PUBLIC DISCLOSURE AUTHORISED

CARIBBEAN DEVELOPMENT BANK

Draft Statement of Financial Position (Audited)

For the Year Ended December 31, 2017

(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 2018

Caribbean Development Bank
Ordinary Capital Resources

Financial Statements

For the year ended December 31, 2017
(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, 2017

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 December 31, 2017 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 December 31, 2017 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*
Provision for loan impairment	
Related disclosures in the financial statements are included in Note 5 *Financial Assets*, *Provision for loan impairment*, and Note 10 (c), *Loans Outstanding* (Pages 115 – 116; 124). **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 December 31, 2017, no specific or collective provision was established on the Bank's sovereign portfolio. The balance on the provision for loan impairment account solely related to the specific and collective assessment of the non-sovereign portfolio.**	**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 provisions for loan impairment, including transactional data captured at loan origination, internal credit quality assessments, storage of data and computations.** **We assessed the adequacy of provision for loan impairment by testing the key assumptions used in the Bank's specific and collective provision calculations. The results of our independent review of the historical payment pattern and arrears status of the Bank's sovereign debtors was consistent with the Bank's data inputs and its "preferred creditor treatment".** **In addition, we assessed the adequacy of the disclosures in the financial statements.** **We involved IT specialists in areas that required specific expertise (i.e. data reliability).**

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 108 – 111; 114). **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 2017 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Bank's 2017 Annual Report, other than the financial statements and our auditor's report thereon. The Bank's 2017 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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.

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.

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 Maurice Franklin.

Chartered Accountants
BARBADOS
March 22, 2018

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF FINANCIAL POSITION
As of December 31, 2017
(expressed in thousands of United States dollars, unless otherwise stated)

	Notes	2017	2016
Assets			
Cash and cash equivalents	6	**$85,961**	$94,207
Debt securities at fair value through profit or loss	7	**353,491**	340,318
Receivables and prepaid assets	8	**14,248**	6,342
Cash collateral on derivatives	9	**6,675**	11,655
Loans outstanding	10	**1,060,082**	1,016,926
Receivable from members			
Non-negotiable demand notes	11	**46,088**	45,682
Maintenance of value on currency holdings	12	**4,250**	5,769
Subscriptions in arrears	13	**2,310**	6,866
		52,648	58,317
Derivative financial instruments	14	**55,584**	58,663
Non-current assets held for sale	15	**-**	572
Property and equipment	16	**12,325**	12,177
Total Assets		**$1,641,014**	$1,599,177

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

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

	Notes	2017	2016
Liabilities and Equity			
Liabilities			
Accounts payable and accrued liabilities	**18**	**$4,810**	$3,021
Deferred income	**19**	**875**	875
Post-employment obligations	**20**	**25,772**	22,210
Borrowings	**21**	**691,549**	654,530
Derivative financial instruments	**14**	**18,258**	22,039
Total Liabilities		**$741,264**	$702,675
Equity			
Subscriptions matured (net)	**22(b)**	**$383,889**	$381,580
Retained earnings and reserves	**22(e)**	**515,861**	514,922
Total Equity		**$899,750**	$896,502
Total Liabilities and Equity		**$1,641,014**	$1,599,177

Approved by the Board of Directors on 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, 2017
(expressed in thousands of United States dollars, unless otherwise stated)

	Notes	Capital Stock	Retained Earnings	Post Employment Obligations Reserve	Other Reserves	Total
Balance as of December 31, 2015		**$343,324**	**$530,642**	**$(13,274)**	**$13,260**	**$873,952**
New capital subscriptions	22(b)	38,414	-	-	-	38,414
Prepayment discount	22(b)	(158)	-	-	-	(158)
Net loss for the year		-	(12,767)	-	-	(12,767)
Other comprehensive loss	20	-	-	(2,939)	-	(2,939)
Balance as of December 31, 2016		**$381,580**	**$517,875**	**$(16,213)**	**$13,260**	**$896,502**
New capital subscriptions	22(b)	2,649	-	-	-	2,649
Prepayment discount	22(b)	(340)	-	-	-	(340)
Net loss for the year			(3,234)	-	-	(3,234)
Other comprehensive gain	20		-	4,173	-	4,173
Balance as of December 31, 2017		**$383,889**	**$514,641**	**$(12,040)**	**$13,260**	**$899,750**

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, 2017
(expressed in thousands of United States dollars, unless otherwise stated)

	Notes	2017	2016
Interest and similar income	**23(a)**	**$43,857**	$35,782
Interest expense and similar charges	**23(b)**	**(18,849)**	(13,777)
Net interest income		**25,008**	22,005
Other income		**1,093**	1,521
		26,101	23,526
Operating expenses	**24**	**(18,275)**	(16,015)
Operating income		**7,826**	7,511
Allocation from net income	**25**	**-**	(6,000)
Net income before derivative and foreign denominated borrowing adjustments		**7,826**	1,511
Derivative fair value adjustment	**26**	**1,670**	(18,659)
Foreign exchange (loss)/gain in translation	**21(b)**	**(12,730)**	4,381
Net loss for the year		**(3,234)**	(12,767)
Other comprehensive gain/(loss) that will not be reclassified to the income statement			
Re-measurements – Actuarial gains/ (losses)	**20**	**4,173**	(2,939)
Total comprehensive income/ (loss) for the year		**$939**	$(15,706)

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, 2017
(expressed in thousands of United States dollars, unless otherwise stated)

	Notes		2017	2016
Operating activities:				
Net loss for the year			**$(3,234)**	$(12,767)
Adjustments:				
Unrealised losses on debt securities		854		3,222
Depreciation	**16**	1,532		1,250
Gain on sale of non-current asset held for sale		(247)		(18)
Initial capitalisation of borrowing costs		-		(901)
Derivative fair value adjustment		(1,670)		18,659
Interest income		(43,857)		(35,782)
Interest expense		18,849		13,777
Foreign exchange loss/(gain) in translation	**21(b)**	12,730		(4,381)
Decrease/ (increase) in maintenance of value on currency holdings		1,519		(1,162)
Total cash flows used in operating activities before changes in operating assets and liabilities			**(13,524)**	(18,103)
Changes in operating assets and liabilities:				
(Increase)/ decrease in receivables and prepaid assets		(7,906)		5,054
Decrease/ (increase) in cash collateral on derivatives		4,980		(11,655)
Increase/ (decrease) in accounts payable and accrued liabilities		1,789		(4,482)
Increase in post-employment obligations		7,735		1,616
Net increase in debt securities at fair value through profit and loss		(13,717)		(129,118)
Cash used in operating activities			**(20,643)**	(156,688)
Disbursements on loans	**10(b)**		**(143,196)**	(126,345)
Principal repayments on loans	**10(b)**		**102,023**	101,161
Interest received			**41,564**	35,912
Net cash used in operating activities			**(20,252)**	(145,960)
Investing activities:				
Purchase of property and equipment	**16**	(1,680)		(2,232)
Proceeds from sale of non-current asset held for sale equipment		819		18
Net cash used in investing activities			**(861)**	(2,214)
Financing activities:				
New borrowings		29,058		219,962
Repayments on borrowings	**21(b)**	(4,432)		(64,433)
Interest paid on borrowings		(18,218)		(11,278)
New capital subscriptions	**22(b)**	2,649		38,414
Prepayment discounts	**22(b)**	(340)		(158)
Decrease in subscriptions in advance		-		(4,326)
Decrease/ (increase) in receivables from members		4,150		(1,212)
Net cash provided by financing activities			**12,867**	176,969
Net (decrease)/increase in cash and cash equivalents			**(8,246)**	28,795
Cash and cash equivalents at beginning of year			**94,207**	65,412
Cash and cash equivalents at end of year	**6**		**$85,961**	$94,207

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 of:-
- 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 (2016: 23 regional states and territories and 5 non-regional states). A detailed listing of the membership is provided at Note 22(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 profit or loss and derivative financial instruments (cross currency interest rate swaps and interest rate swaps) which are reflected at fair value. The financial statements are presented in United States dollars (USD) and all values are rounded to the nearest thousand, except where otherwise indicated.

NOTE 3 – 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, 2017 (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 - 21.

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.

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

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

Going concern
The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue 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.

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

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

The Bank applied for the first time certain standards and amendments, which are effective for the reporting period. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the impact of each new standard and amendment is described below:

- IAS 7, *Disclosure initiative - Amendments to IAS 7* (Effective January 1, 2017)
  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Bank has provided the information for both the current and the comparative period in Note 21.

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

The following is a list of standards and interpretations issued that are 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 and it is therefore not practical to quantify the effect at this time.

- *IFRS 9, Financial Instruments* (Effective January 1, 2018)

  In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Bank plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017 to the date of issuance of these financial statements the Bank is engaged in a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank in 2018 when the Bank will adopt IFRS 9. Overall, the Bank expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The dollar value of the impact however has not been finalised. In addition, the Bank will implement changes in classification of certain financial instruments. The Bank does not currently apply hedge accounting.

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

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

- *IFRS 15, Revenue from contracts with customers* (Effective January 1, 2018)

  In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognising revenue and will be applicable to all contracts with customers. However, interest and fee income integral to financial instruments and leases will continue to fall outside the scope of IFRS 15 and will be regulated by the other applicable standards (e.g., IFRS 9, and IFRS 16 Leases).

  Revenue under IFRS 15 will need to be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to goods and services. The standard will also specify a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

  The Bank has not early adopted IFRS 15 and is currently evaluating its impact.

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (Effective January 1, 2018)

  The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the de-recognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

  (i) The beginning of the reporting period in which the entity first applies the interpretation; or

  (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

  The Bank does not currently have non-monetary assets or liabilities relating to advance consideration but will evaluate its impact on present operations.

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 profit and loss that are all derived directly from its operations. The Bank also holds derivative contracts and enters into derivative transactions when deemed necessary by senior management. 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.

NOTE 3 – RISK MANAGEMENT...*continued*

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 reducing exposure to achieve adherence to approved risk appetite portfolio limits. The Bank's risk mitigation approaches include adopting processes, systems, policies, guidelines and practices which are reviewed and modified periodically in line with the institution's changing circumstances.

The Bank's Office of Risk Management (ORM) manages, coordinates, monitors and reports on the mitigation of all risks that the Bank faces 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.

The Bank's governance 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.

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 limits 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 are measured and reported on a monthly and quarterly basis.

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, 2017 is reported in Note 5 and Note 10.

NOTE 3 – RISK MANAGEMENT…continued

Credit risk…continued

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	AA-	Aa3

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.

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

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

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

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

NOTE 3 – RISK MANAGEMENT…continued

Credit risk…continued

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.

	2017	2016
Single largest borrower's exposure to total outstanding loans	19.9%	20.8%
Three largest borrowers' exposure to total outstanding loans	41.7%	40.9%

Cash and cash equivalents and Debt securities through profit and loss
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)	2017	2016
Single entity	10%	**7.0%**	7.2%
US Treasury or US Government Agency	35%	**27.0%**	35.0%
Commercial entity	50%	**15.6%**	18.4%

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).

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.

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

NOTE 3 – RISK MANAGEMENT…*continued*

Credit risk…*continued*

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

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

As at December 31	**2017**	**2016**
Cash and cash equivalents	**$85,961**	$94,207
Debt securities at fair value through profit or loss	**353,491**	340,318
Sovereign loans outstanding	**1,025,277**	992,587
Non-sovereign loans outstanding	**34,805**	24,339
Derivative financial instruments	**55,584**	58,663
Non-negotiable demand notes	**46,088**	45,682
Maintenance of value on currency holdings	**4,250**	5,769
Subscriptions in arrears	**2,310**	6,866
Receivables	**9,768**	6,084
	1,617,534	1,574,515
Commitments		
Undisbursed sovereign loan balances	**448,861**	372,707
Undisbursed non-sovereign loan balances	**24,031**	9,227
Commitments	**15,000**	15,000
Guarantees	**12,000**	12,000
	499,892	408,934
	$2,117,426	$1,983,449

The above table represents a worst case scenario of credit risk exposure as at December 31, 2017 and 2016, 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.

For assets included on the statement of financial position, the exposures set out above are based on gross carrying amounts as reported in the statement of financial position. As shown, the total maximum exposure from loans and commitments to the sovereign was 66.4% (2016: 68.9%), and to the non-sovereign was 2.3% (2016: 1.7%).

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

NOTE 3 – RISK MANAGEMENT...*continued*

Credit risk...*continued*

Credit quality

Debt securities, treasury bills and other eligible bills
The main investment management objectives are 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, 2017 and 2016.

	2017				
	Ratings				
	AAA	**AA+ to AA-**	**A+ to A-**	**BBB+ to BBB-**	**Total**
Obligations guaranteed by Governments[1]	**$88,797**	**$109,401**	**$10,072**	**$-**	**$208,270**
Time Deposits	**-**	**767**	**-**	**-**	**767**
Sovereign Bonds	**5,913**	**24,683**	**-**	**-**	**30,596**
Supranational Bonds[2]	**107,916**	**5,942**	**-**	**-**	**113,858**
	$202,626	**$140,793**	**$10,072**	**$-**	**$353,491**

	2016				
	Ratings				
	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	Total
Obligations guaranteed by Governments[1]	$63,129	$154,067	$5,072	$-	$222,268
Time Deposits	-	24,975	8,782	1,330	35,087
Sovereign Bonds	2,004	-	-	-	2,004
Supranational Bonds	78,012	2,947	-	-	80,959
	$143,145	**$181,989**	**$13,854**	**$1,330**	**$340,318**

[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*

Debt securities, treasury bills and other eligible bills…continued
In accordance with the Bank's internal rating scale 97.2% (2016: 99.6%) of debt securities, treasury bills and other eligible bills are classified as 'Basic monitoring'. The residual securities are rated as 'Standard monitoring'.

Loans and advances
Loans are summarised as follows:

	December 31, 2017		December 31, 2016	
	Sovereign	**Non-sovereign**	**Sovereign**	**Non-sovereign**
Neither past due nor impaired	**$1,025,277**	**36,839**	$992,587	$25,588
Past due but not impaired	**-**		-	-
Impaired	**-**	**4,942**	-	5,060
Gross	**1,025,277**	**41,781**	992,587	30,648
Less: allowance for impairment	**,**	**(6,309)**	-	(6,309)
Net	**$1,025,277**	**$34,805**	**$992,587**	**$24,339**

As of December 31, 2017, loans that were neither past due nor impaired represented 99.6% (2016: 99.5%) of gross loans outstanding.

<u>Loans and advances neither past due nor impaired</u>
The credit quality of the loan portfolio that was neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

	2017		
	Sovereign	**Non-Sovereign**	**Total Loans**
Basic monitoring	**$-**	**$886**	**$886**
Standard monitoring	**414,112**	**-**	**414,112**
Special monitoring	**611,165**	**35,067**	**646,232**
	$1,025,277	**$35,953**	**$1,061,230**

(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

Loans and advances neither past due nor impaired...*continued*

	2016		
	Sovereign	**Non-Sovereign**	**Total Loans**
Basic monitoring	$39,347	$1,380	$40,727
Standard monitoring	481,802	-	481,802
Special monitoring	471,438	24,208	495,646
	$992,587	**$25,588**	**$1,018,175**

As at December 31, 2017, there were no financial assets past due but not impaired (2016 – Nil).

