

PUBLIC DISCLOSURE AUTHORISED

CARIBBEAN DEVELOPMENT BANK



Draft Statement of Financial Position

For the Year Ended December 31, 2011

(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 2012

Independent Auditors' Report

To the Board of Governors Caribbean Development Bank

We have audited the accompanying financial statements of the **Ordinary Capital Resources** of the **Caribbean Development Bank** ("the Bank"), which comprise the statement of financial position as at 31 December 2011, and the related statements of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of the **Ordinary Capital Resources** of the Bank as at 31 December 2011, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Bridgetown
BARBADOS
7 March 2012

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

STATEMENT OF FINANCIAL POSITION

As of December 31, 2011

(expressed in thousands of United States dollars)

	<u>2011</u>	<u>Restated 2010</u>
Assets		
Cash resources		
Cash and cash equivalents - Note F	\$79,163	\$9,434
Investments		
Debt securities at fair value through profit or loss - Note G	244,242	103,212
Loans		
Loans outstanding – Note H	1,007,537	993,548
Derivative financial instruments – Note I		
Cross currency interest rate swaps – Note I	127,680	96,691
Maintenance of value on currency holdings – Notes I and K	<u>1,121</u>	<u>998</u>
	128,801	<u>97,689</u>
Receivable from members		
Non-negotiable demand notes - Note J	44,363	
Subscriptions in arrears	<u>15,975</u>	
	60,338	45,618
Receivables – other – Note L	14,625	11,048
Other assets		
Property and equipment - Note M	<u>8,419</u>	<u>8,305</u>
Total assets	<u>\$1,543,125</u>	<u>\$1,268,854</u>

The accompanying notes form an integral part of these financial statements

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

STATEMENT OF FINANCIAL POSITION...continued

As of December 31, 2011

(expressed in thousands of United States dollars)

	<u>2011</u>	<u>Restated 2010</u>
Liabilities and Equity		
Liabilities		
Accounts payable and accrued liabilities - Note N	\$2,200	\$1,903
Subscriptions in advance	5,172	6,207
Deferred income	875	875
Post-employment benefit obligations - Note P	2,598	1,832
Derivative financial instruments		
Maintenance of value on currency holdings – Notes I and K	193	297
Borrowings		
Short term facility	20,000	-
Long-term borrowings - Note Q	837,875	653,240
Total Liabilities	<u>868,913</u>	<u>664,354</u>
Equity		
Capital stock – Note R		
Authorised capital – 312,971 (2010 – 312,971) shares		
Subscribed capital – 239,643 (2010 – 146,022) shares	1,501,892	937,193
Less callable capital – 187,032 (2010 – 113,759) shares	<u>1,170,887</u>	<u>(730,433)</u>
Paid-up capital – 52,611 (2010 – 32,263) shares	331,005	206,760
Less subscriptions not yet matured	<u>144,644</u>	<u>49,327</u>
Subscriptions matured	186,361	157,433
Retained earnings and Reserves – Note R	<u>487,851</u>	<u>449,340</u>
Total Equity	<u>674,212</u>	<u>606,773</u>
Total Liabilities and Equity	<u>\$1,543,125</u>	<u>\$1,271,127</u>

Approved on March 7, 2012 by:

W^m. Warren Smith
President

Adrian T. Debique
Director (Ag), Finance & Corporate
Planning

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

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2011

(expressed in thousands of United States dollars)

	Capital Stock	Retained Earnings	Reserves	Total
Balance at January 1, 2010	\$157,433	\$393,990	\$14,110	\$565,533
Total comprehensive income for the year as previously reported	-	41,240	-	41,240
Prior period adjustment	-	(2,273)	-	(2,273)
As restated	-	38,967	-	38,967
Balance at December 31, 2010 - restated	\$157,433	\$432,957	\$14,110	\$604,500
Balance at January 1, 2011	\$157,433	\$432,957	\$14,110	\$604,500
Issued Share Capital	28,928	-	-	28,928
Total comprehensive income for the year	-	40,784	-	40,784
Balance at December 31, 2011	\$186,361	\$473,741	\$14,110	\$674,212

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, 2011

(expressed in thousands of United States dollars)

	<u>2011</u>	<u>Restated 2010</u>
Interest and similar income		
Loans – Note S	\$40,582	\$42,662
Investments and cash balances	2,667	3,757
	<u>43,249</u>	<u>46,419</u>
Interest expense and similar charges		
Borrowings	10,347	11,685
Other financial (income) expenses - Note S	(2,822)	(3,514)
	<u>7,525</u>	<u>8,171</u>
Net interest income	<u>35,724</u>	<u>38,248</u>
Other (income)/expenses		
Other income	(127)	(307)
Realized and unrealized fair value losses	910	371
Provision for loan losses – Note H	3,000	-
Administrative expenses – Note T	10,183	10,168
Foreign exchange translation	12,912	27,870
Derivative fair value adjustment – Note U	(31,938)	(38,821)
	<u>(5,060)</u>	<u>(719)</u>
Total comprehensive income for the year	<u>\$40,784</u>	<u>\$38,967</u>

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

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

STATEMENT OF CASH FLOWS

For the year ended December 31, 2011

(expressed in thousands of United States dollars)

