$-	$1,974
United States of America	11,567	(183)	-	11,384
	13,405	(47)	-	13,358
Sub-total – SDF - Other	24,662	-	(3,627)	21,035
Total Special Development Fund	$71,521	$83	$(3,627)	$67,977
Summary				
Members	$58,116	$130	$(3,627)	$54,619
Other contributors	13,405	(47)	-	13,358
Total Special Development Fund	$71,521	$83	$(3,627)	$67,977

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 (USD$) 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...*continued*

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 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.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…*continued*

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.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	SDF Unified		SDF Other	
	2019	**2018**	**2019**	**2018**
Due to Banks	$-	$-	$(5,552)	$(7,749)
Due from banks	22,583	29,559	-	-
Time deposits	24,554	11,751	11,429	6,521
	$47,137	$41,310	$5,877	$(1,228)

The amount shown as Due to Banks comprises the net balance of items in transit and was cleared subsequent to the year end.

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 as well as corporate bonds. 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 3.69% (2018: 1.37%). Net realised gains on investments traded during 2019 for the Unified and Other funds amounted to $495 (2018: $12) and net unrealised gains were $6,301 (2018: Losses of $1,264).

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").

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

	2019	2018
Contributions (as per Schedule 3)	$740,689	$730,686

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

	2019	2018
Colombia (as per Schedule 3)	**$5,000**	$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.

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

5. **FUNDS**…*continued*

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

	2019	2018
Mexico		
First contribution	**$7,000**	$7,000
Second contribution	**5,000**	5,000
Third contribution	**3,333**	3,333
	15,333	15,333
Less technical assistance	**(12,266)**	(12,266)
	3,067	3,067
Technical assistance resources	**$16,285**	$16,285

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

	2019	2018
Venezuela		
First contribution	**$10,000**	$10,000
Less technical assistance	**(177)**	(177)
	9,823	9,823
Second contribution	**7,650**	7,650
Sub-total (as per Schedule 3)	**$17,473**	$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.

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

5. FUNDS…*continued*

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

	2019	2018
Sweden (as per Schedule 3)	**$2,795**	$2,907

The contribution is interest-free with no definite date for repayment.

	2019	2018
United States of America		
First contribution	**$10,000**	$10,000
Less repayments	**(10,000)**	(10,000)
	$-	$-
Second contribution	**12,000**	12,000
Less repayments	**(12,000)**	(12,000)
	$-	$-
Technical Assistance	**$302**	$302

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.

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

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, 2019 and 2018 were as follows:

Balance at December 31, 2017	$139,330
Allocations for the year	19,150
Expenditure for the year	(15,310)
Balance at December 31, 2018	$143,170
Allocations for the year	**19,750**
Expenditure for the year	**(18,369)**
Balance at December 31, 2019	**$144,551**

8. LOANS OUTSTANDING – UNIFIED AND OTHER

The average interest rate earned on loans outstanding was 2.27% (2018: 2.29%). There were no impaired loans at or during the financial years ended December 31, 2019 and 2018.

9. ACCOUNTS PAYABLE – UNIFIED AND OTHER

	2019	**2018**
Accounts payable – general	**$30,000**	$30,002
Interfund payables	**11,070**	5,222
	$41,070	$35,224

Caribbean Development Bank
Special Funds Resources - Other Special Funds

Financial Statements

For the year ended December 31, 2019
(Expressed in thousands of United States Dollars
unless otherwise stated)

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

INDEX TO THE FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of **Other Special Funds** ("the Funds") of the **Caribbean Development Bank** ("the Bank"), which comprise the statement of financial position as of December 31, 2019, and the statement of comprehensive income and accumulated net income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as of December 31, 2019 and its financial performance and its cash flows for the year then ended in accordance with the basis of accounting described in Note 2.

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. Our opinion is not modified in respect of this matter.