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

Other financial assets neither past due nor impaired

	2017			
	Basic Monitoring	**Standard Monitoring**	**Special Monitoring**	**Total**
Cash and cash equivalents	**$85,961**	**$-**	**$-**	**$85,961**
Receivables	**-**	**9,768**	**-**	**9,768**
Derivative financial instruments	**55,584**	**-**	**-**	**55,584**
Non-negotiable demand notes	**7,699**	**28,818**	**9,571**	**46,088**
Maintenance of value on currency holdings	**3,055**	**1,158**	**37**	**4,250**
Subscriptions in arrears	**-**	**2,310**	**-**	**2,310**
	$152,299	**$42,054**	**$9,608**	**$203,961**

(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

Loans and advances neither past due nor impaired...*continued*

	2016			
	Basic Monitoring	**Standard Monitoring**	**Special Monitoring**	**Total**
Cash and cash equivalents	$89,199	$1,068	$3,940	**$94,207**
Receivables	-	6,084	-	**6,084**
Derivative financial instruments	58,663	-	-	**58,663**
Non-negotiable demand notes	18,343	19,591	7,748	**45,682**
Maintenance of value on currency holdings	1,935	3,775	59	**5,769**
Subscriptions in arrears	-	5,129	1,737	**6,866**
	$168,140	**$35,647**	**$13,484**	**$217,271**

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

NOTE 3 – RISK MANAGEMENT...*continued*

Credit risk...*continued*

Risk concentration of financial assets with exposure to credit risk

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

Geographical sectors
The following table presents CDB's main credit exposures at their carrying amounts, as categorised by BMC and non-regional members, USA, and other countries. For this table, the exposures are allocated to regions based on the country of domicile of the counterparties. A further analysis of the Bank's exposure to loans by geographical region is provided at Note 10.

	2017				
	Borrowing Member Countries	Non-Regional Members	USA	Other	Total
Cash and cash equivalents	$-	$29,046	$56,915	$-	$85,961
Debt securities at fair value through profit or loss	767	72,937	148,529	131,258	353,491
Sovereign loans outstanding	1,025,277	-	-	-	1,025,277
Non-sovereign loans outstanding	34,805	-	-	-	34,805
Derivative financial instruments	-	29,452	26,132	-	55,584
Maintenance of value on currency holdings	1,195	3,055	-	-	4,250
Non-negotiable demand notes	37,729	8,359	-	-	46,088
Subscriptions in arrears	1,321	989	-	-	2,310
Receivables	9,768	-	-	-	9,768
	$1,110,862	$143,838	$231,576	$131,258	$1,617,534

(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

	2016				
	Borrowing Member Countries	**Non-Regional Members**	**USA**	**Other**	**Total**
Cash and cash equivalents	$7,054	$23,068	$57,802	$6,283	$94,207
Debt securities at fair value through profit or loss	1,330	84,536	151,190	103,262	340,318
Sovereign loans outstanding	992,587	-	-	-	992,587
Non-sovereign loans outstanding	24,339	-	-	-	24,339
Derivative financial instruments	-	30,689	27,974	-	58,663
Maintenance of value on currency holdings	1,587	4,182	-	-	5,769
Non-negotiable demand notes	37,403	8,279	-	-	45,682
Subscriptions in arrears	2,728	4,138	-	-	6,866
Receivables	6,084	-	-	-	6,084
	$1,073,112	**$154,892**	**$236,966**	**$109,545**	**$1,574,515**

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

			2017		
As at December 31	**US$**	**Yen**	**CHF**	**Other**	**Total**
Assets					
Cash and cash equivalents	**$85,961**	**$-**	**$-**	**$-**	**$85,961**
Debt securities at fair value through profit and loss	**347,629**	**-**	**5,862**	**-**	**353,491**
Loans outstanding	**1,060,082**		**-**		**1,060,082**
Derivative financial instruments	**55,584**	**-**	**-**	**-**	**55,584**
Receivable from members	**-**	**-**	**-**	**52,648**	**52,648**
Receivables	**9,483**	**-**	**-**	**285**	**9,768**
Total financial assets	**$1,558,739**	**-**	**$5,862**	**$52,933**	**$1,617,534**
Liabilities					
Accounts payable	**22**	**(36)**	**1,677**	**211**	**1,874**
Borrowings	**370,214**	**172,678**	**148,657**	**-**	**691,549**
Derivative financial instruments	**-**	**-**	**18,258**	**-**	**18,258**
Total financial liabilities	**$370,236**	**$172,642**	**$168,592**	**$211**	**$711,681**
Net on-balance sheet financial position	**$1,188,503**	**$(172,642)**	**$(162,730)**	**$52,722**	**$905,853**
Credit commitments	**$499,892**	**$-**	**$-**	**$-**	**$499,892**

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

NOTE 3 – RISK MANAGEMENT…*continued*

Market risk…*continued*

Concentrations of foreign currency risk …*continued*

	2016				
As at December 31	**US$**	**Yen**	**CHF**	**Other**	**Total**
Assets					
Cash and cash equivalents	$87,717	$-	$-	$6,490	$94,207
Debt securities at fair value through profit and loss	323,652	-	-	16,666	340,318
Loans outstanding	1,016,926	-	-	-	1,016,926
Derivative financial instruments	9,674	48,989	-	-	58,663
Receivable from members	36,753	-	-	21,564	58,317
Receivables	4,606	-	-	1,478	6,084
Total financial assets	**$1,479,328**	**$48,989**	**$-**	**$46,198**	**$1,574,515**
Liabilities					
Accounts payable	$240	$-	$-	$(12)	$228
Borrowings	344,985	167,193	142,352	-	654,530
Derivative financial instruments	-	-	22,039	-	22,039
Total financial liabilities	**$345,225**	**$167,193**	**$164,391**	**$(12)**	**$676,797**
Net on-balance sheet financial position	**$1,134,103**	**$(118,204)**	**$(164,391)**	**$46,210**	**$897,718**
Credit commitments	**$408,934**	**$-**	**$-**	**$-**	**$408,934**

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 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	**2017**	**2016**
Increase of 5%	**$(12,459)**	$(7,720)
Decrease of 5%	**$4,442**	$8,533
Increase of 10%	**$(19,757)**	$(14,739)
Decrease of 10%	**$14,300**	$18,014

CHF	**Effect on profit or loss (Income)/ Expense**	
Exchange rate movements	**2017**	**2016**
Increase of 5%	**$(6,346)**	$(6,779)
Decrease of 5%	**$8,557**	$7,492
Increase of 10%	**$(12,781)**	$(12,941)
Decrease of 10%	**$17,250**	$15,817

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.

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.

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

NOTE 3 – RISK MANAGEMENT...*continued*

Market risk...*continued*

Exposure to interest rate risk

	2017					
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	**$85,961**	**-**	**-**	**-**	**-**	**$85,961**
Debt securities at fair value through profit and loss	**26,474**	**22,895**	**296,680**	**7,442**	**-**	**353,491**
Loans outstanding	**1,060,082**	**-**	**-**	**-**	**-**	**1,060,082**
Derivative financial instruments	**438**	**1,600**	**32,638**	**20,908**	**-**	**55,584**
Receivable from members	**-**	**-**	**-**	**-**	**52,648**	**52,648**
Receivables	**-**	**-**	**-**	**-**	**9,768**	**9,768**
Total Assets	**$1,172,955**	**$24,495**	**$329,318**	**$28,350**	**$62,416**	**$1,617,534**
Liabilities						
Accounts payable	**$-**	**$-**	**$-**	**$-**	**$1,874**	**$1,874**
Borrowings	**5,237**	**3.876**	**140,941**	**541,495**	**-**	**691,549**
Derivative financial instruments	**(184)**	**2,222**	**21,854**	**(5,634)**	**-**	**18,258**
Total Liabilities	**$5,053**	**$6,098**	**$162,795**	**$535,861**	**$1,874**	**$711,681**
Total interest sensitivity Gap	**$1,167,902**	**$18,397**	**$166,523**	**$(507,511)**		

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

NOTE 3 – RISK MANAGEMENT…*continued*

Market risk…*continued*

Exposure to interest rate risk…*continued*

	2016					
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	$94,207	$-	$-	$-	$-	$94,207
Debt securities at fair value through profit and loss	41,952	58,279	201,466	38,621	-	340,318
Loans outstanding	1,016,926	-	-	-	-	1,016,926
Derivative financial instruments	48,989	9,674	-	-	-	58,663
Receivable from members	-	-	-	-	58,317	58,317
Receivables	-	-	-	-	6,084	6,084
Total Assets	**$1,202,074**	**$67,953**	**$201,466**	**$38,621**	**$64,401**	**$1,574,515**
Liabilities						
Accounts payable	$-	$-	$-	$-	$228	$228
Borrowings	4,577	4,598	28,002	617,353	-	654,530
Derivative financial instruments		22,039	-	-	-	22,039
Total Liabilities	$4,577	$26,637	$28,002	$617,353	$228	$676,797
Total interest sensitivity Gap	**$1,197,497**	**$41,316**	**$173,464**	**$(578,732)**		

NOTE 3 – RISK MANAGEMENT…*continued*

Market risk…*continued*

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 $3,713 (2016: $3,669). 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 $21,916 (2016: $20,166) in the net income for the year and an increase of $20,764 (2016: $23,870) 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.

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 $197 million (2016: $210 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 $557 million (2016: $529 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 are easily traded; 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.

	2017				
At December 31	**0 – 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Assets					
Cash and cash equivalents	**$85,961**	**-**	**-**	**-**	**$85,961**
Debt securities at fair value through profit and loss	**22,535**	**30,913**	**310,727**	**8,141**	**372,316**
Loans outstanding	**50,120**	**103,989**	**507,646**	**637,210**	**1,298,965**
Receivable from members	**6,560**	**46,088**	**-**	**-**	**52,648**
Receivables	**7,658**	**587**	**1,027**	**496**	**9,768**
Total Assets	172,834	181,577	819,400	645,847	1,819,658
Liabilities					
Accounts payable	**22**	**(36)**	**201**	**1,687**	**1,874**
Borrowings	**7,488**	**18,013**	**218,114**	**603,367**	**846,982**
Total Liabilities	7,510	17,977	218,315	605,054	848,856

	2016				
At December 31	**0 - 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Assets					
Cash and cash equivalents	$94,207	$-	$-	$-	$94,207
Debt securities at fair value through profit and loss	41,550	60,715	208,472	40,181	350,918
Loans outstanding	42,884	101,792	471,885	599,008	1,215,569
Receivable from members	12,635	45,682	-	-	58,317
Receivables	4,838	306	834	106	6,084
Total Assets	**$196,114**	**$208,495**	**$681,191**	**$639,295**	**$1,725,095**
Liabilities					
Accounts payable	$7	$129	$73	$19	$228
Borrowings	6,779	23,606	122,131	590,019	742,535
Total Liabilities	**$6,786**	**$23,735**	**$122,204**	**$590,038**	**$742,763**

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

NOTE 3 – RISK MANAGEMENT…*continued*

Liquidity risk …*continued*

Derivative cash flows

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

			2017		
At December 31	**0 - 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Derivative asset:					
Derivative financial instruments	**$2,607**	**$2,018**	**$35,050**	**$26,366**	**$66,041**
Derivative liability:					
Derivative financial instruments	**$2,455**	**$2,239**	**$23,031**	**(9,381)**	**$18,344**

			2016		
At December 31	**0 -3 months**	**3 – 12 months**	**1 – 5 years**	**Over 5 years**	**Total**
Derivative asset:					
Derivative financial instruments	**$2,683**	**$3,858**	**$13,845**	**$48,567**	**$68,953**
Derivative liability:					
Derivative financial instruments	**$2,054**	**$1,830**	**$22,000**	**$(3,584)**	**$22,300**

(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.

	2017		
At December 31	**0-12 months**	**1-5 years**	**Total**
Loan commitments	**$170,000**	**$297,892**	**$472,892**
Other commitments	**5,000**	**10,000**	**15,000**
Guarantees	**12,000**	**-**	**12,000**
	$187,000	**$307,892**	**$499,892**

	2016		
At December 31	**0-12 months**	**1-5 years**	**Total**
Loan commitments	$145,000	$236,934	$381,934
Other commitments	-	15,000	15,000
Guarantees	12,000	-	12,000
	$157,000	**$251,934**	**$408,934**

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

NOTE 3 – RISK MANAGEMENT…*continued*

Liquidity risk …*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

	2017			
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	**$-**	**$55,584**	**$-**	**$55,584**
Financial assets designated at fair value through profit or loss				
Debt securities	**-**	**353,491**	**-**	**353,491**
	$-	**$409,075**		**$409,075**
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	**$-**	**$18,258**	**$-**	**$18,258**
	$-	**$18,258**	**$-**	**$18,258**

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*

Liquidity risk ...*continued*

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

Fair value hierarchy...*continued*

	2016			
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	$-	$58,663	$-	$58,663
Financial assets designated at fair value through profit or loss				
Debt securities	-	340,318	-	340,318
	$-	**$398,981**	**$-**	**$398,981**
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	$-	$22,039	$-	$22,039
	$-	**$22,039**	**$-**	**$22,039**

(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	
	2017	**2016**	**2017**	**2016**
Financial assets – loans and receivables				
Loans outstanding	**$1,060,082**	$1,016,926	**$924,683**	$801,295
Financial liabilities – amortised cost				
Borrowings	**$691,549**	$654,530	**$829,534**	$775,351

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. Those BMCs without ratings from international agencies are assigned a default rating of "CCC".

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*

Fair value of financial assets and liabilities...*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, 2017 the Bank's available capital was 220.0% (2016: 209.8%) of its economic capital.

No changes were made to the objectives, policies or processes for managing capital during the year ended December 31, 2017.

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, 2017 and 2016, and associated interest income by countries which generated in excess of 10% of the loan interest income for the years ended December 31, 2017 and 2016:

	Interest income		Loans outstanding	
Country	**2017**	**2016**	**2017**	**2016**
Jamaica	**$7,100**	$6,464	**$211,874**	$212,454
Barbados	**4,670**	4,271	**113,989**	112,514
Others	**26,306**	18,456	**734,219**	598,964
	$38,076	$32,127	**$1,060,082**	$1,016,926

NOTE 5 – FINANCIAL ASSETS

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

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

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

Subsequent measurement

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

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are categorised as held for trading unless they are designated as hedging instruments. The Bank holds no financial assets classified as held for trading. Additional information on '*Derivatives*' is included in Note 14.

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as '*Derivative fair value adjustments*' in the statement of comprehensive income in the period during which they arise. Income and expenditures related to derivative financial instruments are shown as *'Net interest income from derivatives'* in Note 24 (b) and are included in *'Interest expense and similar charges'* in the statement of comprehensive income.

Loans 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 in other receivables are recognised in the statement of comprehensive income in '*Operating expenses*'.

NOTE 5 – FINANCIAL ASSETS...*continued*

Subsequent measurement*...continued*

Loans and receivables*...continued*
This category applies to '*Loans outstanding*' and '*Receivables from members*' and generally applies to receivables. More detailed information in relation to these balances are disclosed in Notes 8 to 13.

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

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

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

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

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

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

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

NOTE 5 – FINANCIAL ASSETS...*continued*

Provision for loan impairment
Management assesses at each reporting date (at a minimum), whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has/have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. A provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms of loans (the "incurred loss" basis). Objective evidence that a financial asset or groups of financial assets is/are impaired includes observable data that comes to the attention of the Bank about the following loss events including:

(i) Significant financial difficulty of the issuer or obligor;
(ii) A breach of contract, such as a default or delinquency in interest or principal payments;
(iii) The Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Bank would not otherwise consider;
(iv) It becoming probable that the borrower will enter bankruptcy or other financial re-organisation;
(v) The disappearance of an active financial market for that financial asset because of financial difficulties; or
(vi) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including:

    (a) adverse changes in the payment status of borrowers; or
    (b) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

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

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

NOTE 5 – FINANCIAL ASSETS...*continued*

Provision for loan impairment...continued
Because of the nature of its borrowers and guarantors, 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.

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

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

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

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.

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

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:

	2017	2016
Due from banks	**$21,863**	$60,239
Time deposits	**64,098**	33,968
	$85,961	**$94,207**

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

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

The accounting policy is as defined in Note 5.