	<u>2011</u>	<u>Restated 2010</u>
Operating activities:		
Comprehensive income for the year	\$40,784	38,967
Adjustments:		
Unrealized loss on debt securities	1,013	610
Depreciation	1,453	1,447
Gain on disposal of fixed assets	11	-
Derivative fair value adjustment	(31,938)	(38,821)
Interest income	(42,249)	(46,419)
Interest expense	7,525	8,171
Provision for losses on loans	3,000	-
Total cash flows used in operating activities before changes in operating assets and liabilities	(21,401)	(36,045)
Changes in operating assets and liabilities:		
(Increase)/decrease in other receivables	(3,577)	6,898
Increase in accounts payable	1,063	6,512
Net (increase)/decrease in debt securities at fair value through profit and loss	(141,737)	135,798
Cash (used in)/from operating activities	(165,652)	113,163
Disbursements made on loans	(94,867)	(246,358)
Principal repayments to the Bank on loans	77,308	70,797
Interest received	43,513	47,886
Interest paid	(7,219)	(8,656)
Net cash used in operating activities	(146,917)	(23,188)
Investing activities:		
Purchase of property and equipment	(1,567)	(1,319)
Proceeds from sale of property and equipment	11	-
Net cash used in investing activities	(1,556)	(1,319)
Financing activities:		
Borrowings:		
Drawdowns	225,216	86,126
Repayments	(32,649)	(177,507)
Capital subscriptions	28,928	-
Increase in amounts required to maintain the value of currency holdings	(1,262)	(252)
Increase in other receivables from members	(14,720)	(934)
Net cash provided/(used in) by financing activities	205,513	(92,567)
Net increase/decrease in cash and cash equivalents	57,040	(117,074)
Net foreign exchange difference	12,689	27,989
Cash and cash equivalents at beginning of year	9,434	98,519
Cash and cash equivalents at end of year	79,163	9,434

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

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE A – NATURE OF OPERATIONS

The Caribbean Development Bank (CDB) or (the “Bank”) is an international organization 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 entered into force on January 26, 1970 and CDB commenced operations on January 31, 1970. Since that time other countries became members of CDB by acceding to the Charter. The Charter is an international treaty which, together with the instruments of ratification and accession by member countries, has been deposited with the United Nations Secretary-General. CDB was established as a regional financial institution for the purpose of contributing to the harmonious economic growth and development of the member countries in the Caribbean (Region), special and urgent regard to the needs of the Less Developed Countries (LDCs) of the Region. The Bank’s headquarters is located in Wildey in the parish of Saint Michael in the island of Barbados.

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 of any of its specialized agencies or of the International Atomic Energy Agency; and (c) other Multilateral Development Banks.

The membership of the Bank is comprised of 21 regional states and territories and 5 non-regional states, a detailed listing of the membership is provided at Note R.

Reducing poverty in the region is CDB’s main objective. CDB’s funding activities are carried out in its Borrowing Member Countries and these are financed mainly through its shareholder fund which is referred to as its Ordinary Capital Resources (OCR). In advancing this objective, the Bank participates in the selection, study and preparation of projects contributing to such development and where necessary, provides technical assistance.

The OCR is supplemented by the Special Development Funds (SDF) and Other Special Funds (OSF) and these are separate entities with distinct assets and liabilities. There is no recourse to the OCR for obligations in respect of any of the SDF or OSF liabilities.

Mobilizing financial resources is an integral part of CDB’s operational activities. In addition, CDB, alone or jointly, administers on behalf of donors, including members, their agencies and other development institutions, funds restricted for specific uses, which include technical assistance grants as well as regional programmes.

CDB finances its ordinary operations through borrowings, paid-in capital and retained earnings.

Where the amendment to the financial statements is not as a consequence of a fundamental change in the operational performance of the Bank, the prior approval of the Board of Governors would not be required.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except otherwise stated. Prior year comparatives have been amended to meet current year presentation.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...*continued*

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and have been prepared under the historical cost basis, except as modified by the revaluation of investment securities held at fair value through profit or loss and derivative financial instruments which have been reflected at fair value.

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, 2011 (the reporting date).

The preparation of financial statements in conformity with IFRS requires management to make estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Bank's financial statements, therefore, present the financial position fairly. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note D.

Standards, amendments and interpretations not yet effective but will be relevant to the Bank

IFRS 9 Financial instruments part 1: Classification and measurement. IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortized cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...*continued*

Standards, amendments and interpretations not yet effective but will be relevant to the Bank...*continued*

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted.

The Bank is considering the implications of the standard, the impact on the Bank and the timing of its adoption by the Bank.

Standards, amendments and interpretations effective on or after January 1, 2011 and are not relevant to the Bank

ISA 24 (Amendment), Related Party Disclosures

IAS 31 (Amendment), Interests in Joint Ventures

IAS 39 (Amendment), Eligible Financial Instruments: Recognition and Measurement

IAS 41 (Amendment), Agriculture

IFRS 7 (Amendment), Financial Instruments, Disclosure

IFRIC 13, Customer Loyalty Programmes

IFRIC 17, Distributions of Non-Cash Assets to Owners

Foreign currency translation

Functional and presentation currency

The functional and presentation currency of the Bank is the United States dollar and the Bank's financial statements are rounded to the nearest thousands. Assets and liabilities in currencies other than United States dollars are translated into United States dollars at market rates of exchange prevailing at the reporting date.

Foreign currency transactions are 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 determination of net income for the year.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...*continued*

Taxation

Article 55 of the Agreement establishing the Bank states that the Bank, its assets, property, income and its operations and transactions are exempt from all direct taxation.

Financial assets

In accordance with IAS 39, the Bank categorizes its assets as follows: financial assets at fair value through profit or loss and loans and receivables. Financial assets and financial liabilities are recognized on the statement of financial position when the Bank assumes related contractual rights or obligations and derecognized when the rights to secure cash flows from the financial asset expire or when all risks and rewards of ownership have been substantially transferred. Management determines the classification of its financial instruments at initial recognition.

(a) 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 recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated as hedging instruments.

Financial assets designated at fair value through profit or loss upon initial recognition are managed and evaluated on a fair value basis and reported to key management on that basis. Once the asset has been so classified, it cannot be changed. Financial instruments in this category are included in the statement of financial position as 'Debt securities at fair value through profit and loss'. For 2011 and 2010 all of the Bank's investments are designated at fair value through profit and loss.

Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the profit for the year in the statement of comprehensive income.

Gains and losses arising from changes in the fair value of financial assets through profit or loss are included in the profit for the year in the statement of comprehensive income in the period in which they arise.

Regular way purchases and sales of financial assets at fair value through profit or loss are recognized on the trade date which is the date the Bank commits to purchase or sell the asset.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...*continued*

(c) Derivatives recorded at fair value through profit and loss

The Bank uses derivatives such as cross currency interest rate swaps and forward exchange contracts in its borrowing and liability management activities to take advantage of cost-saving opportunities and to lower its funding costs. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in “Derivative fair value adjustment”.