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

Other information included in the Bank's 2019 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Bank's 2019 Annual Report, other than the financial statements and our auditor's report thereon. The Bank's 2019 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Oversight and Assurance Committee.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and the Oversight and Assurance Committee for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with select accounting policies as 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.

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

The Oversight and Assurance Committee is responsible for overseeing the Funds' financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT (Continued)

TO THE BOARD OF GOVERNORS OF CARIBBEAN DEVELOPMENT BANK

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Funds to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Funds' audit. We remain solely responsible for our audit opinion.

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

Other Matters

This report is made solely to the Funds' contributors, as a body, in accordance with Article 38, sub-section 2 of the Agreement establishing the Caribbean Development Bank entered into force on January 26, 1970. Our audit work has been undertaken so that we might state to the Funds' contributors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Funds and the Funds' members as a body, for our audit work, for this report, or for the opinion we have formed.

BARBADOS

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – OTHER SPECIAL FUNDS

STATEMENT OF FINANCIAL POSITION
As of December 31, 2019

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

	2019	2018
Assets		
Cash and cash equivalents – Note 3	$42,931	$57,371
Investments (Schedule 1)	39,708	42,494
Loans outstanding (Schedule 2)	85,105	90,758
Receivable from members		
Non-negotiable demand notes – Note 8	246,569	249,733
Accounts receivable – Note 9	37,047	30,252
Total assets	$451,360	$470,608
Liabilities and Funds		
Liabilities		
Accounts payable – Note 10	$-	$1,055
Accrued charges on contributions repayable	206	221
	206	1,276
Funds		
Contributed resources (Schedule 3)	54,602	56,947
Accumulated net income (Schedule 4)	65,027	62,170
	119,629	119,117
Technical assistance and other grant resources (Schedule 5)	331,525	350,215
Total liabilities and funds	$451,360	$470,608

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, 2019

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

	2019	2018
Interest and similar income		
Loans	$1,864	2,016
Investments and cash balances	1,874	589
	3,738	2,605
Expenses		
Administrative expenses	991	936
Charges on contributions repayable	745	799
Foreign exchange translation	(887)	(3)
Total expenses	849	1,732
Total comprehensive income/(loss) for the year	$2,889	$873
Accumulated net income		
Accumulated net income– beginning of year	$62,170	$63,297
Appropriations	-	(2,000)
Total comprehensive Income/(loss) for the year	2,889	873
Reimbursement of retained earnings on repayable contributions	(32)	
Accumulated net income– end of year	$65,027	$62,170

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, 2019

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

		2019	2018
Operating activities			
Total comprehensive income for the year		**$2,889**	$873
Adjustments for non-cash items			
Net unrealised (gain)/loss on investments	**(934)**		444
Interest income	**(2,804)**		(3,049)
Interest expense	**745**		799
Unrealised net foreign exchange losses/(gains)	**54**		(187)
Total cash flow used in operating activities before changes in operating assets and liabilities		**(50)**	(1,120)
Changes in operating assets and liabilities			
(Increase)/decrease in accounts receivable	**(6,795)**		5,497
Decrease/(increase) in non-negotiable demand notes	**3,164**		(89,339)
Decrease in accounts payable	**(1,055)**		(563)
Cash used in operating activities		**(4,736)**	(85,525)
Disbursements on loans		**(1,322)**	(396)
Principal repayments to the Bank on loans		**6,871**	6,864
Technical assistance disbursements		**(55,916)**	(22,726)
Interest received		**2,868**	3,096
Net decrease in investments		**3,693**	2,895
Net cash used in operating activities		**(48,542)**	(95,792)
Financing activities			
Interest paid	(760)		(814)
Contributions:			
Increase in contributions to fund loans	**669**		104
Reimbursement of repayable contributions	**(3,001)**		(3,173)
Technical assistance contributions	**37,226**		127,741
Appropriation of accumulated income	**-**		(2,000)
Refund of retained earnings on repayable contributions	**(32)**		-
Net cash provided by financing activities		**34,102**	123,858
Appropriation of accumulated net income			(2,000)
Net (decrease)/increase in cash and cash equivalents		**(14,440)**	26,066
Cash and cash equivalents at beginning of year		**57,371**	31,305
Cash and cash equivalents at end of year		**$42,931**	$57,371