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

	2017				
	USD	**EUR**	**CAD**	**Other**	**Total**
December 31					
Obligations guaranteed by Governments[1]	**$221,476**	**$-**	**$3,998**	**$-**	**$225,474**
Multilateral organisations	**126,153**	**-**	**1,097**	**-**	**127,250**
Time deposits	**-**	**-**	**-**	**767**	**767**
	$347,629	**$-**	**$5,095**	**$767**	**$353,491**

	2016				
	USD	**EUR**	**CAD**	**Other**	**Total**
December 31					
Obligations guaranteed by Governments[1]	$218,095	$1,056	$5,121	$-	$224,272
Multilateral organisations	76,746	3,177	1,036	-	80,959
Time deposits	28,811	-	-	6,276	35,087
	$323,652	**$4,233**	**$6,157**	**$6,276**	**$340,318**

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

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

NOTE 7 – DEBT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS…*continued*

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

	2017	**2016**
Current	**$50,610**	$100,231
Non-current	**302,881**	240,087
	$353,491	**$340,318**

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:

	2017	**2016**
Inter-fund receivable – Note 29	**$9,115**	$4,472
Staff loans and other receivables	**657**	508
Value added tax receivable	**1,112**	817
Institutional receivables	**3,003**	287
Prepaid assets	**361**	258
	$14,248	**$6,342**

During the year, no provision for impairment (2016: nil) was recorded as none of the above receivables was deemed to be impaired.

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 for 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.

NOTE 9 – CASH COLLATERAL ON DERIVATIVES…*continued*

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, 2017, the Bank held a collateral receivable of $6,675 (2016:$11,655) to 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 accrued for the year was $52 (2016: $5).

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 6 – *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, it's BMCs and are disbursed and repaid in US Dollars. The amount repayable in each of these currencies are equal to the amount disbursed in the original currency. Loans are granted for a maximum period of twenty-two years, including a grace period, which is typically 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 semi-annually. The interest rate prevailing as at December 31, 2017 was 3.80% (2016: 2.97%).

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

The fair value of the collateral held (off-balance sheet) for the impaired non-sovereign loans was estimated at approximately XXXX (2016: $1,000). This is comprised of the fair value of sub-loans and the Bank's portion of the estimated realisable value of a property.

(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.

	2017			
Borrowers	**Loans not yet effective**	**Undisbursed**	**Outstanding**	**% of Loans outstanding**
Anguilla	**$11,543**	**$3,005**	**$72,666**	**6.9**
Antigua and Barbuda	**-**	**75,754**	**117,617**	**11.1**
Bahamas	**7,633**	**24,000**	**13,323**	**1.3**
Barbados	**-**	**53,656**	**113,077**	**10.7**
Belize	**-**	**65,048**	**100,979**	**9.6**
British Virgin Islands	**9,299**	**51,921**	**29,631**	**2.8**
Cayman Islands	**-**	**-**	**-**	**-**
Dominica	**-**	**10,925**	**18,943**	**1.8**
Grenada	**-**	**18,184**	**39,763**	**3.8**
Guyana	**-**	**3,335**	**30,363**	**2.9**
Jamaica	**-**	**17,515**	**209,942**	**19.9**
St. Kitts and Nevis	**-**	**7,399**	**31,138**	**2.9**
St. Lucia	**26,013**	**38,326**	**61,340**	**5.8**
St. Vincent and the Grenadines	**-**	**12,646**	**83,414**	**7.9**
Suriname	**29,818**	**70,758**	**55,969**	**5.3**
Trinidad and Tobago	**-**	**-**	**41,033**	**3.9**
Turks and Caicos Islands	**-**	**-**	**3,540**	**0.3**
Regional	**-**	**5,948**	**7,033**	**0.7**
Non-sovereign	**-**	**14,031**	**26,114**	**2.4**
Sub-total	**84,306**	**472,892**	**1,055,885**	**100**
Provision for impairment			**(6,309)**	
Accrued interest and other charges			**10,506**	
			$1,060,082	

Current	**$109,762**
Non-current	**950,320**
	$1,060,082

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

NOTE 10 – LOANS OUTSTANDING…*continued*

(a) **Credit exposures**…*continued*

	2016			
Borrowers	**Loans not yet effective**	**Undisbursed**	**Outstanding**	**% of Loans outstanding**
Anguilla	$-	$3,033	$78,236	7.7
Antigua and Barbuda	5,981	32,556	88,274	8.7
Bahamas	7,633	29,606	8,305	0.8
Barbados	14,627	104,543	111,717	11.0
Belize	21,500	63,991	88,831	8.8
British Virgin Islands	-	9,177	14,977	1.5
Cayman Islands	-	-	1,781	0.2
Dominica	-	5,749	16,776	1.6
Grenada	-	20,318	41,445	4.1
Guyana	-	6,236	30,354	3.0
Jamaica	-	18,323	210,823	20.8
St. Kitts and Nevis	5,792	1,735	35,078	3.5
St. Lucia	33,176	34,185	66,613	6.5
St. Vincent and the Grenadines	-	8,529	92,215	9.1
Suriname	58,157	18,196	50,374	5.0
Trinidad and Tobago	-	10,000	37,252	3.7
Turks and Caicos Islands	-	-	4,656	0.4
Regional	-	6,530	7,139	0.7
Non-sovereign	-	9,227	29,866	2.9
Sub-total	**146,866**	**381,934**	**1,014,712**	**100.0**
Provision for impairment			(6,309)	
Accrued interest and other charges			8,523	
	$146,866	**$381,934**	**$1,016,926**	

	2016
Current	$106,596
Non-current	910,330
	$1,016,926

(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:

	2017						
Currencies receivable	**Loans outstanding 2016**	**Net interest**	**Disbursements**	**Sub-Total**	**Repayments**	**Provision for impairment**	**Loans outstanding 2017**
United States dollars	**$1,014,712**	**$-**	**$143,196**	**$1,157,908**	**$(102,023)**	**-**	**$1,055,885**
Sub-total	**1,014,712**	**-**	**143,196**	**1,157,908**	**(102,023)**	**-**	**1,055,885**
Provision for impairment	**(6,309)**	**-**	**-**	**(6,309)**	**-**	**-**	**(6,309)**
Accrued interest	**8,523**	**1,983**		**10,506**	**-**	**-**	**10,506**
Total – December 31	**$1,016,926**	**$1,983**	**$143,196**	**$1,162,105**	**$(102,023)**	**$-**	**$1,060,082**

	2016						
Currencies receivable	**Loans outstanding 2015**	**Net interest**	**Disbursements**	**Sub-Total**	**Repayments**	**Provision for impairment**	**Loans outstanding 2016**
United States dollars	$989,528	$-	$126,345	$1,115,873	$(101,161)	$-	$1,014,712
Sub-total	**989,528**	**-**	**126,345**	**1,115,873**	**(101,161)**	**-**	**1,014,712**
Provision for impairment	(6,309)	-	-	(6,309)	-	-	**(6,309)**
Accrued interest	9,311	(788)	-	8,523	-	-	**8,523**
Total – December 31	**$992,530**	**$(788)**	**$126,345**	**$1,118,087**	**$(101,161)**	**$-**	**$1,016,926**

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

NOTE 10 – LOANS OUTSTANDING...*continued*

(c) As at December 31, 2017, two loans relating to one borrower in the non-sovereign loan portfolio were assessed as impaired (2016: two). A specific provision for impairment has been made representing the full amounts outstanding. Based on the collective assessment and methodology as applied to the sovereign and non-sovereign loan portfolio, no additional collective provision for impairment was required (December 2016: $ Nil).

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

	2017	2016
Balance at January 1 and December 31	$6,309	$6,309
Individual impairment	**$5,459**	$5,459
Collective impairment	**850**	850
Balance at December 31	**$6,309**	**$6,309**

(d) The Bank also maintains a General banking reserve of $7,006 (2016: $7,006) classified in equity – Refer to Note 22(f).

NOTE 11 – NON-NEGOTIABLE DEMAND NOTES

Policy

Non-negotiable demand notes are financial assets as defined in Note 6.

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, 2017 the non-negotiable demand notes amounted to $46,088 (2016: $45,682).

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

MOV receivables are financial assets as defined in Note 6.

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.

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

As at December 31, 2017, the amount of was due by certain members was $4,250 (2016: $5,769) and at the reporting date, no amounts were due by the Bank was Nil (2016: Nil).

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 over a period determined in advance and in the case of the last approved General Capital Increase in 2010 comprises six instalments. The amount of $2,310 (2016: $6,866) represents amounts that are due and not yet paid by certain members.

(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 cross currency interest rate 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 are prohibited and all derivative financial instruments are held to maturity but may be terminated in those instances where the contract no longer satisfies the purpose for which is 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:

		2017	**2016**
		Fair values	
	Notional Amount		
Derivative financial asset			
Cross currency interest rate swaps	$163,220	**$46,623**	$48,685
Interest rate swaps	$300,000	**8,876**	$9,184
Bilateral non-performance risk adjustment		**85**	794
		$55,584	**$58,663**
Derivative financial liability			
Cross currency interest rate swap	$151,341	**$18,790**	$23,429
Bilateral non-performance risk adjustment		**(532)**	(1,390)
		$18,258	**$22,039**

NOTE 15 – NON-CURRENT ASSETS HELD FOR SALE

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

Property and equipment once classified as held for sale are not depreciated.

Non-current assets of $572 shown as held for sale in 2016 was disposed of in 2017 based on open market solicitations. These assets comprised a building and associated land.

NOTE 16 – 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.

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.

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

NOTE 16 – PROPERTY AND EQUIPMENT…*continued*

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.

The carrying values of property and equipment were as follows:

	2017					
	Projects in Progress	Land, Buildings and Ancillary Works	Computers	Furniture and Equipment	Motor Vehicles	Total
Opening net book value	$3,224	$5,312	$2,283	$1,255	$103	$12,177
Additions	1,411	-	116	133	20	1,680
Transfers from projects in progress	(279)	104	138	37	-	-
Net book value of assets transferred to held for sale	-	-	-	-	-	-
Disposals – cost	-	(1,756)	(287)	(152)	-	(2,195)
Disposals - accumulated depreciation	-	1,184	287	152	-	1,623
Depreciation expense	-	(299)	(797)	(398)	(38)	(1,532)
Closing net book value	$4,356	$4,545	$1,740	$1,027	$85	$12,325
At December 31						
Cost	$4,356	$11,583	$11,544	$6,556	$247	$34,858
Accumulated depreciation	-	(7,038)	(9,804)	(5,529)	(162)	(22,533
Closing net book value	$4,356	$4,545	$1,740	$1,027	$85	$12,325

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

NOTE 16 – PROPERTY AND EQUIPMENT…*continued*

	2016					
	Projects in Progress	Land, Buildings and Ancillary Works	Computers	Furniture and Equipment	Motor Vehicles	Total
Opening net book value	$3,716	$5,613	$793	$1,499	$146	$11,767
Additions	1,943	-	202	87	-	2,232
Transfers from projects in progress	(2,435)	605	1,864	(34)	-	-
Net book value of assets transferred to held for sale	-	(572)	-	-	-	(572)
Disposals – cost	-	-	-	-	(89)	(89)
Disposals - accumulated depreciation	-	-	-	-	89	89
Depreciation expense	-	(334)	(576)	(297)	(43)	(1,250)
Closing net book value	**$3,224**	**$5,312**	**$2,283**	**$1,255**	**$103**	**$12,177**
At December 31						
Cost	$3,224	$12,051	$11,577	$6,538	$75	$33,465
Accumulated depreciation	-	(6,739)	(9,294)	(5,283)	28	(21,288)
Closing net book value	**$3,224**	**$5,312**	**$2,283**	**$1,255**	**$103**	**$12,177**

NOTE 17 – 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 19, 20 and 23 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 17 – 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 18 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounting policy for accounts payable is as defined at Note 17.

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:

	2017	**2016**
Accounts payable	**$1,874**	$228
Accrued liabilities	**2,936**	2,793
	$4,810	**$3,021**

NOTE 19 – DEFERRED INCOME

Deferred income comprises freehold land donated to the Bank as a Government grant and is stated at historical value of $875 (2016: $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.

NOTE 20 – 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, of the Bank and operated under the rules of respective Trust Deeds.

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

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Current service costs, past service costs and gain or loss on settlement and net interest expense or income on the net defined liability are recognised immediately in profit and loss under "*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 retained earnings through other comprehensive income ("OCI") in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

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

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 20 – 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 15.4% 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% (2016: 20.8%) of the aggregate amount of the annual salaries of eligible employees. All contributions (initially determined in Barbados dollars) are immediately converted to United States dollars and held or invested in that currency.

The latest changes to the Plan were approved by the BOD in 2014.

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 20 – 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 55.4% (2016: 41.8%) 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 (as all the Government and Government-guaranteed securities and two-thirds of the others had terms of five years or less), leaving the Bank exposed to the inflation and interest rate risks in the pension option.

Net post-employment obligations

	2017	2016
Defined benefit pension liability	**$17,649**	$14,317
Hybrid pension liability	**6,055**	5,885
Post-retirement medical obligations	**2,068**	2,008
	$25,772	**$22,210**

Net pension costs recognised in profit or loss

	2017	2016
Defined benefit pension liability	**$5,419**	$4,367
Hybrid pension liability	**377**	401
Post-retirement medical obligation	**231**	334
	$6,027	**$5,102**

Net re-measurements recognised in other comprehensive income

	2017	2016
Defined benefit obligation	**$(3,020)**	$3,131
Hybrid pension liability	**(972)**	824
Post-retirement medical obligation	**(90)**	(1,016)
	$(4,082)	**$2,939**

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

NOTE 20 – POST-EMPLOYMENT OBLIGATIONS...*continued*

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

	Defined Benefit Pension Plan		**Hybrid Pension Scheme**	
	2017	**2016**	**2017**	**2016**
Present value of funded obligations	**$75,588**	$63,743	**$24,372**	$25,207
Fair value of plan assets	**(57,939)**	(49,426)	**(18,397)**	(19,322)
Net defined benefit liability	**$17,649**	**$19,246**	**$5,975**	**$5,885**

The amounts recognised in profit or loss are as follows:

	Pensions			
	Defined Benefit Pension Plan		**Hybrid Pension Scheme**	
	2017	**2016**	**2017**	**2016**
Current service costs	**$4,789**	$3,858	**$121**	$155
Net interest on net defined benefit liability	**630**	350	**256**	218
Past service cost	**-**	159	**-**	28
Net pension cost	**$5,419**	**$4,367**	**$377**	**$401**

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

	Pensions			
	Defined Benefit Pension Plan		**Hybrid Pension Scheme**	
	2017	**2016**	**2017**	**2016**
Experience (gains)/losses	**$(3,020)**	$3,131	**$(972)**	$824
Total amount recognised in other comprehensive income	**$(3,020)**	**$3,131**	**$(972)**	**$824**

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

NOTE 20 – 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	
	2017	2016	2017	2016
Opening defined benefit liability	**$14,317**	$9,510	**$7,395**	$5,373
Net pension cost	**5,419**	4,367	**377**	401
Re-measurements recognised in other comprehensive income	**(3,020)**	3,131	**(1,052)**	824
Bank contribution paid	**(3,996)**	(2,691)	**(745)**	(713)
Balance as at December 31	**$17,649**	**$14,317**	**$5,975**	**$5,885**

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

	Pensions			
	Defined Benefit Pension Plan		Hybrid Pension Scheme	
	2017	2016	2017	2016
Balance at January 1	**$63,743**	$55,710	**$26,717**	$25,278
Current service costs	**4,789**	3,858	**121**	155
Interest costs	**2,529**	2,474	**965**	1,085
Members' contributions	**931**	811	**419**	367
Past service cost	**-**	159	**-**	28
Re-measurements				
Experience adjustments	**(2,021)**	(75)	**(978)**	(68)
Actuarial losses/(gains) from changes in demographic assumptions	**415**	-	**(1,587)**	-
Actuarial losses/(gains) from changes in financial assumptions	**2,737**	2,267	**704**	746
Benefits paid	**(2,464)**	(1,461)	**(1,989)**	(2,384)
Balance as at December 31	**$75,588**	**$63,743**	**$24,452**	**$25,207**

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

NOTE 20 – 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	
	2017	2016	2017	2016
Balance at January 1	**$49,426**	$46,200	**$19,322**	$19,905
Interest income	**1,899**	2,124	**709**	867
Return on plan assets, excluding interest	**4,151**	(939)	**(809)**	(146)
Bank contributions	**3,996**	2,691	**745**	713
Members' contributions	**931**	811	**419**	367
Benefits paid	**(2,464)**	(1,461)	**(1,989)**	(2,384)
Balance as at December 31	**$57,939**	**$49,426**	**$18,397**	**$19,322**

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

	2017	2016
Quoted in active markets		
Equity securities	**$32,100**	$20,637
	$32,100	$20,637
Unquoted investments		
Cash and cash equivalents	**3,331**	11,590
Debt securities	**22,763**	17,802
	$26,094	$29,392
Net accruals	**(255)**	(603)
Total	**$57,939**	**$49,426**

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

	2017	2016
Unquoted investments		
Government and Government guaranteed bonds	**$13,672**	$14,470
Supranational bonds	**5,106**	4,411
Cash, cash equivalents and net accruals	**(381)**	313
Total	**$18,397**	**$19,322**

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

NOTE 20 – POST-EMPLOYMENT OBLIGATIONS...*continued*

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

	Pensions	
	2017	**2016**
Discount rate	**4.00%**	4.25%
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 100% (2016: 100%). The proportion of other members opting for pension was assumed to be 75% (2016: 100%).