(d) Financial liabilities

Financial liabilities consist of long term borrowings, for which the fair value option is not applied, and are measured at amortized cost. Borrowings are recognized initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between proceeds net of transaction costs and the redemption value is recognized in the profit for the year in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expires.

Determination of fair value

For financial instruments traded in active markets, the determination of fair values is based on quoted market prices or dealer price quotations. A financial instrument 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 all other financial instruments, including derivatives, 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 curve, FX rates, volatilities and counterparty spreads) existing at the reporting date.

The Bank uses widely recognized valuation models for determining fair values of non-standardized financial instruments such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

An analysis of fair values of financial instruments is provided in Note C – Risk Management – “Fair value of financial assets and liabilities”.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...*continued*

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Interest income and expense

Interest income and expense are recognized in the statement of comprehensive income for all interest-bearing instruments using the effective interest rate method based on the actual purchase price.

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.

Once a financial asset or a group of financial assets has been written down as a result of an impairment loss, interest income is recognized 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.

Commitment fee income

Fees are generally recognized on an accrual basis when the service has been provided.

Impairment of financial assets

CDB assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group 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 an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or groups of financial assets are impaired includes observable data that comes to the attention of the Bank about the following loss events:

- (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 reorganization;
- (v) the disappearance of an active financial market for that financial asset because of financial difficulties; or

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...*continued*

Impairment of financial assets...*continued*

- (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including:
 - adverse changes in the payment status of borrowers; or
 - national or local economic conditions that correlate with defaults on the assets in the portfolio.

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 amount of the provision is the difference between the asset's 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 recognized in the statement of comprehensive income.

The methodology used for assessing portfolio impairment for sovereign risk assets takes into account the Bank's preferred creditor status afforded by members. This provision is calculated on an incurred loss basis. Any impairment is deducted from the asset categories on the statement of financial position.

The Bank assesses whether objective evidence of impairment exists individually for loans to the private sector and collectively for loans to the public sector. Impairment, less any amount reversed during the year, is charged to the statement of comprehensive income. When a loan is deemed uncollectible, it is written off against the related impairment provisions. If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event after the impairment was recognized, the previously recognized impairment loss, is reversed by adjusting the provision amount and the amount of the reversal is recognized in the statement of comprehensive income.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

Property and equipment

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

Subsequent costs are included in the asset's carrying amount or are recognized 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 other operating expenses during the financial year in which they are incurred.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...*continued*

Property and equipment...*continued*

Land is not depreciated as it is deemed to have an indefinite life. Depreciation of other assets is provided on the straight-line basis at rates considered adequate to write-off the cost of the assets, less salvage, 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 amortization 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 the value in use.

Gains or losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the other operating expenses in the statement of comprehensive income.

Deferred income

The deferred income relates to a Government grant of property. This property is freehold land with indefinite life and is therefore not subject to depreciation.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

Commitments and contingencies

Provisions for restructuring costs and legal claims are recognized when: the Bank has a present legal or constructive obligation as a result of past events; 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 recognizes no provisions for future operating losses.

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 recognized 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 recognized as interest expense.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...*continued*

Post-employment benefits

(a) Pension obligations

CDB has both a contributory defined benefit New Pension Plan (the “Plan”) and a hybrid Old Pension Scheme (the “Scheme”) for securing pensions and other benefits for eligible employees of the Bank. Both the Plan and the Scheme are final salary defined benefit. Both the Plan and the Scheme are managed by Trustees which are appointed by both the management of the Bank and staff.

A defined benefit plan is a pension plan having terms that specify the amount of pension benefits to be provided at 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.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. Independent actuaries using the projected unit credit method calculate the defined benefit obligation at least every three years. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. For intermediate years, the defined benefit obligation is estimated using approximate actuarial roll-forward techniques that allow for additional benefit accrual, actual cash flows and changes in the underlying actuarial assumptions.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of-the-greater of 10% of the value of the Plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees’ expected average remaining working lives. In the case of the hybrid scheme, gains and losses are immediately recognized in income. Past-service costs are recognized immediately in administrative expenses, unless the changes to the Pension Plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The Scheme is a hybrid scheme providing the member at retirement with a choice between a defined benefit or a pension calculated on a defined benefit formula.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...*continued*

Post-employment benefits (continued)

(b) 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. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of-the-greater of 10% of the value of the Plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives. Independent qualified actuaries value these obligations annually by using the projected unit credit method. The present value of the defined benefit 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.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Bank before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Bank recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

Financial guarantee contracts

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 recognized as a liability in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of fees, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience supplemented by the judgement of management. The fee income earned is recognized on a straight line basis over the life of the guarantee.

Valuation of Capital Stock

In the Agreement establishing the Bank (the Agreement), the capital stock of the Bank is 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

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

Valuation of Capital Stock...continued

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 Agreement 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 Agreement, 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. This has no effect on the financial position or results of the operations of the Bank.

The Agreement permits the Bank to accept from a member non-negotiable, non-interest bearing demand notes in place of part of the member's subscription to the paid-up capital which shall be payable in the member's currency and maintenance of value in respect of such part, provided that such currency is not required for the conduct of the operations of the Bank.

Maintenance of value

In order to ensure that capital receipts due in other than US dollars retain at a minimum their value as determined in accordance with Article 24 of the Agreement, each member is required to maintain the value of its currency held by the Bank and consisting of or derived as repayments of principal from currencies originally paid to the Bank by the member in respect of capital subscriptions. In the opinion of the Bank, where 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. These obligations inclusive of those portions that are past due for settlement and are expected to be settled in the future are derivatives and are fair valued in accordance with IAS 39, with any gain or loss being recorded in the profit for the year in the statement of comprehensive income.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined that the Senior Management Group (SMG) is its chief operating decision maker.

In accordance with IFRS 8, the Bank has one operating segment, its Ordinary Capital Resources (OCR).