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, 2019

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

SCHEDULE 1

Investments	2019	2018
Debt securities at fair value through profit or loss – Note 4		
Government and Agency obligations	$15,369	18,760
Supranationals	8,549	9,873
Other securities		
Mutual Funds	2,906	2,465
Equity Investments	12,797	11,282
Sub-total	39,621	42,380
Accrued interest	87	114
	$39,708	$42,494

Residual Term to Contractual Maturity

	2019	2018
1 – 3 months	$17,790	22,570
3 months - 1 year	5,432	10,051
1 year - 5 years	16,486	9,873
	$39,708	$42,494

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
SUMMARY STATEMENT OF LOANS
As of December 31, 2019

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

SCHEDULE 2

	2019			
Member countries in which loans have been made	**Loans approved but not yet effective**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Antigua and Barbuda	$-	$-	$2,476	2.9
Barbados	-	6,000	3,576	4.7
Dominica	-	9	14,927	17.6
Grenada	-	-	17,637	20.8
Guyana				
Jamaica	-	-	21,733	25.7
St. Kitts and Nevis	-	-	1,616	1.9
St. Lucia	-	974	13,612	16.1
St. Vincent and the Grenadines	-	-	6,146	7.3
Trinidad and Tobago	-	-	304	0.4
Sub-total	$-	$6,983	84,648	100.0
Accrued interest	-	-	457	
	$-	$6,985	$85,105	

1/There were no overdue installments of principal at December 31, 2019 (2018 -nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
SUMMARY STATEMENT OF LOANS...*continued*
As of December 31, 2019

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

SCHEDULE 2

	2018			
Member countries in which loans have been made	**Loans approved but not yet effective**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Antigua and Barbuda	-	-	2,823	3.1
Barbados	6,000	-	4,491	5.0
Dominica	-	1,001	14,935	16.5
Grenada	-	-	18,817	20.8
Guyana	-	-	2,468	2.7
Jamaica	-	-	23,358	26.0
St. Kitts and Nevis	-	-	1,844	2.0
St. Lucia	-	1,304	14,467	16.0
St. Vincent and the Grenadines	-	1	6,649	7.3
Trinidad and Tobago	-	-	412	0.6
Sub-total	$6,000	$2,306	$90,264	100.0
Accrued interest	-	-	494	
	$6,000	$2,306	$90,758	

1/There were no overdue installments of principal at December 31, 2018 (2017 -nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
SUMMARY STATEMENT OF LOANS...*continued*
As of December 31, 2019
(expressed in thousands of United States dollars, unless otherwise stated)

SCHEDULE 2

2019				
Analysis by Contributor	**Loans approved but not yet effective**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Members				
Trinidad and Tobago	**$-**	**$-**	**$2**	**0.0**
Other contributors				
Caribbean Development Bank	**-**	**6,000**	**40,705**	**48.1**
Nigeria	**-**	**-**	**2,261**	**2.7**
Inter-American Development Bank	**-**	**985**	**31,111**	**36.8**
European Union	**-**	**-**	**710**	**0.8**
International Development Association	**-**	**-**	**9,860**	**11.6**
Sub-total	**$-**	**$6,985**	**$84,648**	**100.0**
Accrued interest	**-**	**-**	**457**	
	$-	**$6,985**	**$85,105**	

1/ There were no overdue installments of principal at December 31, 2019 (2018 – nil).