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:

	2017	**2016**
Male	**21.0 years**	21.0 years
Female	**25.1years**	25.1years

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

	2017	**2016**
Male	**21.4years**	21.4 years
Female	**25.1years**	25.4 years

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

NOTE 20 – 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, 2016 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	$(10,670)	$13,561	$3,598	$(3,171)	$7,812	$(6,649)

	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	$964	$(947)	$1,088	$(1,092)

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:

	2017	2016
Within the next 12 months (annual reporting period)	**$4,189**	$2,931
Between 1 year and 2 years	**$4,239**	$3,048

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

Active members..................63% (2016: 60%)
Pensioners.........................37% (2016: 40%)

The weighted average duration of the defined benefit obligation was 15.8 years (2016: 15.6 years).

94% (2016: 94%) of the benefits for active members were vested, 22% (2016: 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 20 – 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, 2017 is as shown below:

	Discount rate		Future salary increases	
	1% p.a. increase	1% p.a. decrease	1% p.a. increase	1% p.a. decrease
Impact on defined benefit obligation	**$(2,293)**	**$2,956**	**$332**	**$(212)**

	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	**$292**	**$(295)**	**$302**	**$(306)**

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:

	2017	2016
Within the next 12 months	**$700**	$674
Between 1 year and 2 years	**$476**	$679

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

Active members..................... 57% (2016: 65%)
Pensioners.............................43% (2015: 35%)

The weighted average duration of the defined benefit obligation was 11 years (2016:12 years).
100% (2016: 100%) of the benefits for active members were vested, 7% (2016: 7%) of the defined benefit obligation for active members is conditional on future salary increases.

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

NOTE 20 – 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-17	Current Service Cost	Net interest cost	Sub-total included in profit or loss (Note 26)	Experience adjustments	(Gain)/loss from change in financial assumptions	Sub-total included in OCI	Premiums paid by the bank	31-Dec-17
Medical obligation	$2,008	78	153	2,239	(90)	-	(90)	(81)	$2,068

		Pension charge to profit & loss			Remeasurement (gains)/losses in OCI				
	1-Jan-16	Current Service Cost	Net interest cost	Sub-total included in profit or loss (Note 26)	Experience adjustments	(Gain)/loss from change in financial assumptions	Sub-total included in OCI	Premiums paid by the bank	31-Dec-16
Medical obligation	$2,772	122	212	334	(263)	(753)	(1,016)	(82)	$2,008

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

NOTE 20 – 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	
	2017	**2016**
Discount rate	**7.75%**	7.75%
Medical cost increase	**5.00%**	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 $70 (2016: $69).

Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions as at December 31, 2016 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	**$(238)**	**$291**	**$296**	**$(246)**

The expected contributions to be made to the post-retirement medical obligation within the next twelve months is $88 (2016: $86).

Liability profile

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

Active members……………….. 48% (2016: 49%)
Pensioners…………………….. 52% (2016: 51%)

NOTE 20 – POST-EMPLOYMENT OBLIGATIONS…*continued*

Post-Retirement Medical Plan…*continued*

Liability profile…*continued*

The weighted average duration of the post-retirement medical obligation was 13.7 years (2016: 15 years). 54% (2016: 51%) of the benefits of active members were vested.

NOTE 21 – BORROWINGS

The accounting policy for borrowings is as defined at Note 17.

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, 2017, total borrowings amounted to $691,549 (2016: $654,530).

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, 2017, the ratio of total outstanding borrowings and undrawn commitments of $938,040 (2016: $821,691) to the borrowing limit of $1,406,466 (2016: $1,405,510) was 66.7% (2016: 58.5%).

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

NOTE 21 – BORROWINGS...*continued*

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

	2017						
	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)	$-	2017
	40,000	-	-	-	(40,000)	-	
CDB Market Borrowings							
4.35% Notes – Yen	60,000	(2,479)	-	-	-	57,521	2030
2.75% Notes – Yen	100,000	11,062	-	-	-	111,062	2022
4.375% Bonds – US$	300,000	-	-	-	-	300,000	2027
0.297% Bonds - CHF	151,341	(2,684)	-	-	-	148,657	2028
Unamortised transaction costs	(2,214)	(27)	-	-	-	(2,241)	
Unamortised currency swap	5,063	-	-	(968)	-	4,095	
	614,190	5,872	-	(968)	-	619,094	
European Investment Bank							
Global Loan 111 – US$	51,157	-	(31,239)	-	-	19,918	2023
Climate Action Credit I– US$	65,320	-	-	-	(35,279)	30,041	2032
Climate Action Credit II– US$	118,133	-	-	-	(118,133)	-	
	234,610	-	(31,329)	-	(153,412)	49,959	
Inter-American Development Bank							
Loan 926/OC-RG-US$	19,347	-	(15,452)	-	-	3,895	2021
Loan 2798/BL-RG	14,000	-	-	-	(5,079)	8,921	2043
Loan 3561/OC - RG	20,000	-	-	-	(20,000)	-	2037
	53,347	-	(15,452)	-	(25,079)	12,816	
Agence Francaise de Developpement							
	33,000	-	-	-	(28,000)	5,000	2028
Sub-total	975,147	5,872	(46,691)	(968)	(246,491)	686,869	
Accrued interest	4,680	-	-	-	-	4,680	
Total – December 31	$979,827	$(6,816)	$(25,959)	$(968)	$(246,491)	$691,549	

[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 21 – BORROWINGS...*continued*

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

	2016						
	Original amounts[1/]	Translation adjustments & other	Repayments to date	Currency swap[2/]	Undrawn	Outstanding	Due dates
Short term Borrowing							
Line of credit	$50,000	$-	$-	$-	$(50,000)	$-	2017
	$50,000	$-	$-	$-	$(50,000)	$-	
CDB Market Borrowings							
4.35% Notes – Yen	60,000	(4,681)	-	-	-	55,319	2030
2.75% Notes – Yen	100,000	6,810	-	-	-	106,810	2022
4.375% Bonds – US$	300,000	-	-	-	-	300,000	2027
0.297% Bonds - CHF	151,341	(8,989)	-	-	-	142,352	2028
Unamortised transaction costs	(2,511)	44	-	-	-	(2,467)	
Unamortised currency swap	-	-	-	5,063	-	5,063	
	608,830	(6,816)	-	5,063	-	607,077	
European Investment Bank							
Global Loan 111 – US$	34,857	-	(11,619)	-	-	23,238	2023
Climate Action Credit – US$	65,320	-	-	-	(58,162)	7,158	2031
	100,177	-	(11,619)	-	(58,162)	30,396	
Inter-American Development Bank							
Loan 926/OC-RG-US$	19,347	-	(14,340)	-	-	5,007	2021
Loan 2798/BL-RG	14,000	-	-	-	(5,999)	8,001	2043
Loan 3561/OC - RG	20,000	-	-	-	(20,000)	-	2037
	53,347	-	(14,340)	-	(25,999)	13,008	
Agence Francaise de Developpement	33,000	-	-	-	(33,000)	-	2028
	33,000	-	-	-	(33,000)	-	
Sub-total	845,354	$(6,816)	$(25,959)	5,063	$(167,161)	$650,481	
Accrued interest	4,049	-	-	-	-	4,049	
Total – December 31	$849,403	$(6,816)	$(25,959)	$5,063	$(167,161)	$654,530	

[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 21 – BORROWINGS…*continued*

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

	2017						
Currencies Repayable	**Outstanding at December 2016**	**Translation adjustment**	**Net interest expense/ paid**	**Draw-downs**	**Currency swap amortisation [1/]**	**Repayments**	**Outstanding at December 2017**
United States Dollars	**$343,403**	**$-**	**-**	**$28,804**	**$-**	**$(4,432)**	**$367,775**
Swiss Francs	**142,352**	**6,305**	**-**	**-**	**-**	**-**	**148,657**
Japanese Yen	**167,193**	**6,453**	**-**	**-**	**(968)**	**-**	**172,678**
Sub-total	**652,948**	**12,758**	**-**	**28,804**	**(968)**	**(4,432)**	**689,110**
Amortised borrowing costs	**(2,467)**	**(28)**	**-**	**254**	**-**	**-**	**(2,241)**
Accrued interest	**4,049**	**-**	**(631)**	**-**	**-**	**-**	**4,680**
Total – December 31	**$654,530**	**$12,730**	**$(631)**	**$29,058**	**$(968)**	**$(4,432)**	**$691,549**

	2016						
Currencies Repayable	**Outstanding at December 2015**	**Translation adjustment**	**Net interest expense /paid**	**Draw-downs**	**Currency swap amortisation**	**Repayments**	**Outstanding at December 2016**
United States Dollars	$339,364	$-	$-	$68,472	$-	$(64,433)	$343,403
Swiss Francs	-	(8,989)	-	151,341	-	-	$142,352
Japanese Yen	163,597	4,564	-	-	(968)	-	167,193
Sub-total	**502,961**	**(4,425)**	**-**	**219,813**	**(968)**	**(64,433)**	**652,948**
Amortised borrowing costs	(1,759)	44	-	(901)	149	-	(2,467)
Accrued interest	1,550	-	2,499	-	-	-	4,049
Total – December 31	**$502,752**	**$(4,381)**	**$2,499**	**$218,912**	**$(819)**	**$(64,433)**	**$654,530**

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

	2017	**2016**
Current	**$9,112**	$7,453
Non-current	**682,437**	647,077
	$691,549	**$654,530**

[1/]Unwinding of terminated fair value hedge.

NOTE 21 – BORROWINGS*…continued*

On May 9, 2017 Standard & Poor's raised its long-term issuer credit rating to 'AA+' from 'AA' and reaffirmed its 'A-1+' short-term credit rating, both with a Stable outlook.

On April 28, 2017 Moody's Investors Service reaffirmed the Bank's long term issuer rating at 'Aa1' and maintained the Stable outlook.

On May 16, 2017 Fitch Ratings Limited assigned to the Bank a Long Term Issuer Default rating of 'AA+' with a Stable Outlook and a short-term Issuer Default rating of 'F1'.

NOTE 22 – 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 22 – EQUITY...*continued*

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

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

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

	2017	2016
Authorised capital: 312,971 shares (2016: 312,971) shares		
Subscribed capital: 279,399 shares (2016: 279,399) shares	**$1,763,656**	$1,763,656
Less callable capital: 218,050 shares (2016: 218,050) shares	**(1,375,135)**	(1,375,135)
Paid-up capital: 61,349 shares (2016: 61,349) shares	**$388,521**	$388,521
Less: Subscriptions not yet matured	**(4,632)**	(6,941)
	$383,889	**$381,580**

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

NOTE 22 – EQUITY*…continued*

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

	2017 No. of shares	2016 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:

		2017	2016
Balance at January 1		**$381,580**	**$343,324**
Regional States and Territories			
Subscriptions maturing during the year		**2,649**	25,307
Non-Regional States and Territories			
Subscriptions maturing during the year		**-**	13,107
		2,649	38,414
Sub Total		**384,229**	381,738
Less: Prepayment discounts	**22(d)**	**(340)**	(158)
Balance at December 31		**$383,889**	**$381,580**

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 22 – EQUITY...*continued*

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

2017

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	Receivable from members non-negotiable demand notes
Regional States and Territories:									
Jamaica	48,354	17.31	$291,659	$227,614	$64,045	$64,045	48,504	17.41	$13,028
Trinidad and Tobago	48,354	17.31	291,659	227,614	64,045	64,045	48,504	17.41	10,714
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	3,140
Colombia	7,795	2.79	47,017	36,691	10,326	10,326	7,945	2.81	627
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	5,061	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	
St. Vincent and the Grenadines	2,148	0.77	12,956	10,109	2,847	2,847	2,298	0.81	97
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			14
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	2,472	3,268	1.15	-
	180,627	64.65	1,089,494	850,273	239,221	237,131	183,477	64.83	37,729

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 23 – EQUITY…*continued*

	2017								
							Voting Power		
Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions Matured	No. of votes	% of total votes	Receivable from members non-negotiable demand notes
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	2,150
Italy	15,588	5.58	94,023	73,376	20,647	20,647	15,738	5.56	659
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	130,822	99,522	35.17	8,359
Sub-total	279,399	100.0	1,685,261	1,315,217	370,044	367,953	282,999	100.0	46,088
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	1,431			
Venezuela			1,810	905	905	905			
Haiti			2,639	2,060	579	579			
Suriname			12,564	9,814	2,750	1,870			
Brazil			9,403	7,343	2,060	741			
Sub-total	-	-	78,395	59,918	18,477	16,277	-	-	-
Prepayment discount						(340)			
Total - December 31	279,399	100.0	$1,763,656	$1,375,135	$388,521	$383,889	282,999	100.0	$46,088

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

NOTE 23 – EQUITY...*continued*

2016

							Voting Power		
Member	**No. of Shares**	**% of Total**	**Total subscribed capital**	**Callable capital**	**Paid-up capital**	**Subscriptions Matured**	**No. of votes**	**% of total votes**	**Receivable from members non-negotiable demand notes**
Regional States and Territories:									
Jamaica	48,354	17.31	$291,659	$227,614	$64,045	$64,045	48,504	17.14	$12,800
Trinidad and Tobago	48,354	17.31	291,659	227,614	64,045	64,045	48,504	17.14	10,636
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	13,795	10,567	3.73	3,120
Colombia	7,795	2.79	47,017	36,691	10,326	10,326	7,945	2.81	627
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	19,627	5,501	3,740	4,316	1.55	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	97
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			15
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	0.82	-
Brazil	3,118	1.12	18,807	14,687	4,120	1,483	3,268	1.15	-
	180,627	64.64	1,089,494	850,273	239,221	234,821	183,477	64.84	37,403

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

NOTE 23 – EQUITY...*continued*

	2016									
							Voting Power		
Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions Matured	No. of votes	% of total votes	Receivable from members non-negotiable demand notes
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	2,150
Italy	15,588	5.58	94,023	73,376	20,647	20,647	15,738	5.56	580
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	35.36	595,767	464,944	130,823	130,823	99,522	35.16	8,279
Sub-total	**279,399**	**100.0**	**1,685,261**	**1,315,217**	**370,044**	**365,644**	**282,999**	**100.0**	**45,682**
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	1,431			
Venezuela			1,810	905	905	905			
Haiti			2,639	2,060	579	579			
Suriname			12,564	9,814	2,750	1,870			
Brazil			9,403	7,343	2,060	741			
Sub-total	**-**	**-**	**78,395**	**59,918**	**18,477**	**16,277**	**-**	**-**	**-**
Prepayment discount	**-**	**-**	**-**	**-**	**-**	**(340)**	**-**	**-**	**-**
Total - December 31	**279,399**	**100.0**	**$1,763,656**	**$1,375,135**	**$388,521**	**$381,580**	**282,999**	**100.0**	**$45,682**

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

NOTE 22 – 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 $340 (2016: $158).