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

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December 31, 2011

(expressed in thousands of United States dollars)

NOTE C – RISK MANAGEMENT

The very nature of the Bank's activities necessitates the analysis, evaluation, acceptance and management of some degree of financial risk. Operationally, CDB aims to achieve an appropriate balance between risk and return by adopting an appropriate mix of measures to mitigate the various types of risk to which it is exposed. These measures include the adoption of a variety of policies, guidelines and practices which together make up the Bank's risk management framework. These policies and practices are reviewed and modified periodically to reflect best practice and the institution's changing circumstances. Frequent reporting of the Bank's performance in relation to the established risk framework is strictly adhered to. The most important types of risk faced by CDB are associated with the borrowing member countries (country credit risk), liquidity risk, market risk and operational risk. Market risk includes currency, interest rate and other price risks.

Different committees in the institution have been assigned the responsibility of monitoring and managing the varied types of risk faced by the Bank. For example, credit, liquidity and market risk are managed by the Finance and Corporate Planning Department. The Audit and Post-Evaluation Committee (APEC) assists the Board of Directors in discharging its responsibility for risk management. In the execution of its role, the APEC assesses the effectiveness of financial policies and reporting, fiduciary controls, various aspects of financial, business, and operating risk, quality of earnings and internal controls. In addition, the APEC discusses with management and the external auditors financial issues and policies that have an important bearing on the Bank's financial position and risk-bearing capacity.

The Bank's Loans Committee, which includes all the senior management of the Bank with the exception of the President, has principal responsibility for ensuring that adequate due diligence has been carried out by the staff on all investment and other projects and that all the relevant policies relating to lending, procurement, and other conditionalities are adhered to before recommendation is made to the President. This committee, therefore, plays an important role in managing operational risk.

The Bank's Investment Committee comprises, at a minimum, the President, the two Vice-Presidents, the Director of Finance and Corporate Planning and the Director of Economics and provides oversight of the investment function. It monitors adherence to the investment guidelines which have been approved by the Board of Directors. It also approves shifts in the Bank's investment strategy based on internal liquidity needs and changes in the external economic environment. The committee also monitors investment performance in relation to the established benchmarks, counterparty creditworthiness and the valuation of derivatives.

Credit Risk

The major risk to CDB as a multilateral development bank is its exposure to country credit risk. This risk relates to potential losses to CDB in the event that a borrowing member is unable or unwilling to service its obligations to the Bank. CDB manages its country credit risk through its financial policies and lending strategies, including individual country exposure limits and overall creditworthiness assessments. These include ongoing assessments of a country's macroeconomic performance as well as its socio-political conditions and future growth prospects. The individual country's exposure to the Bank on outstanding loans as at December 31, 2011 is reported in Note H.

The Bank manages its credit risk on liquid funds and derivative financial instruments by ensuring that no individual investments can have a credit rating less than A- for commercial bank obligations and AA- for government obligations. In addition, in relation to derivative transactions, all counter parties must be rated not less than A2/A at the commencement of the transactions.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE C – RISK MANAGEMENT...*continued*

Credit risk measurement

(a) Loans and advances

CDB's capital adequacy methodology is used in measuring its loan portfolio credit risk and is constructed around three components:

- (i) the 'probability of default' by the counterparty on its contractual obligations;
- (ii) current exposures to the counterparty and its likely future development, from which the Bank derives the 'exposure at default'; and
- (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

These credit risk measurements, when combined, reflect expected and unexpected (economic) losses on the portfolio (the 'expected loss model') and are based on the recommendations of the Basel Committee on Banking Regulations and the Supervisory Practices (the Basel Committee).

(i) The Bank's capital adequacy model assesses the probability of default of individual borrowers on the basis of external ratings. For borrowers without an external rating, judgement and benchmarking against similar credit are used to assign an appropriate rating. Borrowers are segmented into four rating classes. The rating scale, shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary.

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

CDB's Rating	Description of the grade	External rating: Standard & Poor's equivalent
1	Investment grade	AAA, 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.

(ii) Exposure at default is based on the amounts expected to be owed at the time of default. Whenever the model is run, the loans outstanding for the individual countries at that point in time are used as the exposure at default. However, because of the Bank's small exposure to the private sector, these loans are all placed in a single group.

(iii) Loss given default or loss severity represents the Bank's expectation of the extent of loss on a claim should default occur. CDB's experience is that the actual loss incurred at default is the opportunity cost of the income foregone as a result of not receiving the debt payment on schedule. The historical experience is that the Bank eventually recovers all of the outstanding amounts, including the penalty interest charge.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE C – RISK MANAGEMENT...*continued*

Credit risk measurement...*continued*

(b) Debt securities and other bills

CDB's Investment Guidelines limit the quality of the instruments that the Bank can hold in its investment portfolio. No individual investment can have a credit rating less than A-. However, CDB can invest non-freely convertible currencies in unconditional obligations issued or guaranteed by indigenous commercial banks provided that no such bank holds more than \$1,000,000 of the investible amount of the given currency.

Risk limit control and mitigation measures

The Bank manages limits and controls concentration of credit risk. The financial policies limit the amount of exposure in relation to a single borrower and to groups of borrowers. These risks are monitored on a quarterly basis and subject to more frequent review, when necessary. Currently the exposure limit to the single largest borrower is 50 % of the Bank's capital and the limit for the three largest borrowers is 120% of capital.

Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a borrower as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payment, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a borrower authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing. The Bank currently does not have any such exposures.

CDB loans generally take several years before they are fully disbursed. As a result, the Bank has undisbursed balances of approved loans. The liquidity risk remains with the Bank as it is required to provide funds to the borrowers when requested. The Bank is potentially exposed to a loss in relation to the unused commitment. This exposure is reduced as the disbursement is contingent on the borrower meeting its obligations in terms of debt service and other policy related conditions.

Derivative transactions while providing effective economic hedges under the Bank's risk management position do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading, with fair value gains and losses reported in income.