SUMMARY STATEMENT OF LOANS...*continued*
As of December 31, 2019

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

		2018		
Analysis by Contributor	**Loans approved but not yet effective**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Members				
Trinidad and Tobago	$-	$-	$3	0.0
Other contributors				
Caribbean Development Bank	6,000	-	43,922	48.7
Nigeria	-	-	2,508	2.8
Inter-American Development Bank	-	2,307	31,995	35.4
European Union	-	-	960	1.1
International Development Association	-	-	10,876	12.0
Sub-total	$6,000	$2,307	$90,264	100.0
Accrued interest	-	-	494	
	$6,000	$2,307	$90,758	

1/ There were no overdue installments of principal at December 31, 2018 (2017 – nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS...*continued*
As of December 31, 2019

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

SCHEDULE 2

2019

Currencies receivable	Loans out-standing 2018	Trans-lation adjust-ment	Net interest earned	Disburse-ments	Sub-total	Repay-ments	Loans out-standing 2019
Euros	$961	$(19)	$-	$-	$942	$(232)	710
Special Drawing Rights	8,712	(48)	-	-	8,664	(772)	7,892
United States dollars	80,591	-	-	1,322	81,913	(5,867)	76,046
Sub-total	90,264	(67)	-	1,322	91,519	(6,871)	84,648
Accrued interest[1]	494	-	(37)	-	457	-	457
	$90,758	$(67)	(37)	$1,322	$91,976	$(6,871)	$85,105

1/ Relates to amounts disbursed and outstanding.

Maturity structure of loans outstanding

January 1, 2020 to December 31, 2020	$7,326
January 1, 2021 to December 31, 2021	6,858
January 1, 2022 to December 31, 2022	6,560
January 1, 2023 to December 31, 2023	6,622
January 1, 2024 to December 31, 2024	6,601
January 1, 2025 to December 31, 2029	26,242
January 1, 2030 to December 31, 2034	16,605
January 1, 2035 to December 31, 2039	2,168
January 1, 2040 to December 31, 2044	654
January 1, 2045 to December 31, 2049	147
January 1, 2050 to December 31, 2054	5,022
	$85,105

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
SUMMARY STATEMENT OF LOANS...*continued*
As of December 31, 2019

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

SCHEDULE 2

2018

Currencies receivable	Loans out-standing 2017	Trans-lation adjust-ment	Net interest earned	Disburse-ments	Sub-total	Repay-ments	Loans out-standing 2018
Euros	$1,251	$(56)	$-	$-	$1,195	$(234)	$961
Special Drawing Rights	9,695	(207)	-	-	9,488	(776)	8,712
United States dollars	86,049	-	-	396	86,445	(5,854)	80,591
Sub-total	96,995	(263)	-	396	97,128	(6,864)	90,264
Accrued interest[1]	533	-	(39)	-	494	-	494
	$97,528	$(263)	$(39)	$396	$97,622	$(6,864)	$90,758

1/ Relates to amounts disbursed and outstanding.

Maturity structure of loans outstanding

January 1, 2019 to December 31, 2019	$7,375
January 1, 2020 to December 31, 2020	6,878
January 1, 2021 to December 31, 2021	6,867
January 1, 2022 to December 31, 2022	6,869
January 1, 2023 to December 31, 2023	6,626
January 1, 2028 to December 31, 2028	28,526
January 1, 2033 to December 31, 2033	19,027
January 1, 2038 to December 31, 2038	3,914
January 1, 2043 to December 31, 2043	698
January 1, 2044 to December 31, 2048	278
January 1, 2048 to December 31, 2052	3,700
	$90,758

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
SUMMARY STATEMENT OF CONTRIBUTIONS
As of December 31, 2019

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

SCHEDULE 3

Contributors	2019 Contributions Total [1/]	2019 Contributions Amounts made available
Members		
Canada	$6,538	$6,538
Other contributors		
Inter-American Development Bank	148	148
Contributed resources	6,686	6,686
Other contributors		
Inter-American Development Bank [1/]	35,193	35,193
United States Agency for International Development	167	167
European Union	975	975
International Development Association	11,581	11,581
Repayable contributions	47,916	47,916
	$54,602	$54,602