(e) Retained earnings and reserves

Retained earnings and reserves is comprised of:

	2017	**2016**
Retained earnings	**$514,641**	$517,875
Post-employment obligation reserve	**(12,040)**	(16,213)
Other reserves	**13,260**	13,260
	$515,861	**$514,922**

(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 (2016: $6,254).

General banking reserve
The General banking reserve has been deemed a reserve for asset impairments. During the year no reserves (2016: Nil) were transferred to retained earnings. As at December 31, 2017, the amount of the general banking reserve was $7,006 (2016: $7,006).

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

NOTE 22 – EQUITY...*continued*

(f) Other reserves...*continued*

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).

	2017	2016
Cumulative experience losses	**$(12,040)**	$(16,213)
	$(12,040)	**$(16,213)**

NOTE 23 – 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.

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

(a) Interest and similar income

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

	2017	2016
Interest income	**$34,411**	$28,777
Other fees and charges	**3,665**	3,350
Income from loans and receivables	**$38,076**	$32,127
Bonds	**$4,931**	$3,109
US Treasuries	**46**	6
Time deposits	**706**	540
Cash	**89**	-
Cash collateral balance	**52**	-
Management fees	**(43)**	-
Interest and similar income	**$43,857**	**$35,782**

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

NOTE 23 – INTEREST INCOME/EXPENSE AND SIMILAR INCOME/CHARGES…*continued*

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

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

	2017	2016
Financial liabilities carried at amortised cost (borrowings)		
Gross interest expense	**$20,621**	$20,235
Other finance charges	**548**	527
Borrowings	**21,169**	20,762
Financial assets at fair value through profit and loss (derivatives)		
Interest income from derivative financial instruments	**(18,949)**	$(18,753)
Interest expense from derivative financial instruments	**16,624**	11,768
Net interest income from derivatives	**(2,329)**	(6,985)
Interest expense and similar charges	**$18,849**	**$13,777**

NOTE 24 – 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 and unrealised 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.

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

NOTE 25 – OPERATING EXPENSE...*continued*

Operating expenses are broken down as follows:

	2017	2016
Realised and unrealised fair value losses/(gains)	**$368**	$2,757
Foreign exchange translation	**111**	(183)
Administrative expenses:		
Employee related	**13,185**	$9,304
Restructuring costs	**160**	(241)
Professional fees and consultancies	**775**	795
Travel	**782**	831
Depreciation	**676**	535
Other expenses	**385**	371
Utilities and maintenance	**352**	390
Training and seminars	**172**	207
Supplies and printing	**78**	79
Board of Governors and Directors	**282**	257
Computer services	**555**	504
Communications	**279**	265
Bank charges	**80**	113
Insurance	**35**	31
	$18,275	**$16,015**

Employee costs charged to the OCR were as follows:

	2017	2016
Salaries and allowances	**$6,940**	$6,363
Restructuring costs	**160**	(241)
Pension costs – hybrid scheme[1/]	**870**	163
Pension costs – defined benefit plan[1/]	**4,474**	1,962
Medical costs	**264**	292
Other benefits	**637**	525
	$13,345	**$9,064**

[1/]This represents the allocation of the net pension costs to the OCR. The full pension expense for the hybrid scheme amounted to $1,971 (2016: $401), for the defined benefit new pension plan it amounted to $10,140 (2016: $4,367) and for the medical plan it was $598 (2016: $334).

(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 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 $(11,060) (2016: $(14,278)) included in the statement of comprehensive income is derived as a result of the revaluation of the derivative financial instruments comprising cross currency interest rate swaps and interest rate swaps and the foreign exchange effect thereon.

NOTE 27 – RELATED PARTY TRANSACTIONS

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

	2017	2016
Balance at January 1	**$4,472**	$8,759
Advances	**18,378**	25,136
Allocation of administrative expenses	**22,537**	18,064
Repayments	**(36,272)**	(47,487)
Inter-fund receivable December 31	**$9,115**	**$4,472**

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.

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

NOTE 27 – RELATED PARTY TRANSACTIONS*…continued*

The composition of the balances as at December 31, 2017 and 2016 was as follows:

Included in "Receivables and prepaid assets":

	2017	2016
Due from SDF	**$7,541**	$3,840
Due from OSF	**$1,574**	$792
Due from/ (to) Pension schemes	**$61**	$(101)
Due to Others	**$(61)**	$(59)
	$9,115	**$4,472**

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

	2017	2016
Salaries and allowances	**$1,913**	$1,934
Post-employment benefits	**583**	993
	$2,496	**$2,927**

(c) Interest subsidy fund

In 2008, the interest subsidy fund was established by the Board of Directors of the Bank to subsidize part of the interest payments for which certain borrowers are liable on loans from the OCR. During the reporting period, $436 (2016: $479) 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.

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

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

NOTE 28 – COMMITMENTS AND GUARANTEES…*continued*

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 11 – Loans outstanding*) and OCR commitments to the operations of the SDF(U) (Refer to Note 6: *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.

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 6th, 2018 Fitch Ratings affirmed the Bank's Long Term Issuer Default Rating (IDR) at 'AA+' with a Stable Outlook and Short-Term IDR at 'F1'.

Subsequent to the reporting date the credit rating of one BMCs was downgraded. [To be Updated in March for Upgrades & Downgrades]

Caribbean Development Bank
Special Funds Resources – Special Development Fund

Financial Statements

For the year ended December 31, 2017
(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, 2017, 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, 2017 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, 2017

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

	2017			2016		
	Unified	**Other**	**Total**	Unified	Other	Total
Assets						
Cash and cash equivalents – Note 3	**$9,006**	**$1,864**	**$10,870**	$38,840	$3,371	$42,211
Debt securities at fair value through profit or loss (Schedule 1)	**320,440**	**40,536**	**360,976**	280,937	51,711	332,648
Loans outstanding (Schedule 2)	**543,030**	**13,361**	**556,391**	543,145	14,560	557,705
Receivables						
Accounts receivable	**846**	**-**	**846**	-	-	-
	873,322	**55,761**	**929,083**	862,922	69,642	932,564
Receivable from contributors						
Non-negotiable demand notes (Schedule 3)	**74,601**	**-**	**74,601**	67,100	-	67,100
Contribution in arrears	**4,404**	**-**	**4,404**	5,485	-	5,485
	79,005	**-**	**79,005**	72,585	-	72,585
Total assets	**$952,327**	**$55,761**	**$1,008,088**	$935,507	$69,642	$1,005,149
Liabilities and Funds						
Liabilities						
Accounts payable – Note 9	**$41,534**	**$1,464**	**$42,998**	$38,162	$1,118	$39,280
Subscriptions in advance	**9,636**	**-**	**9,636**	-	-	-
	51,170	**1,464**	**52,634**	38,162	1,118	39,280

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, 2017

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

	2017			2016		
	Unified	**Other**	**Total**	Unified	Other	Total
Funds – Note 5						
Contributed resources (Schedule 3)						
Contributions	**$1,306,327**	**$30,995**	**$1,337,322**	$1,167,876	$40,695	$1,208,571
Less amounts not yet made available	**(105,084)**	**-**	**(105,084)**	-	-	-
Amounts made available	**1,201,243**	**30,995**	**1,232,238**	1,167,876	40,695	1,208,571
Allocation to technical assistance and grant resources	**(485,350)**	**(2,285)**	**(487,635)**	(455,600)	(2,285)	(457,885)
	715,893	**28,710**	**744,603**	712,276	38,410	750,686
Accumulated net income (Schedule 4)	**46,859**	**24,662**	**71,521**	51,477	29,189	80,666
Technical assistance and grant resources – Note 7	**138,405**	**925**	**139,330**	133,592	925	134,517
	901,157	**54,297**	**955,454**	$897,345	$68,524	$965,869
Total liabilities and funds	**$952,327**	**$55,761**	**$1,008,088**	$935,507	$69,642	$1,005,149

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF COMPREHENSIVE INCOME AND ACCUMULATED NET INCOME
For the year ended December 31, 2017

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

	2017			2016		
	Unified	**Other**	**Total**	Unified	Other	Total
Interest and similar income						
Loans	**$12,302**	**$321**	**$12,623**	$12,361	$349	$12,710
Investments and cash balances	**4,387**	**585**	**4,972**	2,281	496	2,777
	16,689	**906**	**17,595**	14,642	845	15,487
Expenses						
Administrative expenses	**20,142**	**1,246**	**21,388**	15,895	1,025	16,920
Foreign exchange translation	**1,165**	**187**	**1,352**	(217)	(52)	(269)
	21,307	**1,433**	**22,470**	15,678	973	16,651
Total comprehensive loss for the year	**$(4,618)**	**$(527)**	**$(5,145)**	$(1,036)	$(128)	$(1,164)

Accumulated net income						
Accumulated net income – beginning of year	**$51,477**	**$29,189**	**$80,666**	$52,513	$30,351	$82,864
Appropriations for technical assistance	**-**	**(4,000)**	**(4,000)**	-	(1,034)	(1,034)
Total comprehensive loss for the year	**(4,618)**	**(527)**	**(5,145)**	(1,036)	(128)	(1,164)
Accumulated net income – end of year	**$46,859**	**$24,662**	**$71,521**	$51,477	$29,189	$80,666

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (UNIFIED)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2017

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

		2017	2016
Operating activities			
Total comprehensive loss for the year		**$(4,618)**	$(1,036)
Adjustments for non-cash items			
Unrealised loss on debt securities at fair value through profit or loss	735		1,594
Interest income	(17,327)		(16,193)
Unrealised net foreign exchange gain	1,872		(1,209)
Total cash flows used in operating activities before changes in operating assets and liabilities		**(19,338)**	(16,844)
Changes in operating assets and liabilities			
Decrease in accounts receivable	(846)		1
Increase/ (decrease) in accounts payable	3,372		(22,213)
Cash used in operating activities		**(16,812)**	(39,056)
Disbursements on loans		**(30,045)**	(28,187)
Principal repayments to the Bank on loans		**30,136**	28,547
Interest received		**16,956**	15,837
Net increase in debt securities at fair value through profit or loss		**(39,843)**	(19,789)
Technical assistance disbursements		**(14,937)**	(12,962)
Net cash used in operating activities		**(54,545)**	(55,610)
Financing activities			
Increase in contributions to be on-lent to BMCs	1,745		24,037
(Increase)/ decrease in receivables from contributors	(6,420)		12,715
Increase/ (decrease)in subscriptions in advance	9,636		(2,350)
Technical assistance allocation	19,750		28,500
Net cash provided by financing activities		**24,711**	62,902
Net (decrease)/increase in cash and cash equivalents		**(29,834)**	7,292
Cash and cash equivalents - beginning of year		**38,840**	31,548
Cash and cash equivalents - end of year		**$9,006**	$38,840

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

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

STATEMENT OF CASH FLOWS…*continued*
For the year ended December 31, 2017

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

		2017	2016
Operating activities			
Total comprehensive loss for the year		$(527)	$(128)
Adjustments for non-cash items			
Unrealised loss on debt securities at fair value through profit or loss	174		86
Interest income	(1,067)		(924)
Unrealised net foreign exchange loss/ (gain)	300		(210)
Total cash flows used in operating activities before changes in operating assets and liabilities		(1,120)	(1,176)
Changes in operating assets and liabilities			
Increase/ (decrease) in accounts payable		346	(380)
Cash used in operating activities		(774)	(1,556)
Principal repayments to the Bank on loans		1,192	1,191
Interest received		1,108	903
Net increase/(decrease) in debt securities at fair value through profit or loss		10,967	(8,262)
Net cash provided/(used in) by operating activities		12,493	(7,724)
Financing activities:			
Appropriations of contributions	(10,000)		
Appropriations of accumulated net income	(4,000)		(1,034)
Net cash used in financing activities		(14,000)	(1,034)
Net decrease in cash and cash equivalents		(1,507)	(8,758)
Cash and cash equivalents – beginning of year		3,371	12,129
Cash and cash equivalents - end of year		$1,864	$3,371

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUND RESOURCES – SPECIAL DEVELOPMENT FUND
SUMMARY STATEMENT OF INVESTMENTS
As of December 31, 2017

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

SCHEDULE 1

Debt securities at fair value through profit or loss – Note 4	2017 Market value			2016 Market value		
	Unified	**Other**	**Total**	Unified	Other	Total
Government and Agency Obligations	**$199,060**	**$21,897**	**$220,957**	$171,974	$31,749	$203,723
Supranationals	**114,197**	**18,508**	**132,705**	85,520	14,589	100,109
Time Deposits	**-**	**-**	**-**	22,341	5,206	27,547
Corporate Bonds	**5,693**	**-**	**5,693**	-	-	-
Sub-total	**318,950**	**40,405**	**359,355**	279,835	51,544	331,379
Accrued interest	**1,490**	**131**	**1,621**	1,102	167	1,269
Total – December 31	**$320,440**	**$40,536**	**$360,976**	$280,937	$51,711	$332,648

Residual term to contractual maturity

	2017	**2016**
One month to three months	**$25,785**	$37,775
Over three months to one year	**50,751**	21,748
From one year to five years	**260,126**	228,959
From five years to ten years	**24,314**	44,166
Total – December 31	**$360,976**	$332,648

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (UNIFIED)
SUMMARY STATEMENT OF LOANS
As of December 31, 2017

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

SCHEDULE 2

	2017			
Member countries in which loans have been made	Loans approved but not yet effective	Undisbursed	Outstanding[1/]	% of Total Loans Outstanding
Anguilla	$425	$-	$1,967	0.4
Antigua and Barbuda	750	4,913	1,478	0.3
Bahamas	750	-	474	0.1
Barbados	-	-	156	0.0
Belize	596	32,414	46,380	8.6
British Virgin Islands	2,250	5,277	1,037	0.2
Dominica	-	47,627	52,253	9.7
Grenada	5,000	22,292	76,868	14.2
Guyana	11,700	22,506	117,648	21.8
Jamaica	-	5,402	111,798	20.7
Montserrat	-	374	3,889	0.7
St. Kitts and Nevis	-	7,999	39,111	7.2
St. Lucia	8,000	30,784	49,142	9.1
St. Vincent and the Grenadines	-	35,056	30,476	5.6
Suriname	-	10,285	427	0.1
Trinidad and Tobago	1,000	-	-	0.0
Turks and Caicos Islands	-	-	1,165	0.2
Regional	-	3,498	5,728	1.1
Sub-total	30,471	228,428	539,995	100.0
Accrued interest	-	-	3,035	
Total – December 31	$30,471	$228,428	$543,030	

1/ There are no overdue installments of principal (2015 - nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (UNIFIED)
SUMMARY STATEMENT OF LOANS…*continued*
As of December 31, 2017

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

SCHEDULE 2

	2016			
Member countries in which loans have been made	**Loans approved but not yet effective**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Anguilla	$425	$-	$2,211	0.4
Antigua and Barbuda	-	-	1,743	0.3
Bahamas	750	-	557	0.1
Barbados	-	-	219	0.0
Belize	9,346	26,995	44,881	8.3
British Virgin Islands	-	277	1,143	0.2
Dominica	3,012	44,600	54,045	10.0
Grenada	500	23,248	79,606	14.8
Guyana	11,700	38,177	113,466	21.0
Jamaica	-	9,620	115,364	21.4
Montserrat	-	1,257	3,191	0.6
St. Kitts and Nevis	-	8,048	42,272	7.8
St. Lucia	14,925	29,329	46,959	8.7
St. Vincent and the Grenadines	-	38,852	28,968	5.4
Suriname	7,342	3,364	6	0.0
Trinidad and Tobago	1,000	-	-	0.0
Turks and Caicos Islands	-	-	2,427	0.4
Regional	-	6,375	3,028	0.6
Sub-total	**49,000**	**230,142**	**540,086**	**100.0**
Accrued interest	-	-	3,059	
Total – December 31	**$49,000**	**$230,142**	**$543,145**	

1/ There are no overdue installments of principal (2014 - nil).