CDB has a potential risk of loss if a swap counterparty fails to perform its obligations, and in order to reduce such credit risk, CDB only enters into long-term swap transactions with counterparties eligible under CDB's swap guidelines which include the requirement that counterparties have a credit rating of AA or higher. These guidelines are monitored on an ongoing basis and CDB does not anticipate that any of its counterparties will fail to perform their obligations under such agreements.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE C – RISK MANAGEMENT...*continued*

Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of statement of financial position assets and liabilities as transactions are usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period since it is affected by each transaction subject to the arrangement.

Impairment and provisioning policies

The rating system described previously focused more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management. The impairment provision in the statement of financial position at year-end is derived from assessment of collateral held and anticipated receipts for that account. The following table provides an analysis of the internal rating categories of the Bank's loans and the associated impairment provision made within:

Bank's rating

As at December 31	2011		2010	
	Loans (\$)	Impairment Provision (%)	Loans (\$)	Impairment Provision (%)
Investment grade	\$37,519	-	\$57,303	-
Standard monitoring	477,755	-	548,424	-
Special monitoring	486,544	-	379,200	-
Sub-standard	5,719	100	8,621	100
Total	\$1,007,537	100	\$993,548	100

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral;
- Downgrading below investment grade level; and
- Economic condition of the country.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE C – RISK MANAGEMENT...*continued*

Bank's rating ...*continued*

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually, or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at the reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. As at December 31, 2011 and 2010, two loans were assessed as impaired in the private sector loan portfolio.

Collective assessment for impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgement and statistical techniques. Collective assessment for impairment is undertaken with the public sector portfolio of loans. As at December 31, 2011 and 2010, no impairment was assessed in the public sector loan portfolio.

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	2011	2010
Cash and cash equivalents	\$ 79,163	\$ 9,434
Debt securities at fair value through profit or loss	244,242	103,212
Public sector loans	958,564	942,851
Private sector loans	48,973	50,697
Derivative financial instruments	128,801	96,691
Non-negotiable demand notes	44,363	44,368
Amounts required to meet maintenance of value on currency holdings	1,121	998
Subscriptions in arrears	15,975	1,250
Other assets	14,625	11,048
	\$1,535,827	\$1,260,549
Undisbursed loan balances		
Public sector	196,761	219,636
Private sector	34,514	43,452
	\$1,767,102	\$1,523,637

The above table represents a worse case scenario of credit risk exposure as at December 31, 2011 and 2010, without taking account of any collateral held or other credit enhancements attached.

For assets included on the statement of financial position, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above, 65.4% of the total maximum exposure is derived from loans and commitments to the public sector (2010: 76.3%); 4.7% represents loans and commitments to the private sector (2010: 6.2%).

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE C – RISK MANAGEMENT...*continued*

Loans and advances

Loans are summarized as follows:

	December 31, 2011		December 31, 2010	
	Public Sector	Private Sector	Public Sector	Private Sector
Neither past due nor impaired	\$935,605	\$43,254	\$919,656	\$40,028
Past due but not impaired	22,959	-	25,241	2
Impaired	-	10,765	-	10,667
Gross	958,564	54,019	944,897	50,697
Less: allowance for impairment	-	(5,046)	-	(2,046)
Net	\$958,564	\$48,973	\$944,897	\$48,651

During the years ended December 31, 2011 and 2010, loans that were neither past due nor impaired represented 99% of loans outstanding.

Loans and advances neither past due nor impaired

The credit quality of the loan portfolio that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

	Loans at December 31, 2011		
	Public Sector	Private Sector	Total Loans
Investment grade	\$37,517	\$ -	\$37,517
Standard monitoring	475,879	-	475,879
Special monitoring	442,209	43,254	485,463
Total	\$955,605	\$43,254	\$998,859

	Loans at December 31, 2010		
	Public Sector	Private Sector	Total Loans
Investment grade	\$51,645	\$ -	\$51,645
Standard monitoring	536,421	-	536,421
Special monitoring	356,825	40,028	396,853
Total	\$944,891	\$40,028	\$984,919

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE C – RISK MANAGEMENT...continued

Loans and advances ...continued

Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of arrears on loans and advances by class to customers that were past due but not impaired were as follows:

	Loans at December 31, 2011		
	Public Sector	Private Sector	Total Loans
Past due up to 30 days	\$2	\$-	\$2
Past due 30 – 60 days	-	-	-
Past due 60 – 90 days	209	-	209
Over 90 days	-	-	-
Total	\$211	\$-	\$211

	Loans at December 31, 2010		
	Public Sector	Private Sector	Total Loans
Past due up to 30 days	\$2	\$1	\$3
Past due 30 – 60 days	-	-	-
Past due 60 – 90 days	4	-	4
Over 90 days	-	1	1
Total	\$6	\$2	\$8

Non-negotiable demand notes

At December 31, 2011, no non-negotiable demand notes are considered to be impaired.

Collateral

CDB does not take collateral on its public sector loans. For private sector loans, CDB will require its commitments to be secured. The nature and extent of the security will be determined on a case-by-case basis. The Loans (CDB) Acts or other applicable legislation are enacted in the various BMC's and authorize the governments to raise loans from CDB, guarantee loans by CDB to statutory authorities and provide for repayment of any loan made by CDB to the Government of 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. This provision prohibits, except with CDB's consent, the charging of Government assets to secure external indebtedness unless CDB is equally and materially secured. Furthermore, CDB would be accorded preferred creditor status by its BMCs being members of the Bank.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE C – RISK MANAGEMENT...continued

Debt securities, treasury bills and other eligible bills

For lines of credit to private sector financial intermediaries, a guarantee from a parent or a trust arrangement under which the sub-loans financed by the line are pooled and assigned in the event of default. As at December 31, 2011 and 2010, no trust arrangements existed in the private sector portfolio. The fair value of the pool is the future expected cash flows of the sub-loans discounted by their interest rate. Marketable assets secure direct loans to the private sector, while the fair value is the observable market price of the asset. The fair value of the collateral on the impaired private sector loans was estimated at \$63,800.