1/Net of cancellations and repayments

Maturity structure of repayable contributions outstanding

January 1, 2020 to December 31, 2020	$2,683
January 1, 2021 to December 31, 2021	2,688
January 1, 2022 to December 31, 2022	2,437
January 1, 2023 to December 31, 2023	2,438
January 1, 2024 to December 31, 2024	2,386
January 1, 2025 to December 31, 2029	11,659
January 1, 2030 to December 31, 2034	8,963
January 1, 2035 to December 31, 2039	6,074
January 1, 2040 to December 31, 2044	3,654
January 1, 2045 to December 31, 2053	4,934
	$47,916

SUMMARY STATEMENT OF CONTRIBUTIONS...*continued*
As of December 31, 2019

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

SCHEDULE 3

	2018	
	Contributions	
Contributors	**Total** [1/]	**Amounts made available**
Members		
Canada	$6,468	$6,468
Other contributors		
Inter-American Development Bank	148	148
Contributed resources	6,616	6,616
Other contributors		
Inter-American Development Bank [1/]	35,929	35,929
United States Agency for International Development	493	493
European Union	1,351	1,351
International Development Association	12,558	12,558
Repayable contributions	50,331	50,331
	$56,947	$56,947

1/Net of cancellations and repayments

Maturity structure of repayable contributions outstanding

January 1, 2019 to December 31, 2019	$2,850
January 1, 2020 to December 31, 2020	2,862
January 1, 2021 to December 31, 2021	2,699
January 1, 2022 to December 31, 2022	2,443
January 1, 2023 to December 31, 2023	2,444
January 1, 2024 to December 31, 2028	11,732
January 1, 2029 to December 31, 2033	9,703
January 1, 2034 to December 31, 2038	6,688
January 1, 2039 to December 31, 2043	4,308
January 1, 2044 to December 31, 2053	4,602
	$50,331

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
SUMMARY STATEMENT OF CONTRIBUTIONS...*continued*
As of December 31, 2019

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

SCHEDULE 3

	2019					
Currencies Repayable	Contri-butions made available 2018	Trans-lation adjust-ment	Draw-downs/ appro-priations from capital	Sub-total	Repay-ments	Contri-butions made available 2019
Canadian dollars	**$1,467**	**$71**	**$-**	**$1,538**	**$-**	**$1,538**
Euros	**1,351**	**(26)**	**-**	**1,325**	**(350)**	**975**
Special Drawing Rights	**10,420**	**(58)**	**-**	**10,362**	**(725)**	**9,637**
United States dollars	**43,709**	**-**	**669**	**44,378**	**(1,926)**	**42,452**
	$56,947	**$13)**	**$669**	**$57,603**	**$(3,001)**	**$54,602**

	2018					
Currencies Repayable	Contri-butions made available 2017	Trans-lation adjust-ment	Draw-downs/ appro-priations from capital	Sub-total	Repay-ments	Contri-butions made available 2018
Canadian dollars	$1,594	$(127)	$-	$1,467	$-	$1,467
Euros	1,785	(81)	-	1,704	(353)	1,351
Special Drawing Rights	11,391	(242)	-	11,149	(729)	10,420
United States dollars	45,696	-	104	45,800	(2,091)	43,709
	$60,466	$(450)	$104	$60,120	$(3,173)	$56,947

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
STATEMENT OF ACCUMULATED NET INCOME
For the year ended December 31, 2019

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

SCHEDULE 4

2019

Contributors	**Brought forward 2018**	**Net Income/(Loss) 2019**	**Appro-priations**	**Carried forward 2019**
General Funds	$54,014	**$2,061**	**$-**	**$56,075**
European Investment Bank	(757)	**(6)**	**-**	**(763)**
European Union	2,541	**19**	**-**	**2,560**
Inter-American Development Bank	(1,700)	**(209)**	**-**	**(1,909)**
International Development Association	323	**18**	**-**	**341**
Nigeria	5,791	**(13)**	**-**	**5,778**
United States of America	1,823	**70**	**-**	**1,893**
United Kingdom	(76)	**812**	**-**	**736**
Venezuela	24	**17**	**-**	**41**
European Commission	187	**118**	**-**	**273**
BMZ/ The Federal Government of Germany	-	**2**	**-**	**2**
	$62,170	**$2,889**	**$-**	**$65,027**