.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (OTHER)
SUMMARY STATEMENT OF LOANS…*continued*
As of December 31, 2017
(expressed in thousands of United States dollars, unless otherwise stated)

SCHEDULE 2

2017

Member countries in which loans have been made	Outstanding[1/]	% of Total Loans Outstanding
Antigua and Barbuda	**325**	**2.4**
Belize	**5,284**	**39.8**
Dominica	**1,547**	**11.6**
Grenada	**132**	**1.0**
Jamaica	**948**	**7.1**
St. Kitts and Nevis	**3,845**	**28.9**
St. Lucia	**314**	**2.4**
St. Vincent and the Grenadines	**889**	**6.7**
Sub-total	**13,284**	**100.0**
Accrued interest	**77**	
Total	**$13,361**	

1/ There were no overdue installments of principal (2015 - nil). There were also no amounts undisbursed at December 31, 2016.

2016

Member countries in which loans have been made	Outstanding[1/]	% of Total Loans Outstanding
Antigua and Barbuda	$353	2.4
Belize	5,758	39.8
Dominica	1,654	11.4
Grenada	141	1.0
Jamaica	1,098	7.6
St. Kitts and Nevis	4,154	28.7
St. Lucia	357	2.5
St. Vincent and the Grenadines	961	6.6
Sub-total	**$14,476**	**100.0**
Accrued interest	84	
Total	**$14,560**	

1/ There were no overdue installments of principal (2014 - nil). There were also no amounts undisbursed at December 31, 2015.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
SUMMARY STATEMENT OF LOANS...*continued*
As of December 31, 2017

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

SCHEDULE 2

Analysis by Contributor	2017 Loans approved but not yet effective	Undisbursed	Out-standing[1/]	% of total loans outstanding
Special Development Fund (Unified)				
Members/Contributors	$1,203,404	$228,428	$539,995	100.0
Accrued interest	-	-	3,035	
Total - Special Development Fund (Unified)	1,203,404	228,428	543,030	
Special Development Fund (Other)				
Members				
Colombia	8,534	-	60	0.4
Germany	17,364	-	102	0.8
Mexico	8,815	-	1,468	11.1
Venezuela	52,206	-	11,627	87.7
	86,919	-	13,257	100.0
Other contributors				
Sweden	4,505	-	26	100.0
United States of America	34,633	-	-	
Sub-total – SDF (Other)	39,138	-	26	100.0
Accrued interest	-	-	77	
Total – Special Development Fund (Other)	126,056	-	13,361	
Total Special Development Fund	$1,329,460	$228,428	$556,391	

1/There were no overdue installments of principal (2015- nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
SUMMARY STATEMENT OF LOANS…*continued*
As of December 31, 2017

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

SCHEDULE 2

Analysis by Contributor	2016 Loans approved but not yet effective	Undisbursed	Out-standing[1/]	% of total loans outstanding
Special Development Fund (Unified)				
Members/Contributors	$49,000	$230,142	$540,086	100.0
Accrued interest	-	-	3,059	
Total - Special Development Fund (Unified)	**49,000**	**230,142**	**543,145**	
Special Development Fund (Other)				
Members				
Colombia	-	-	79	0.5
Germany	-	-	108	0.7
Mexico	-	-	1,599	11.0
Venezuela	-	-	12,662	87.6
	-	-	14,448	
Other contributors				
Sweden	-	-	28	0.2
	-	-	28	100.0
Sub-total – SDF (Other)	**-**	**-**	**14,476**	
Accrued interest	-	-	84	
Total – Special Development Fund (Other)	**$-**	**$-**	**$14,560**	
Total Special Development Fund	**$49,000**	**$230,142**	**$557,705**	

1/There were no overdue installments of principal (2014- nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
SUMMARY STATEMENT OF LOANS…*continued*
As of December 31, 2017

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

SCHEDULE 2

	2017					
Currencies Receivable	**Loans outstanding 2016**	**Net interest earned**	**Disbursements**	**Sub-total**	**Repayments**	**Loans outstanding 2017**
(a) Special Development Fund (Unified)						
United States dollars	**$540,086**	**$-**	**$30,045**	**$570,131**	**$(30,136)**	**$539,995**
Accrued interest	**3,059**	**(24)**	**-**	**3,035**	**-**	**3,035**
Total – December 31	**$543,145**	**$(24)**	**$30,045**	**$573,166**	**$(30,136)**	**$543,030**
(b) Special Development Fund (Other)						
United States dollars	**$14,476**	**$-**	**$-**	**$14,476**	**$(1,192)**	**$13,284**
Accrued interest[1]	**84**	**(7)**	**-**	**77**	**-**	**77**
Total – December 31	**$14,560**	**$(7)**	**$-**	**$14,553**	**$(1,192)**	**$13,361**

Maturity structure of loans outstanding

January 1, 2018 to December 31, 2018	**$33,818**
January 1, 2019 to December 31, 2019	**30,956**
January 1, 2020 to December 31, 2020	**31,829**
January 1, 2021 to December 31, 2021	**33,049**
January 1, 2022 to December 31, 2022	**32,713**
January 1, 2023 to December 31, 2027	**157,339**
January 1, 2028 to December 31, 2032	**128,951**
January 1, 2033 to December 31, 2037	**73,043**
January 1, 2038 to December 31, 2042	**32,099**
January 1, 2043 to December 31, 2046	**2,594**
Total – December 31	**$556,391**

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, 2017

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

SCHEDULE 2

	2016					
Currencies Receivable	**Loans out-standing 2015**	**Net interest earned**	**Disburse-ments**	**Sub-total**	**Repay-ments**	**Loans out-standing 2016**
(a) Special Development Fund (Unified)						
United States dollars	$540,446	$-	$28,187	$568,633	$(28,547)	$540,086
Accrued interest	2,981	78	-	3,059	-	3,059
Total – December 31	**$543,427**	**$78**	**$28,187**	**$571,692**	**$(28,547)**	**$543,145**
(b) Special Development Fund (Other)						
United States dollars	$15,667	$-	$-	$15,667	$(1,191)	$14,476
Accrued interest[1]	89	(5)	-	84	-	84
Total – December 31	**$15,756**	**$(5)**	**$-**	**$15,751**	**$(1,191)**	**$14,560**

Maturity structure of loans outstanding	
January 1, 2016 to December 31, 2016	$31,682
January 1, 2017 to December 31, 2017	30,072
January 1, 2018 to December 31, 2018	30,082
January 1, 2019 to December 31, 2019	30,085
January 1, 2020 to December 31, 2020	31,714
January 1, 2021 to December 31, 2025	150,470
January 1, 2026 to December 31, 2030	131,337
January 1, 2031 to December 31, 2035	81,475
January 1, 2036 to December 31, 2040	38,212
January 1, 2041 to December 31, 2045	4,054
Total – December 31	**$559,183**

1/Relates to amounts disbursed and outstanding

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
STATEMENT OF CONTRIBUTED RESOURCES
As of December 31, 2017

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

SCHEDULE 3

	2017				
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	$45,935	$7,784
Bahamas	31,855	6,170	25,685	25,685	12,595
Barbados	31,851	6,170	25,681	25,681	2,832
Brazil	5,000	-	5,000	5,000	-
Jamaica	54,834	-	54,834	45,833	15,719
Guyana	31,856	-	31,856	27,229	6,825
Antigua and Barbuda	3,553	664	2,889	2,889	777
Belize	8,088	1,513	6,575	6,575	1,903
Dominica	7,828	1,513	6,315	6,315	3,282
St. Kitts and Nevis	8,088	2,954	5,134	5,134	2,494
St. Lucia	8,088	-	8,088	6,953	2,865
St. Vincent and the Grenadines	8,101	1,513	6,588	6,588	2,835
Grenada	5,490	-	5,490	4,355	3,269
Montserrat	3,341	664	2,677	2,677	-
British Virgin Islands	3,341	664	2,677	2,677	-
Turks and Caicos Islands	3,341	664	2,677	2,668	-
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	31,533	-
Venezuela	29,006	7,024	21,982	21,982	-
Canada	374,703	-	374,703	335,896	-
United Kingdom	279,453	-	279,453	266,027	6,082
Germany	110,309	-	110,309	100,108	3,688
Italy	68,528	-	65,528	66,359	-
China	54,573	-	54,573	49,874	-
Haiti	3,497	1,937	1,560	1,560	-
Suriname	8,330	-	8,330	2,160	1,080
Mexico	24,024	7,024	17,000	17,000	-
	1,264,831	41,670	1,223,161	1,118,077	74,601
Other contributors					
France	58,254	-	58,254	58,254	-
Chile	10	-	10	10	-
Netherlands	24,902	-	24,902	24,902	-
	1,347,997	41,670	1,306,327	1,201,243	74,601
Technical assistance allocation	(485,350)	-	(485,350)	(485,350)	-
	$862,647	$41,670	$820,977	$715,893	$74,601

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
STATEMENT OF CONTRIBUTED RESOURCES…*continued*
As of December 31, 2017

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

SCHEDULE 3

	2017				
Contributors	**Total approved [1/]**	**Approved but not yet effective [2/]**	**Total contribution agreed**	**Amounts made available [4/]**	**Receivable from members non-negotiable demand notes**
Sub-total b/fwd – SDF - Unified	**$862,647**	**$41,670**	**$820,977**	**$715,893**	**$74,601**
Special Development Fund – Other					
Members					
Colombia	**5,000**	**-**	**5,000**	**5,000**	**-**
Mexico [3/]	**13,067**	**-**	**13,067**	**13,067**	**-**
Venezuela	**17,473**	**-**	**17,473**	**17,473**	**-**
	35,540	**-**	**35,540**	**35,540**	**-**
Other contributors					
Sweden	**3,170**	**-**	**3,170**	**3,170**	**-**
					-
Sub-total – SDF - Other	**38,710**	**-**	**28,710**	**28,710**	
Technical Assistance Allocation	**(10,000)**	**-**	**(10,000)**	**(10,000)**	**-**
	28,710	**-**	**28,710**	**28,710**	**-**
Total SDF	**$891,357**	**$-**	**$849,687**	**$744,603**	**$74,601**
Summary					
Members	**$829,923**	**$41,670**	**$788,253**	**$631,169**	**$74,601**
Other contributors	**61,434**	**-**	**61,434**	**61,434**	**-**
Total SDF	**$891,357**	**$41,670**	**$849,687**	**$744,603**	**$74,601**

1/Net of repayments

2/Contributions not yet firmly pledged by Governments

3/ Net of appropriation for Technical Assistance of $2,266,000

4/ There were no amounts not yet made available

STATEMENT OF CONTRIBUTED RESOURCES…*continued*
As of December 31, 2017

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

2016

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	$45,935	$-	$45,935	$45,935	$7,783
Bahamas	25,685	-	25,685	25,685	12,595
Barbados	25,681	-	25,681	25,681	2,832
Brazil	5,000	-	5,000	5,000	-
Jamaica	43,755	-	43,755	43,755	15,551
Guyana	25,686	-	25,686	25,686	2,124
Antigua and Barbuda	2,889	-	2,889	2,889	777
Belize	6,575	-	6,575	6,575	2,252
Dominica	6,315	-	6,315	6,315	3,281
St. Kitts and Nevis	6,575	1,441	5,134	5,134	2,494
St. Lucia	6,575	-	6,575	6,575	2,487
St. Vincent and the Grenadines	6,588	-	6,588	6,588	1,754
Grenada	3,977	-	3,977	3,977	2,891
Montserrat	2,677	-	2,677	2,677	-
British Virgin Islands	2,677	-	2,677	2,677	-
Turks and Caicos Islands	2,677	632	2,045	2,045	-
Cayman Islands	2,577	1,237	1,340	1,340	-
Anguilla	2,677	632	2,045	2,045	571
Colombia	30,657	-	30,657	30,657	-
Venezuela	25,506	3,524	21,982	21,982	-
Canada	321,844	-	321,844	321,844	-
United Kingdom	259,682	-	259,682	259,682	8,628
Germany	96,420	-	96,420	96,420	-
Italy	64,528	-	64,528	64,528	-
China	48,298	-	48,298	48,298	-
Haiti	2,505	945	1,560	1,560	-
Suriname	2,160	-	2,160	2,160	1,080
Mexico	20,524	3,524	17,000	17,000	-
	$1,096,645	$11,935	$1,084,710	$1,084,710	$67,100
Other contributors					
France	$58,254	$-	$58,254	$58,254	$-
Chile	10	-	10	10	-
Netherlands	24,902	-	24,902	24,902	-
	$1,179,811	$11,935	$1,167,876	$1,167,876	$67,100
Technical assistance allocation	(455,600)	-	(455,600)	(455,600)	-
	$724,211	$11,935	$712,276	$712,276	$67,100

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
STATEMENT OF CONTRIBUTED RESOURCES…*continued*
As of December 31, 2017
(expressed in thousands of United States dollars, unless otherwise stated)

SCHEDULE 3

Contributors	Total approved 1/	Approved but not yet effective 2/	Total contribution agreed	Amounts made available 4/	Receivable from members non-negotiable demand notes
Sub-total b/fwd – SDF - Unified	$724,211	$11,935	$712,276	$712,276	$67,100
Special Development Fund – Other					
Members					
Colombia	5,000	-	5,000	5,000	-
Mexico 3/	13,067	-	13,067	13,067	-
Venezuela	17,473	-	17,473	17,473	-
	35,540	-	35,540	35,540	-
Other contributors					
Sweden	2,870	-	2,870	2,870	-
Sub-total – SDF - Other	38,410	-	38,410	38,410	-
Total SDF	**$762,621**	**$11,935**	**$750,686**	**$750,686**	**$67,100**
Summary					
Members	$701,487	$11,935	$689,552	$689,552	$67,100
Other contributors	61,134	-	61,134	61,134	-
Total SDF	**$762,621**	**$11,935**	**$750,686**	**$750,686**	**$67,100**

1/Net of repayments

2/Contributions not yet firmly pledged by Governments

3/ Net of appropriation for Technical Assistance of $2,266,000

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES...*continued*
As of December 31, 2017

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

SCHEDULE 3

	2017					
Currencies	Amounts made available 2016	Trans-lation adjust-ment	Drawdowns/ appro-priations from capital 1/	Sub-total	Repay-ments	Amounts made available 2017
(a) Special Development Fund (Unified)						
China Renminbi	$-	$-	$1,576	$1,576	$-	$1,576
Euros	7,510	1,037	4,482	13,029	-	13,029
Pounds sterling	8,626	835	(3,379)	6,082	-	6,082
United States dollar	696,140	-	(934)	695,206	-	695,206
	$712,276	$1,872	$1,745	$715,893	$-	$715,893
(b) Special Development Fund (Other)						
Swedish kroners	$2,870	$300	$-	$3,170	$-	$3,170
United States dollars	35,540	-	(10,000)	$25,540	$-	$25,540
	$38,410	$300	$(10,000)	$28,710	$-	$28,710

1/Net of conversations to United States dollars in accordance with the funding Rules of the Unified Special Development Fund.