The main investment management objective is to maintain security and liquidity. Subject to these parameters, CDB seeks the highest possible return on its investments. CDB is restricted by its Investment Policy to invest in government and government-related debt instruments and in time deposits. Investments may be made in corporate bonds rated A, or better, AAA rated asset-backed securities, and AAA-rated mortgage-backed securities. Adherence to the investment policy guidelines is monitored on a monthly basis by the Investment Committee.

The tables below present an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at December 31, 2011 and 2010, based on Standard & Poor's ratings or their equivalent:

Type	2011				Total
	AAA	AA- to AA+	A+ to A-	Unrated	
Obligations guaranteed by Governments ¹	\$69,868	\$74,888	\$ -	\$3,171	\$147,927
Euro Commercial Bond	9,972	-	1,405	-	11,377
Time Deposits	-	325	-	1,565	1,890
Sovereign Bond	1,417	27,402	6,263	-	35,082
Supranational Bond	47,966	-	-	-	47,966
Total	\$129,223	\$102,615	\$7,668	\$4,736	\$244,242

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

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE C – RISK MANAGEMENT...continued

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

Type	2010				Total
	AAA	AA- to AA+	A+ to A-	Unrated	
Obligations guaranteed by Governments ¹	\$72,543	\$ -	\$ -	\$3,174	\$75,717
Euro Commercial Bond	2,094	309	-	-	2,403
Time Deposits	-	315	-	1,523	1,838
Sovereign Bond	3,793	-	8,428	-	12,221
Supranational Bond	11,033	-	-	-	11,033
Total	\$89,463	\$624	\$8,428	\$4,697	\$103,212

Concentration of risks of financial assets with credit risk exposure

The following table breaks down CDB's main credit exposure at their carrying amounts, as categorized by Borrowing Member Countries 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 on loans by geographical region is provided at Note G.

	2011				
	Borrowing Members	Non- Regional Members	USA	Other	Total
Cash and cash equivalents	\$8,723	\$1,838	\$68,602	\$ -	\$79,163
Debt securities at fair value through profit or loss	2,970	35,585	102,093	103,594	244,242
Public sector loans	958,564	-	-	-	958,564
Private sector loans	48,973	-	-	-	48,973
Derivative financial instruments	36	1,085	130,305	-	131,426
Non-negotiable demand notes	35,953	8,410	-	-	44,363
Subscriptions in arrears	14,725	1,250	-	-	15,975
Receivables – other	14,625	-	-	-	14,625
Total, December 31	\$1,084,569	\$48,168	\$301,000	103,594	\$1,537,331

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

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE C – RISK MANAGEMENT...continued

Concentration of risks of financial assets with credit risk exposure... continued

	2010				
	Borrowing Members	Non- Regional Members	USA	Other	Total
Cash and cash equivalents	\$ 2,662	\$ 4,855	\$ 1,917	\$ -	\$ 9,434
Debt securities at fair value through profit or loss	3,086	31,949	31,815	36,362	103,212
Public sector loans	942,851	-	-	-	942,851
Private sector loans	50,697	-	-	-	50,697
Derivative financial instruments	266	732	96,691	-	97,689
Non-negotiable demand notes	35,934	8,434	-	-	44,368
Subscriptions in arrears	-	1,250	-	-	1,250
Receivables – other	11,048	-	-	-	11,048
Total, December 31	\$1,046,544	\$47,227	\$130,423	\$36,362	\$1,260,549

CDB's membership is classified into regional and non-regional members. The regional members are all members of CARICOM and are further sub-divided into borrowing and non-borrowing members.

Non-regional members are shareholders from outside of the Caribbean region e.g. Canada, United Kingdom, Germany, Italy and China.

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. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, and foreign exchange rates.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

Foreign exchange risk

CDB takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. 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. The Bank manages exchange risk on borrowings by entering into forward contracts. The following table summarises the exposure to foreign currency exchange rate risk. Included in the table are the financial instruments at carrying amounts, categorized by currency. As at December 31, 2011 and 2010, all loans were denominated in United States dollars.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE C – RISK MANAGEMENT...continued

Concentrations of currency risk

As at December 31	2011			Total
	US\$	Yen	Other	
Assets				
Cash and cash equivalents	\$68,602	-	10,561	\$79,163
Investments	224,622	-	19,620	244,242
Loans	1,007,537	-	-	1,007,537
Derivative financial instruments	128,801	-	-	128,801
Receivable from members	43,058	-	17,280	60,338
Receivables – other	9,206	-	5,419	14,625
Total financial assets	1,481,826	-	52,880	1,534,706
Liabilities				
Derivative financial instruments	193	-	-	193
Accounts payable	8,813	-	-	8,813
Borrowings	612,701	245,174	-	857,875
Total financial liabilities	621,707	245,174	-	866,881
Net on-balance sheet financial position	860,119	(245,174)	52,880	667,825
Credit commitments	231,275	-	-	-
As at December 31	2010			Total
	US\$	Yen	Other	
Assets				
Cash and cash equivalents	\$2,133	-	7,301	\$9,434
Investments	82,227	-	20,985	103,212
Loans	993,548	-	-	993,548
Derivative financial instruments	97,689	-	-	97,689
Receivable from members	28,949	-	16,669	45,618
Receivables – other	9,211	-	1,837	11,048
Total financial assets	1,213,757	-	46,792	1,260,549
Liabilities				
Derivative financial instruments	297	-	-	297
Accounts payable	8,110	-	-	8,110
Borrowings	419,829	233,411	-	653,240
Total financial liabilities	428,236	233,411	-	661,647
Net on-balance sheet financial position	785,521	(233,411)	46,792	598,902
Credit commitments	263,088	-	-	-

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

If the Japanese Yen exchange rate had been 10% higher, CDB's comprehensive income for the year ended December 31, 2011, would increase by \$20,436. If the Japanese Yen exchange rate had been 10% lower, CDB's comprehensive income would decrease by \$29,094 for the year ended December 31, 2011.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

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(expressed in thousands of United States dollars)

NOTE C – RISK MANAGEMENT...continued

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.