2018

Contributors	**Brought forward 2017**	**Net Income/(Loss) 2018**	**Appro-priations**	**Carried forward 2018**
General Funds	$54,645	$1,369	$(2,000)	$54,014
European Investment Bank	(750)	(7)	-	(757)
European Union	2,552	(11)	-	2,541
Inter-American Development Bank	(1,463)	(237)	-	(1,700)
International Development Association	290	33	-	323
Nigeria	5,833	(42)	-	5,791
United States of America	1,844	(21)	-	1,823
United Kingdom	255	(331)	-	(76)
Venezuela	17	7	-	24
European Commission	76	111	-	187
BMZ/ The Federal Government of Germany	(2)	2	-	-
	$63,297	$873	$(2,000)	$62,170

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
STATEMENT OF TECHNICAL ASSISTANCE AND OTHER GRANT RESOURCES
As of December 31, 2019

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

SCHEDULE 5

	2019			
	Contributors			
Contributors	**Total 1/**	**Amounts made available**	**Amounts utilised**	**Net Amounts available**
Members				
Canada	$61,702	$61,702	$51,890	$9,812
United Kingdom	292,974	292,974	50,191	242,783
Italy	522	522	252	270
China	677	677	270	407
Venezuela	586	586	-	586
Germany	476	476	405	71
	356,937	356,937	103,008	253,929
Other contributors				
Caribbean Development Bank	265,636	265,636	195,913	69,723
United States of America	1,407	1,407	1,407	-
Inter-American Development Bank	17,903	17,903	19,296	(1,393)
Nigeria	193	193	148	45
European Commission	33,261	33,261	25,704	7,557
European Investment Bank Climate Action Support	2,184	2,184	504	1,680
Agence Francaise de Developpment	-	-	16	(16)
Improve Public Investment Management through Procurement	320	320	320	-
Sub-total	320,904	320,904	243,308	77,596
Total – December 31	$677,841	$677,841	$346,316	$331,525
Summary				
Basic Needs Trust Fund	$179,750	$179,750	$148,749	$31,001
Other resources	460,865	460,865	290,400	319,214
	$640,615	$640,615	$290,400	$350,215

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, 2019
(expressed in thousands of United States dollars, unless otherwise stated)

SCHEDULE 5

	2018			
	Contributors			
Contributors	**Total [1/]**	**Amounts made available**	**Amounts utilised**	**Net Amounts available**
Members				
Canada	$60,873	$60,873	$46,696	$14,177
United Kingdom	284,918	284,918	34,016	250,902
Italy	522	522	252	270
China	677	677	270	407
Venezuela	586	586	-	586
Germany	480	480	220	260
	348,056	348,056	81,454	266,602
Other contributors				
Caribbean Development Bank	255,631	255,631	185,699	69,932
United States of America	1,407	1,407	1,407	-
Inter-American Development Bank	5,895	5,895	3,425	2,470
Nigeria	193	193	148	45
European Commission	26,929	26,929	17,595	9,334
European Investment Bank Climate Action Support	2,184	2,184	352	1,832
Improve Public Investment Management through Procurement	320	320	320	-
Sub-total	$292,559	$292,559	$208,946	$83,613
Total – December 31	$640,615	$640,615	$290,400	$350,215
Summary				
Basic Needs Trust Fund	$179,750	$179,750	$148,749	$31,001
Other resources	460,865	460,865	141,651	319,214
	$640,615	$640,615	$290,400	$350,215

1/Net of cancellation and resources fully utilized and expended in non-reimbursable operations.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…*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 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 technical assistance (TA) contributions/expenses for the year based on the terms of the specific fund. 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 disposed and recorded as gains or losses.