STATEMENT OF CONTRIBUTED RESOURCES…*continued*
As of December 31, 2017

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

SCHEDULE 3

2016

Currencies	Amounts made available 2015	Translation adjustment	Drawdowns/ appropriations from capital 1/	Sub-total	Repayments	Amounts made available 2016
(a) Special Development Fund (Unified)						
Euros	$6,150	$(357)	$1,717	$7,510	$-	$7,510
Pounds sterling	14,819	(852)	(5,341)	8,626	-	8,626
United States dollar	668,479	-	27,661	696,140	-	696,140
	$689,448	**$(1,209)**	**$24,037**	**$712,276**	**$-**	**$712,276**
(b) Special Development Fund (Other)						
Swedish kroners	$3,080	$(210)	$-	$2,870	$-	$2,870
United States dollars	35,540	-	-	35,540	-	35,540
	$38,620	**$(210)**	**$-**	**$38,410**	**$-**	**$38,410**

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
STATEMENT OF ACCUMULATED NET INCOME
For the year ended December 31, 2017

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

SCHEDULE 4

2017				
Contributors	**Brought forward 2016**	**Net income 2017**	**Appro-priations**	**Carried forward 2017**
Special Development Fund (Unified)	**$51,477**	**$(4,618)**	**$-**	**$47,621**
Special Development Fund (Other)				
Members				
Colombia	**1,883**	**(92)**	**-**	**1,791**
Germany	**(1,347)**	**(152)**	**-**	**(1,499)**
Mexico	**7,203**	**70**	**(4,000)**	**3,273**
Venezuela	**7,804**	**(112)**	**-**	**7,692**
	15,543	**(286)**	**(4,000)**	**11,257**
Other contributors				
Sweden	**2,187**	**(349)**	**-**	**1,838**
United States of America	**11,459**	**108**	**-**	**11.567**
	13,646	**(241)**	**$-**	**13,405**
Sub-total – SDF - Other	**29,189**	**(527)**	**(4,000)**	**24,662**
Total Special Development Fund	**$80,666**	**$(5,145)**	**$(4,000)**	**$72,283**
Summary				
Members	**67,020**	**(4,904)**	**(4,000)**	**58,878**
Other contributors	**13,646**	**(241)**	**-**	**13,405**
Total Special Development Fund	**$80,666**	**$(5,145)**	**$(4,000)**	**$72,283**

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
STATEMENT OF ACCUMULATED NET INCOME…*continued*
For the year ended December 31, 2017

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

SCHEDULE 4

2016

Contributors	Brought forward 2015	Net income 2016	Appro-priations	Carried forward 2016
Special Development Fund (Unified)	$52,513	$(1,036)	$-	$51,477
Special Development Fund (Other)				
Members				
Colombia	$1,989	$(106)	$-	$1,883
Germany	(1,216)	(131)	-	(1,347)
Mexico	7,137	66	-	7,203
Venezuela	8,894	(56)	(1,034)	7,804
	$16,804	$(227)	$(1,034)	$15,543
Other contributors				
Sweden	$2,248	$(61)	$-	$2,187
United States of America	11,299	160	-	11,459
	$13,547	$99	$-	$13,646
Sub-total – SDF - Other	**$30,351**	**$(128)**	**$(1,034)**	**$29,189**
Total Special Development Fund	**$82,864**	**$(1,164)**	**$(1,034)**	**$80,666**
Summary				
Members	$69,317	$(1,263)	$(1,034)	$67,020
Other contributors	13,547	99	-	13,646
Total Special Development Fund	**$82,864**	**$(1,164)**	**$(1,034)**	**$80,666**

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.

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.

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	SDF Unified		SDF Other	
	2017	**2016**	**2017**	**2016**
Bank overdraft	**$(4,154)**	-	**$(3,096)**	-
Due to banks	**-**	$28,621	**-**	$1,465
Time deposits	**13,160**	10,219	**4,960**	1,906
	$9,006	$38,840	**$1,864**	$3,371

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 0.79 (2016: 0.79%). Net realised gains on investments traded during 2017 for the Unified and Other funds amounted to $109 (2016: $50) and net unrealised losses were $909 (2016: $1,680).

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").

5. FUNDS…*continued*

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

(i) Special Development Fund – Unified

	2017	2016
Contributions (as per Schedule 3)	**$715,893**	$712,276

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

	2017	2016
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. To date $39 (2016: $39) has been incurred on technical assistance and has been charged against the income from the contribution.

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

5. FUNDS…*continued*

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

	2017	2016
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**	2,266
	3,067	13,067
Technical assistance resources	**$16,285**	$2,285

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

	2017	2016
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*

	2017	2016
Sweden (as per Schedule 3)	**$3,170**	$2,870

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

	2017	2016
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

The contributions were subject to interest at the rate of 2% per annum on the amounts outstanding for the first ten years after first disbursement and thereafter at the rate of 3% per annum. Both contributions were repaid.

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, 2017 and 2016 were as follows:

Balance at December 31, 2015	**$118,979**
Allocations for the year	28,500
Expenditure for the year	(12,962)
Balance at December 31, 2016	**$134,517**
Allocations for the year	**33,750**
Expenditure for the year	**(28,937)**
Balance at December 31, 2017	**$139,330**

8. LOANS OUTSTANDING – UNIFIED AND OTHER

The average interest rate earned on loans outstanding was 2.31% (2016: 2.32%). There were no impaired loans at or during the financial years ended December 31, 2017 and 2016.

9. ACCOUNTS PAYABLE – UNIFIED AND OTHER

	2017	**2016**
Accounts payable – general	**$35,501**	$35,501
Interfund payables	**7,497**	3,779
	$42,998	$39,280

Caribbean Development Bank
Special Funds Resources - Other Special Funds

Financial Statements

For the year ended December 31, 2017
(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, 2017, 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, 2017 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 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.

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 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.

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 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.
- 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.

Chartered Accountants
BARBADOS

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – OTHER SPECIAL FUNDS

STATEMENT OF FINANCIAL POSITION
As of December 31, 2017

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

		2017	2016
Assets			
Cash and cash equivalents – Note 3		**$31,305**	$35,921
Investments at fair value through profit or loss (Schedule 1)		**45,841**	53,389
Loans outstanding (Schedule 2)		**97,528**	103,619
Receivable from members			
Non-negotiable demand notes – Note 8		**160,394**	60,752
Accounts receivable – Note 9		**35,749**	35,921
Total assets		**$370,817**	$289,602
Liabilities and Funds			
Liabilities			
Accounts payable – Note 10		**$1,618**	$853
Accrued charges on contributions repayable		**236**	248
		1,854	1,101
Funds			
Contributed resources (Schedule 3)	$60,466		$62,373
Accumulated net income (Schedule 4)	63,297		63,732
		123,763	126,105
Technical assistance and other grant resources (Schedule 5)		**245,200**	162,396
Total liabilities and funds		**$370,817**	$289,602

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, 2017

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

	2017	2016
Interest and similar income		
Loans	**$2,164**	$2,314
Investments and cash balances	**277**	3,485
	2,441	5,799
Expenses		
Administrative expenses	**1,178**	1,419
Charges on contributions repayable	**850**	956
Foreign exchange translation	**848**	(1,146)
Total expenses	**2,876**	**1,229**
Total comprehensive (loss)/ income for the year	**$(435)**	**$4,570**
Accumulated net income		
Accumulated net income– beginning of year	**$63,732**	**$59,162**
Total comprehensive (loss)/ income for the year	**(435)**	4,570
Accumulated net income– end of year	**$63,297**	$63,732

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
As of December 31, 2017

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

	2017		2016
Operating activities			
Total comprehensive (loss)/ income for the year		**$(435)**	$4,570
Adjustments for non-cash items			
Net unrealised (gain) on investments	(198)		(124)
Interest income	(2,816)		(3,111)
Interest expense	850		956
Unrealised net foreign exchange losses/ (gains)	281		(4)
Total cash flow (used in)/ provided by operating activities before changes in operating assets and liabilities		**(2,318)**	2,287
Changes in operating assets and liabilities			
Decrease in accounts receivable	172		20,456
Increase in non-negotiable demand notes	(99,642)		(60,752)
Increase/ (decrease) in accounts payable	765		(4,054)
Cash used in operating activities		**(101,023)**	(42,063)
Disbursements on loans		**(56)**	(277)
Principal repayments to the Bank on loans		**6,885**	6,611
Technical assistance disbursements		**(32,373)**	(29,805)
Interest received		**3,254**	3,126
Net decrease in investments		**7,346**	16,303
Net cash used in operating activities		**(115,967)**	(46,105)
Financing activities			
Interest paid	(862)		(927)
Contributions:			
Increase in contributions to fund loans	395		563
Reimbursement of repayable contributions	(3,359)		(4,403)
Technical assistance contributions	115,177		57,983
Net cash provided by financing activities		**111,351**	53,216
Net (decrease)/ increase in cash and cash equivalents		**(4,616)**	7,111
Cash and cash equivalents at beginning of year		**35,921**	**28,810**
Cash and cash equivalents at end of year		**$31,305**	**$35,921**

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, 2017

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

SCHEDULE 1

Investments	**2017**	**2016**
Debt securities at fair value through profit or loss – Note 4		
Government and Agency obligations	**$23,272**	$27,082
Supranationals	**10,283**	10,310
Other securities at fair value through profit or loss		
Time Deposits	**-**	5,521
Mutual Funds	**2,908**	2,716
Managed Funds	**-**	5
Equity Investments	**9,829**	7,629
Sub-total	**46,292**	53,263
Accrued interest	**122**	126
	$46,414	$53,389

Residual Term to Contractual Maturity

	2017	**2016**
1 – 3 months	**$17,036**	$15,966
3 months - 1 year	**6,930**	5,353
1 year - 5 years	**22,448**	27,161
5 years – 10 years	**-**	4,909
	$46,414	$53,389

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
SUMMARY STATEMENT OF LOANS
As of December 31, 2017

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

SCHEDULE 2

	2017			
Member countries in which loans have been made	**Loans approved but not yet effective**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Anguilla	$-	$-	$-	0.0
Antigua and Barbuda	-	-	3,169	3.3
Barbados	-	-	5,010	5.2
Belize	-	-	-	0.0
British Virgin Islands	-	-	-	0.0
Cayman Islands	-	-	-	0.0
Dominica	-	1,350	15,595	16.1
Grenada	-	-	20,032	20.7
Guyana	-	-	2,719	2.8
Jamaica	-	-	24,948	25.7
Montserrat	-	-	-	0.0
St. Kitts and Nevis	-	-	2,103	2.2
St. Lucia	-	1,297	15,700	16.2
St. Vincent and the Grenadines	-	1	7,182	7.4
Trinidad and Tobago	-	-	537	0.6
Regional	-	-	-	0.0
Sub-total	-	2,648	96,995	100.0
Accrued interest	-		533	
	$-	$2,648	$97,528	

1/There were no overdue installments of principal at December, 2016 (2015 -nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
SUMMARY STATEMENT OF LOANS...*continued*
As of December 31, 2017
(expressed in thousands of United States dollars, unless otherwise stated)

SCHEDULE 2

	2016			
Member countries in which loans have been made	**Loans approved but not yet effective**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Anguilla	$-	$-	$-	0.0
Antigua and Barbuda	-	-	3,516	3.4
Barbados	-	-	5,504	5.3
Belize	-	-	-	0.0
British Virgin Islands	-	-	-	0.0
Cayman Islands	-	-	-	0.0
Dominica	-	1,406	16,458	16.0
Grenada	-	4	21,077	20.5
Guyana	-	-	2,946	2.9
Jamaica	-	-	26,495	25.7
Montserrat	-	-	-	0.0
St. Kitts and Nevis	-	-	2,214	2.2
St. Lucia	-	1,871	16,702	16.2
St. Vincent and the Grenadines	-	-	7,573	7.3
Trinidad and Tobago	-	-	563	0.5
Regional	-		-	0.0
Sub-total	-	3,281	103,048	100.0
Accrued interest	-	-	571	
	-	**$3,281**	**$103,619**	

1/There were no overdue installments of principal at December, 2015 (2014 -nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
SUMMARY STATEMENT OF LOANS...*continued*
As of December 31, 2017
(expressed in thousands of United States dollars, unless otherwise stated)

SCHEDULE 2

	2017			
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	**-**	**-**	**47,079**	**48.5**
Nigeria	**-**	**-**	**2,755**	**2.8**
Inter-American Development Bank	**-**	**2,648**	**33,851**	**34.9**
European Union	**-**	**-**	**1,251**	**1.3**
International Development Association	**-**	**-**	**12,055**	**12.4**
Sub-total	**-**	**2,648**	**96,995**	**100.0**
Accrued interest	**-**	**-**	**533**	
	$-	**$2,648**	**$97,528**	

1/ There were no overdue installments of principal at December 31, 2016 (2015 – nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
SUMMARY STATEMENT OF LOANS...*continued*
As of December 31, 2017

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

	2016			
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	-	574	50,278	48.8
Nigeria	-	-	3,003	2.9
Inter-American Development Bank	-	2,707	36,001	34.9
European Union	-	-	1,313	1.3
International Development Association	-	-	12,450	12.1
Sub-total	-	3,281	103,048	100.0
Accrued interest	-	-	571	
	$-	**$3,281**	**$103,619**	

1/ There were no overdue installments of principal at December 31, 2015 (2014 – nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS...*continued*
As of December 31, 2017

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

SCHEDULE 2

	2017						
Currencies receivable	**Loans out-standing 2016**	**Trans-lation adjust-ment**	**Net interest earned**	**Disburse-ments**	**Sub-total**	**Repay-ments**	**Loans out-standing 2017**
Euros	**$1,313**	**$181**	**$-**	**$-**	**$1,494**	**$(243)**	**$1,251**
Special Drawing Rights	**9,893**	**595**	**-**	**-**	**10,488**	**(793)**	**9,695**
United States dollars	**91,842**	**-**	**-**	**56**	**91,898**	**(5,849)**	**86,049**
Sub-total	**103,048**	**776**	**-**	**56**	**103,880**	**(6,885)**	**96,995**
Accrued interest[1]	**571**	**-**	**(38)**	**-**	**533**	**-**	**533**
	$103,619	**$776**	**$(38)**	**$56**	**$104,413**	**$(6,885)**	**$97,528**

1/ Relates to amounts disbursed and outstanding.

Maturity structure of loans outstanding

January 1, 2018 to December 31, 2018	**$7,420**
January 1, 2019 to December 31, 2019	**6,890**
January 1, 2020 to December 31, 2020	**6,892**
January 1, 2021 to December 31, 2021	**6,895**
January 1, 2022 to December 31, 2022	**6,897**
January 1, 2023 to December 31, 2027	**30,741**
January 1, 2028 to December 31, 2032	**20,067**
January 1, 2033 to December 31, 2037	**7,179**
January 1, 2038 to December 31, 2042	**788**
January 1, 2043 to December 31, 2047	**408**
January 1, 2048 to December 31, 2052	**3,351**
	$97,528

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
SUMMARY STATEMENT OF LOANS...*continued*
As of December 31, 2017

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

SCHEDULE 2

	2016						
Currencies receivable	**Loans out-standing 2015**	**Trans-lation adjust-ment**	**Net interest earned**	**Disburse-ments**	**Sub-total**	**Repay-ments**	**Loans out-standing 2016**
Euros	$1,573	$(41)	$-	$-	$1,532	$(219)	$1,313
Special Drawing Rights	11,013	(342)	-	-	10,671	(778)	9,893
United States dollars	97,179	-	-	277	97,456	(5,614)	91,842
Sub-total	109,765	(383)	-	277	109,659	(6,611)	103,048
Accrued interest[1]	591	-	(20)	-	571	-	571
	$110,356	**$(383)**	**$(20)**	**$277**	**$110,230**	**$(6,611)**	**$103,619**

1/ Relates to amounts disbursed and outstanding.