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

At December 31	2011					Total
	0-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	
Assets						
Cash and cash equivalents	\$79,163	\$ -	\$ -	\$ -	\$ -	\$ 79,163
Debt securities at fair value	19,360	43,217	133,093	48,572	-	244,242
Loans	1,007,537	-	-	-	-	1,007,537
Derivative financial instruments	128,801	-	-	-	-	128,801
Receivable from members	-	-	-	-	60,338	60,338
Other receivables	-	-	-	-	14,625	14,625
Total Assets	\$1,234,861	\$43,217	\$133,093	\$48,572	\$74,963	\$1,534,706
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$2,966	\$2,966
Payable to members	-	-	-	-	193	193
Borrowings	25,178	208,557	350,720	273,420	-	857,875
Total Liabilities	\$25,178	\$208,557	\$350,720	\$273,420	\$3,159	\$861,034
Total interest sensitivity gap	1,209,683	(165,340)	(217,627)	(224,848)		
	2010					
At December 31						
Assets						
Cash and cash equivalents	\$9,434	\$ -	\$ -	\$ -	\$ -	\$ 9,434
Debt securities at fair value	14,588	31,562	50,805	6,257	-	103,212
Loans	993,548	-	-	-	-	993,548
Derivative financial instruments	97,689	-	-	-	-	97,689
Receivable from members	-	-	-	-	45,618	45,618
Other receivables	-	-	-	-	11,048	11,048
Total Assets	\$1,115,259	\$31,562	\$50,805	\$6,257	\$56,666	\$1,260,549
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$1,903	\$1,903
Payable to members	-	-	-	-	297	297
Borrowings	298,436	46,393	75,000	233,411	-	653,240
Total Liabilities	\$298,436	\$46,393	\$75,000	\$233,411	\$2,200	\$655,440
Total interest sensitivity gap	819,096	(14,831)	(24,195)	(227,154)		

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NOTE C – RISK MANAGEMENT...*continued*

Interest rate risk...*continued*

If interest rates had been 50 bps higher or lower and all other variables were held constant, the CDB's net income for the year ended December 31, 2011, would increase or decrease by \$2,608. In 2010, an increase of 50 bps would have resulted in an increase of \$3,000 while a decrease of 50 bps would have resulted in a decrease of \$1,584.

The sensitivity analyses are based on 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. A 50 bps increase or decrease is used and represents management's assessment of the reasonably possible change in interest rates.

Liquidity risk

Liquidity risk relates to the probability that the Bank is unable to meet the payment obligations associated with its financial liabilities when they fall due. The consequence may be the failure to meet obligations to disburse on its commitments.

Liquidity risk management process

CDB's liquidity management process includes:

- Day-to-day disbursements, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or borrowed by its BMCs. CDB maintains an active presence in international money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow; and
- Managing the concentration and profile of debt maturities.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

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NOTE C – RISK MANAGEMENT...*continued*

Liquidity risk...*continued*

Non-derivative cash flows

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

At December 31	2011				Total
	0 – 3 months	3-12 months	1-5 years	Over 5 years	
Assets					
Cash and cash equivalents	\$79,163	\$ -	\$ -	\$ -	\$79,163
Debt securities at fair value	30,212	45,587	136,180	67,372	279,351
Loans	42,839	85,021	434,798	718,990	1,281,648
Receivable from members	-	-	-	60,338	60,338
Other receivables	8,501	4,912	1,007	205	14,625
Total Assets	\$160,715	\$135,520	\$571,985	\$846,905	\$1,715,125
Liabilities					
Accounts payable	\$2,096	\$14	\$62	\$794	\$2,966
Payable to members	-	-	-	297	297
Borrowings	4,055	237,083	396,291	344,255	981,684
Total Liabilities	\$6,151	\$237,097	\$396,353	\$345,346	\$984,947
At December 31	2010				Total
	0 - 3 months	3-12 months	1-5 years	Over 5 years	
Assets					
Cash and cash equivalents	\$9,434	\$ -	\$ -	\$ -	\$9,434
Debt securities at fair value	12,056	29,187	40,927	7,023	89,193
Loans	41,716	86,577	428,614	726,455	1,283,362
Receivable from members	-	-	-	45,618	45,618
Other receivables	9,784	545	500	219	11,048
Total Assets	\$72,990	\$116,309	\$470,041	\$779,315	\$1,438,655
Liabilities					
Accounts payable	\$1,781	\$ 51	\$ 43	\$ 28	\$ 1,903
Borrowings	4,608	21,236	409,817	349,835	785,496
Total Liabilities	\$6,389	\$21,287	\$409,860	\$349,863	\$787,399

Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality highly-liquid securities to support payment obligations and contingent funding in 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;
- Secondary sources of liquidity including lines of credit with commercial banks.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

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NOTE C – 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 to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows.

At December 31	2011				Total
	0 - 3 months	3-12 months	1-5 years	Over 5 years	
Derivatives:					
- Currency swaps	\$3,382	\$337	\$10,677	\$3,825	\$18,221
- Maintenance of value	-	1,121	-	193	1,314
Total	\$3,382	\$1,458	\$10,677	\$4,018	\$19,535

At December 31	2010				Total
	0 - 3 months	3-12 months	1-5 years	Over 5 years	
Derivatives:					
- Currency swaps	\$3,392	\$415	\$3,824	\$(25,195)	\$(17,564)
- Maintenance of value	-	998	-	(297)	701
Total	\$3,392	\$1,413	\$3,824	\$(25,492)	\$(16,863)

Commitments, guarantees and contingent liabilities

Loan and capital commitments

The table below summarizes the amounts of the Bank's commitments, guarantees and contingent liabilities that will commit it to extend credit to its BMCs.

At December 31	2011		Total
	0-12 months	1-5 years	
Loan commitments	156,000	75,275	231,275
Capital commitments	839	241	1,080
Total	156,839	75,516	232,355

At December 31	2010		Total
	0-12 months	1-5 years	
Loan commitments	\$259,000	\$4,088	\$263,088
Capital commitments	2,040	330	2,370
Total	\$261,040	\$4,418	\$265,458

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE C – RISK MANAGEMENT...*continued*

Fair value of financial assets and liabilities

(a) *Fair value hierarchy*

IFRS 7 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 prices in active markets for identical assets. This level includes listed equity securities and debt instruments on exchanges (for example, the New York Stock Exchange, NASDAQ).