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.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…*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. 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 in the event of any such occurrences, the impairment would be taken into the statement of comprehensive income and accumulated net income in the year that it occurred.

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:

	2019	2018
Due from banks	$30,731	$45,944
Time deposits	5,682	5,005
Money Market Instruments	6,518	6,422
	$42,931	$57,371

4. INVESTMENTS

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 3.61% Net realised gains on investments traded during 2019 amounted to $29 and net unrealised $751.

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.

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:

	2019	2018
Canada		
Agricultural[1] (Schedule 3)	$6,538	$6,468
Technical assistance resources (Schedule 5)	61,702	60,873
Italy		
Technical assistance resources (Schedule 5)	$522	$522
China		
Technical assistance resources (Schedule 5)	$677	$677
Venezuela		
Technical assistance resources (Schedule 5)	$586	$586
Nigeria		
Technical assistance resources (Schedule 5)	$193	$193
United Kingdom		
Technical assistance resources (Schedule 5)	$292,974	$284,918
Inter-American Development Bank		
975/SF-RG	$14,211	$14,211
Less repayments	(7,298)	(6,879)
	$6,913	$7,332
1108/SF-RG Global Credit	$20,000	$20,000
Less repayments	(4,917)	(4,262)
	$15,083	$15,738

[1] The contributions are interest-free with no date for repayment.

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

5. FUNDS...*continued*

Inter-American Development Bank...*continued*

	2019	2018
1637/SF-RG Credit	$9,923	$9,923
Less repayments	(1,323)	(992)
	8,600	8,931
2798/BL Regional Global Loan - OECS	4,597	3,928
	13,197	12,859
Repayable contributions (Schedule 3)	$35,193	$35,929
Technical assistance resources (Schedule 5)	$17,903	$5,895

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.

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.

2798/BL Regional Global Loan is subject to interest at the rate of 0.5% fixed and is repayable in 2053.

The loans are subject to a credit fee of 0.5% per annum on any undrawn balance.

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

5. FUNDS…*continued*

	2019		2018		Due Dates
United States of America					
Contributions					
Agricultural	7,052		$7,052		1988-2018
Less repayments	(7,052)		(7,052)	-	
Employment Investment Promotion	6,732		6,732		1990-2020
Less repayments	(6,565)	167	(6,239)	493	
Repayable contributions (Schedule 3)		167		493	
Technical Assistance resources (Schedule 5)		$1,407		$1,407	

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.

	2019		2018	
European Union				
First Contribution	$6,510		$6,700	
Less repayments	(6,068)	502	(5,936)	764
Second Contribution	2,785		2,840	
Less repayments	(2,312)	473	(2,253)	587
Repayable contributions (Schedule 3)		$975		$1,351

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.

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

5. FUNDS...*continued*

International Development Association

	2019		2018		Due dates
Credit No. 960/CRG	$6,480		$6,480		1990-2029
Less repayments	(4,536)	1,944	(4,342)	2,138	
Credit No. 1364/CRG	7,501		7,543		
Less repayments	(4,463)	3,038	(4,262)	3,281	1993-2033
Credit No. 1785/CRG	6,407		6,443		
Less repayments	(3,043)	3,364	(2,867)	3,576	1997-2030
Credit No. 2135/CRG	7,702		7,745		
Less repayments	(4,467)	3,235	(4,182)	3,563	2000-2030
Repayable contributions (Schedule 3)		$11,581		$12,558	

The credits are subject to a service charge of 0.75% per annum on amounts outstanding.

	2019	2018
Caribbean Development Bank		
Technical assistance resources (Schedule 5)	$265,636	$255,631
BMZ/ The Federal Government of Germany		
Technical assistance resources (Schedule 5)	$476	$480
European Investment Bank Climate Action Support		
Technical assistance resources (Schedule 5)	$2,184	$2,184
European Commission		
Technical assistance resources (Schedule 5)	$33,261	$26,929

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

5. FUNDS…*continued*

	2019	2018
Improve Public Investment Management through Procurement		
Technical assistance resources (Schedule 5)	**$320**	$320

Included in the amounts shown against each contributor in Schedule 5 – "*Statement of Technical Assistance & Other Grant Resources*" are the following programmes for which specific disclosures are included in these financial statements.