Maturity structure of loans outstanding

January 1, 2017 to December 31, 2017	$7,381
January 1, 2018 to December 31, 2018	6,812
January 1, 2019 to December 31, 2019	6,815
January 1, 2020 to December 31, 2020	6,817
January 1, 2021 to December 31, 2021	6,819
January 1, 2022 to December 31, 2026	32,117
January 1, 2027 to December 31, 2031	21,613
January 1, 2032 to December 31, 2036	10,439
January 1, 2037 to December 31, 2041	971
January 1, 2042 to December 31, 2046	539
January 1, 2047 to December 31, 2052	3,296
	$103,619

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
SUMMARY STATEMENT OF CONTRIBUTIONS
As of December 31, 2017

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

SCHEDULE 3

	2017	
	Contributions	
Contributors	Total 1/	Amounts made available
Members		
Canada	**$6,594**	**$6,594**
Other contributors		
Inter-American Development Bank	**148**	**148**
Contributed resources	**6,742**	**6,742**
Other contributors		
Inter-American Development Bank 1/	**37,231**	**37,231**
United States Agency for International Development	**984**	**984**
European Union	**1,785**	**1,785**
International Development Association	**13,724**	**13,724**
Repayable contributions	**53,724**	**53,724**
	$60,466	**$60,466**

1/Net of cancellations and repayments

Maturity structure of repayable contributions outstanding

January 1, 2018 to December 31, 2018	**$3,137**
January 1, 2019 to December 31, 2019	**3,047**
January 1, 2020 to December 31, 2020	**2,891**
January 1, 2021 to December 31, 2021	**2,729**
January 1, 2022 to December 31, 2022	**2,460**
January 1, 2023 to December 31, 2027	**11,909**
January 1, 2028 to December 31, 2032	**10,364**
January 1, 2033 to December 31, 2037	**7,416**
January 1, 2038 to December 31, 2042	**4,945**
January 1, 2043 to December 31, 2053	**4,826**
	$53,724

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF CONTRIBUTIONS*...continued*
As of December 31, 2017

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

SCHEDULE 3

	2016	
	Contributions	
Contributors	**Total [1/]**	**Amounts made available**
Members		
Canada	$6,486	$6,486
Other contributors		
Inter-American Development Bank	148	148
Contributed resources	6,634	6,634
Other contributors		
Inter-American Development Bank [1/]	38,241	38,241
United States Agency for International Development	1,633	1,633
European Union	1,889	1,889
International Development Association	13,976	13,976
Repayable contributions	55,739	55,739
	$62,373	**$62,373**

Maturity structure of repayable contributions outstanding

January 1, 2017 to December 31, 2017	$3,201
January 1, 2018 to December 31, 2018	3,121
January 1, 2019 to December 31, 2019	2,960
January 1, 2020 to December 31, 2020	2,803
January 1, 2021 to December 31, 2021	2,640
January 1, 2022 to December 31, 2026	11,776
January 1, 2027 to December 31, 2031	10,691
January 1, 2032 to December 31, 2036	8,090
January 1, 2037 to December 31, 2041	5,039
January 1, 2042 to December 31, 2046	1,989
January 1, 2047 to December 31, 2053	3,429
	$55,739

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF CONTRIBUTIONS*...continued*
As of December 31, 2017

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

SCHEDULE 3

2017

Currencies Repayable	Contri-butions made available 2016	Trans-lation adjust-ment	Draw-downs/ appro-priations from capital	Sub-total	Repay-ments	Contri-butions made available 2017
Canadian dollars	**$1,486**	**$108**	**$-**	**$1,594**	**$-**	**$1,594**
Euros	**1,890**	**261**	**-**	**2,151**	**(366)**	**1,785**
Special Drawing Rights	**11,448**	**688**	**-**	**12,136**	**(745)**	**11,391**
United States dollars	**47,549**	**-**	**395**	**47,944**	**(2,248)**	**45,696**
	$62,373	**$1,057**	**$395**	**$63,825**	**$(3,359)**	**$60,466**

2016

Currencies Repayable	Contri-butions made available 2015	Trans-lation adjust-ment	Draw-downs/ appro-priations from capital	Sub-total	Repay-ments	Contri-butions made available 2016
Canadian dollars	$1,442	$44	$-	$1,486	$-	$1,486
Euros	3,368	(33)	-	3,335	(1,445)	1,890
Special Drawing Rights	12,574	(398)	-	12,176	(728)	11,448
United States dollars	49,216	-	563	49,779	(2,230)	47,549
	$66,600	**$(387)**	**$563**	**$66,776**	**$(4,403)**	**$62,373**

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
STATEMENT OF ACCUMULATED NET INCOME
For the year ended December 31, 2017

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

SCHEDULE 4

2017

Contributors	Brought forward 2016	Net Income/(Loss) 2017	Carried forward 2017
General Funds	**$54,262**	**$383**	**$55,218**
European Investment Bank	**(795)**	**45**	**(750)**
European Union	**2,463**	**89**	**2,552**
Inter-American Development Bank	**(1,010)**	**(453)**	**(1,463)**
International Development Association	**376**	**(86)**	**290**
Nigeria	**5,914**	**(81)**	**5,833**
United States of America	**1,842**	**2**	**1,844**
United Kingdom	**628**	**(373)**	**255**
Venezuela	**11**	**6**	**17**
European Commission	**38**	**38**	**76**
BMZ/ The Federal Government of Germany	**3**	**(5)**	**(2)**
	$63,732	**$(435)**	**$63,870**

2016

Contributors	Brought forward 2015	Net Income/(Loss) 2016	Carried forward 2016
General Funds	$49,806	$4,456	$54,262
European Investment Bank	(766)	(29)	(795)
European Union	2,480	(17)	2,463
Inter-American Development Bank	(497)	(513)	(1,010)
International Development Association	346	30	376
Nigeria	5,976	(62)	5,914
United States of America	1,817	25	1,842
United Kingdom	-	628	628
Venezuela	-	11	11
European Commission	-	38	38
BMZ/ The Federal Government of Germany	-	3	3
	$59,162	**$4,570**	**$63,732**

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
STATEMENT OF TECHNICAL ASSISTANCE AND OTHER GRANT RESOURCES
As of December 31, 2017

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

SCHEDULE 5

	2017			
	Contributors			
Contributors	Total 1/	Amounts made available	Amounts utilised	Net Amounts available
Members				
Canada	$55,489	$55,489	$44,726	$10,763
United Kingdom	182,766	182,766	23,612	159,154
Italy	522	522	252	270
	238,777	238,777	68,590	170,187
Other contributors				
Caribbean Development Bank	243,041	243,041	179,938	63,103
United States of America	1,407	1,407	1,407	-
Inter-American Development Bank	3,895	3,895	3,354	541
China	677	677	270	407
Venezuela	586	586	-	586
Nigeria	193	193	147	46
European Commission	21,533	21,533	13,305	8,228
Deutsche Gesellshaft für Internationale BMZ/The Federal Government of Germany	261	261	220	41
European Investment Bank Climate Action Support	2,184	2,184	152	2,032
Improve Public Investment Management through Procurement	320	320	291	29
Sub-total	274,097	274,097	199,084	75,013
Total – December 31	$512,874	$512,874	$267,674	$245,200
Summary				
Basic Needs Trust Fund	$169,750	$169,750	$143,422	$26,328
Other resources	343,124	343,124	124,252	218,872
	$512,874	$512,874	$267,674	$245,200

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

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

SCHEDULE 5

	2016			
	Contributors			
Contributors	**Total [1/]**	**Amounts made available**	**Amounts utilised**	**Net Amounts available**
Members				
Canada	$55,022	$55,022	$42,823	$12,199
United Kingdom	82,743	82,743	19,399	63,344
Italy	522	522	252	270
	$138,287	$138,287	$62,474	$75,813
Other contributors				
Caribbean Development Bank	$233,032	$233,032	$160,702	$72,330
United States of America	1,407	1,407	1,407	-
Inter-American Development Bank	3,549	3,549	3,354	195
China	677	677	198	479
Venezuela	586	586	-	586
Nigeria	193	193	147	46
European Commission	17,320	17,320	6,708	10,612
Deutsche Gesellshaft für Internationale BMZ/The Federal Government of Germany	261	261	220	41
European Investment Bank Climate Action Support	2,184	2,184	91	2,093
Improve Public Investment Management through Procurement	201	201	-	201
Sub-total	$259,410	$259,410	$172,827	$86,583
Total – December 31	**$397,697**	**$397,697**	**$235,301**	**$162,396**
Summary				
Basic Needs Trust Fund	$159,750	$159,750	$126,622	$33,128
Other resources	237,947	237,947	108,679	129,268
	$397,697	**$397,697**	**$235,301**	**$162,396**

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 written off and are subsequently recorded as income.

Determination of fair value

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES…*continued*

Loans …*continued*

The Fund is one of very few lenders of development and structural adjustment loans to Caribbean countries. There is no secondary market for development loans nor does the Fund intend to sell these loans. 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.

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

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	2017	2016
Due from banks	**$20,569**	$18,492
Time deposits	**4,427**	11,171
Money Market Instruments	**6,309**	6,258
	$31,305	**$35,921**

4. 4. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

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

The annualized rate of return on the average investments held during the year, including realised and unrealised gains and losses was 1.25% (2016: 4.95%). Net realised gains on investments traded during 2016 amounted to nil (2016: $2,564) and net unrealised gains of $198 (2016: Gains $124).

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:

	2017	2016
Canada		
Agricultural[1] (Schedule 3)	**$6,486**	$6,486
Technical assistance resources (Schedule 5)	**55,489**	55,022
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)	**$82,743**	$82,743
Inter-American Development Bank		
975/SF-RG	**$14,211**	$14,211
Less repayments	**(6,460)**	(6,041)
	$7,751	$8,170
Second Global Loan	**$-**	$4,487
Less repayments	**-**	(4,487)
	$-	$-
1108/SF-RG Global Credit	**$20,000**	$20,000
Less repayments	**(3,606)**	(2,950)
	$16,394	$17,050

[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*

	2017	2016
1637/SF-RG Credit	**$9,993**	$9,923
Less repayments	**(732)**	(331)
	9,261	9,592
2798/BL Regional Global Loan - OECS	**3,823**	3,429
	13,084	13,021
Repayable contributions (Schedule 3)	**$38,241**	$38,241
Technical assistance resources (Schedule 5)	**$3,895**	$3,549

Loan 975/SF-RG is subject to interest at the rate of 1% per annum until 2006 and thereafter at 2% per annum and is repayable during the period 2003 to 2036.

The second global loan is fully repaid.

Global Credit 1108/SF-RG was subject to interest at the rate of 1% for the first ten years and 2% thereafter and is repayable during the period 2012 to 2042.

Grenada Reconstruction 1637/SF-RG is subject to interest at the rate of 1% per annum until 2015 and thereafter at 2% per annum and is repayable during the period 2016 to 2045.

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

	2017	2016
European Investment Bank		
Global loan II – B	**$-**	$1,054
Less repayments	**-**	(1,054)
	$-	$-

Repaid in full in a single installment on September 30, 2017.

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

5. FUNDS...*continued*

	2017		2016		Due Dates
United States of America					
Contributions					
Agricultural	$7,052		$7,052		1988-2018
Less repayments	(6,536)	**516**	(6,536)	516	
Employment Investment Promotion	6,732		6,732		1990-2000
Less repayments	(5,615)	**1,117**	(5,615)	1,117	
Housing	8,400		8,400		1983-2012
Less repayments	(8,400)	**-**	(8,400)	-	
Repayable contributions (Schedule 3)		**1,633**		**1,633**	
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.

	2017		2016	
European Union				
First Contribution	$6,165		$6,165	
Less repayments	(5,004)	**1,161**	(5,004)	1,161
Second Contribution	2,613		2,613	
Less repayments	(1,885)	**728**	(1,885)	728
Repayable contributions (Schedule 3)		**$1,889**		**$1,889**

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

	2017		2016		Due dates
Credit No. 960/CRG	$6,480		$6,480		1990-2029
Less repayments	(3,953)	**2,527**	(3,953)	2,527	
Credit No. 1364/CRG	7,270		7,270		
Less repayments	(3,671)	**3,599**	(3,671)	3,599	1993-2033
Credit No. 1785/CRG	6,210		6,210		
Less repayments	(2,391)	**3,819**	(2,391)	3,819	1997-2030
Credit No. 2135/CRG	7,465		7,465		
Less repayments	(3,434)	**4,031**	(3,434)	4,031	2000-2030
Repayable contributions (Schedule 3)		**$13,976**		$13,976	

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

	2017	2016
Caribbean Development Bank		
Technical assistance resources (Schedule 5)	**$243,041**	$233,032
BMZ/ The Federal Government of Germany		
Technical assistance resources (Schedule 5)	**$261**	$261
European Investment Bank Climate Action Support		
Technical assistance resources (Schedule 5)	**$2,184**	$2,184
European Commission		
Technical assistance resources (Schedule 5)	**$21,533**	$17,320

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

5. FUNDS...*continued*

	2017	2016
Improve Public Investment Management through Procurement		
Technical assistance resources (Schedule 5)	**$320**	$201

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.

2017

	Approved amount	Amounts made available	Amounts utilised	Net Amounts available
European Union				
Sustainable Energy for the Eastern Caribbean (SEEC)	**€4,450**	**$1,391**	**$199**	**$1,192**
Geothermal Risk Mitigation for the Eastern Caribbean (EU-CIF)	**€12,350**	**$3,708**	**$420**	**$3,288**
United Kingdom				
Increasing Renewable Energy and Energy Efficiency in the Eastern Caribbean	**£4,200**	**$-**	**$-**	**$-**
Sustainable Energy for the Eastern Caribbean (SEEC)	**£2,500**			
Inter-American Development Bank [Acting as Administrator for the Global Environment Facility (GEF)]				
Sustainable Energy Facility for the Eastern Caribbean (SEF)	**$3,014**	**$346**	**$-**	**$-**
Inter-American Development Bank [Acting as Implementing entity for the Clean Technology Fund (CTF)]				
Sustainable Energy Facility for the Eastern Caribbean (SEF)	**$19,050**	**$-**	**$-**	**$-**
Canada				
Canadian Support to the Energy Sector in the Caribbean Fund (CSES-C)	**CAD5,000**	**$1,028**	**$424**	**$604**

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

5. FUNDS...*continued*

2016

	Approved amount	Amounts made available	Amounts utilised	Net Amounts available
European Union				
Sustainable Energy for the Eastern Caribbean (SEEC)	€4,450	$1,222	$23	1,199
United Kingdom				
Increasing Renewable Energy and Energy Efficiency in the Eastern Caribbean	£4,200	$-	$-	$-
Sustainable Energy for the Eastern Caribbean (SEEC)	£2,500	$142	$17	$125
Inter-American Development Bank [Acting as Administrator for the Global Environment Facility (GEF)]				
Sustainable Energy Facility for the Eastern Caribbean (SEF)	$3,014	$-	$-	$-
Inter-American Development Bank [Acting as Implementing entity for the Clean Technology Fund (CTF)]				
Sustainable Energy Facility for the Eastern Caribbean (SEEC)	$19,050	$-	$-	$-
Canada				
Canadian Support to the Energy Sector in the Caribbean Fund (CSES-C)	CAD5,000	$631	$248	$383

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.

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

7. LOANS

The average interest rate earned on loans outstanding was 2.18% (2016: 2.19%). There were no impaired loans at December 31, 2017 and 2016.

8. NON NEGOTIABLE DEMAND NOTES

The non-negotiable demand notes represent the sum of USD$160.4 million (GBP118.7 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 - 2020, 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 agreement of the parties the duration of the programme was extended to March 31, 2024.

9. ACCOUNTS RECEIVABLE

	2017	**2016**
Institutional receivables	**$35,500**	$35,515
Accounts receivable	**249**	406
	$35,749	**$35,921**

10. ACCOUNTS PAYABLE

Accounts payable - general	**$-**	**$-**
Interfund payable	**1,383**	853
	$1,383	**$853**