2019

	Approved amount	Amounts made available	Amounts utilised	Net Amounts available
European Union				
Sustainable Energy for the Eastern Caribbean (SEEC)	€4,450	**$1,303**	**$1,038**	**$265**
Geothermal Risk Mitigation for the Eastern Caribbean (EU-CIF)	€12,350	**$3,473**	**$5,995**	**$(2,522)**
United Kingdom				
Increasing Renewable Energy and Energy Efficiency in the Eastern Caribbean	£4,200	**$5,681**	**$5,354**	**$327**
Sustainable Energy for the Eastern Caribbean (SEEC)	£2,500	**$1,597**	**$975**	**$622**
Inter-American Development Bank [Acting as Administrator for the Global Environment Facility (GEF)]				
Sustainable Energy Facility for the Eastern Caribbean (SEF)	$3,014	**$346**	**$442**	**$(96)**
Inter-American Development Bank [Acting as Implementing entity for the Clean Technology Fund (CTF)]				
Sustainable Energy Facility for the Eastern Caribbean (SEF)	$19,050	**$14,008**	**$15,500**	**$(1,492)**
Canada				
Canadian Support to the Energy Sector in the Caribbean Fund (CSES-C)	CAD5,000	**$2,605**	**$1,507**	**$1,098**

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

5. FUNDS…*continued*

2018

	Approved amount	Amounts made available	Amounts utilised	Net Amounts available
European Union				
Sustainable Energy for the Eastern Caribbean (SEEC)	€4,450	$1,328	$742	$586
Geothermal Risk Mitigation for the Eastern Caribbean (EU-CIF)	€12,350	$3,542	$401	$3,141
United Kingdom				
Increasing Renewable Energy and Energy Efficiency in the Eastern Caribbean	£4,200	$5,377	$2,926	$2,451
Sustainable Energy for the Eastern Caribbean (SEEC)	£2,500	$1,214	$602	$612
Inter-American Development Bank [Acting as Administrator for the Global Environment Facility (GEF)]				
Sustainable Energy Facility for the Eastern Caribbean (SEF)	$3,014	$346	$71	$275
Inter-American Development Bank [Acting as Implementing entity for the Clean Technology Fund (CTF)]				
Sustainable Energy Facility for the Eastern Caribbean (SEF)	$19,050	$2,000	$-	$-
Canada				
Canadian Support to the Energy Sector in the Caribbean Fund (CSES-C)	CAD5,000	$2,605	$1,105	$1,500

6. TOTAL ACCUMULATED INCOME AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

On an annual basis the Board of Governors determine the disposition of the accumulated net income and net income for the current year of each of the OSF, 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 2.15% (2018: 2.17%). There were no impaired loans at December 31, 2019 and 2018.

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

8. NON NEGOTIABLE DEMAND NOTES

The non-negotiable demand notes represent the equivalent of GBP186.8 million (2018: GBP195.1 million) submitted to the Bank by the UK Department for International Development (DFID) against commitments under the UK Caribbean Infrastructure Fund (UKCIF). The UK Government has committed to donating GBP300 million over a four (4) year period 2016 - 2024, from which grants are to be provided to build economic infrastructure which have been identified by DFID in countries eligible for overseas development assistance. By amendment letter dated July 26, 2018 the donation commitment from the UK Government under the UKCIF was increased to GBP330 million.

9. ACCOUNTS RECEIVABLE

	2019	2018
Institutional receivables	$30,000	$30,000
Accounts receivable	7,047	252
	$37,047	$30,252

10. ACCOUNTS PAYABLE

Interfund payable	$-	1,055
	$-	$1,055