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset either directly or indirectly. This level includes derivative contracts. The source of input parameters like the LIBOR yield curve or counterparty credit risk is Bloomberg.

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

Assets and liabilities measured at fair value:

December 31	2011			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
- Debt securities	\$ -	\$244,242	\$ -	\$244,242
Financial assets designated at fair value				
- Derivatives	-	130,305	-	130,305
- Maintenance of value	-	1,121	-	1,121
Total assets	\$ -	\$375,668	\$ -	\$375,668
Financial liabilities designated at fair value				
- Maintenance of value	\$ -	\$ 193	\$ -	\$193

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE C – RISK MANAGEMENT...*continued*

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

December 31	2010			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
- Debt securities	\$ -	\$103,212	\$ -	\$103,212
Financial assets designated at fair value				
- Derivatives	-	98,964	-	98,964
- Maintenance of value	-	998	-	998
Total assets	\$ -	\$203,174	\$ -	\$203,174
Financial liabilities designated at fair value				
- Maintenance of value	\$ -	\$ 297	\$ -	\$297

(b) *Financial instruments measured at fair value using a valuation technique*

The total amount of the change in fair value estimated using a valuation technique that was recognized in profit and loss during the year was income of \$32,290 (2010 - \$41,094).

(c) *Financial instruments not measured at fair value*

The carrying amounts and the fair value of those financial assets and liabilities not presented in the statement of financial position at their fair value are summarized below.

- (i) Due from banks
Due from banks includes cash and inter-bank placements. The estimated fair value of floating rate placements and overnight deposits is their carrying value.
- (ii) Loans
The Bank's loan portfolio comprises loans granted to, or guaranteed by its Borrowing Member Countries as well as certain other non-sovereign guaranteed loans. Amounts disbursed on loans are repayable in the currency or currencies disbursed by the Bank or in other freely convertible currency or currencies approved by the Bank. The amount repayable in each of these currencies shall be equal to the amount disbursed in the original currency. Loans are granted for a maximum period of twenty years, including a grace period, which is typically the period of project implementation. Loans are for the purpose of financing development projects and programmes, and are not intended for sale. Further, management does not believe there is a comparable secondary market for the type of loans made by the Bank.

For 2011 and 2010 the estimated fair values are based on discounted cash flow models using an estimated yield curve appropriate for the remaining term to maturity.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE C – RISK MANAGEMENT...*continued*

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

- (iii) Non-negotiable demand notes
These are non-interest bearing demand notes with no conditions for repayment. The fair value is estimated therefore to be the carrying value.
- (iv) Receivables - other
Due to the short-term nature of these assets, fair value is assumed to approximate carrying value.
- (v) Accounts payable
The estimated fair value of current liabilities with no stated maturity is the amount repayable on demand.
- (vi) Borrowings
The aggregate fair values are based on discounted cash flow models using a current yield curve appropriate for the remaining term to maturity.

The following table summarizes the carrying amounts and fair values of financial assets and liabilities presented on the Bank's statement of financial position.

	Carrying value		Fair value	
	2011	2010	2011	2010
Financial assets				
Due from banks	\$22,187	\$4,116	\$22,187	\$4,116
Loans	1,007,537	993,548	678,542	784,988
Non-negotiable demand notes	44,363	44,368	44,363	44,368
Subscriptions in arrears	15,975	1,250	15,975	1,250
Receivables – other	14,625	11,048	14,625	11,103
Financial liabilities				
Accounts payable	274	361	274	361
Borrowings	837,875	653,240	xxx	692,036

Derivatives

The Bank uses derivatives in its borrowing and liability management activities to take advantage of cost-saving opportunities and to lower its funding costs. The Bank has entered into currency swap agreements with major international banks by which proceeds of a borrowing are converted into a different currency and simultaneously a forward exchange agreement is executed providing for the future exchange of the two currencies in order to recover the currency converted. The Bank has also entered into interest rate swaps, which transform a floating rate payment obligation in a particular currency into a fixed rate payment obligation or *vice-versa*. Other financial expenses relate to expenses derived from the net swap expenses.

The determination of the fair value of financial instruments is disclosed in note B “Financial assets – (d) Determination of fair value”.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

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NOTE C – RISK MANAGEMENT...*continued*

Capital Management

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

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

The Bank's capital adequacy framework which is consistent with the guidelines developed by the Basel Committee takes into account the Bank's total equity, which is defined as paid-up capital, retained earnings and reserves less receivable from members, and the cumulative effect of IAS 39. The goals of the Bank's capital adequacy policy are to:

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

The 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. CDB's Board of Directors has approved a total equity to exposure (loans and guarantees) ratio (TEER)¹ in the range of 50 and 55%.

At the end of each reporting period, an assessment is made to determine the imbedded risk in the Bank's exposures to the public and private sectors and its capacity to carry this risk. The outstanding loans for each debtor are placed into the rating category of that debtor. The default rate that is associated with each rating is applied to the outstanding exposure by each obligee.

The results of this analysis based on the statement of financial position as at December 31, 2011, indicate a TEER of 54.7% (2010: 52.4%). This indicates that the Bank is adequately capitalised as its TEER is in within its policy range of 50% to 55%.

Management provides quarterly and annual reports to the Board to ensure compliance with the capital adequacy and exposure policies.

NOTE D – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Bank's financial statements and its financial results are influenced by accounting policies, assumptions, estimates and management judgement, which necessarily have to be made in the course of preparation of the financial statements.

CDB makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

¹ For the purposes of capital adequacy, Equity = Paid-in capital + Ordinary reserves + Net income + Special reserve – Net receivable from members. Exposure = loans and guarantees outstanding.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE D – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS...continued

Accounting policies and management's judgement for certain items are especially critical for the Bank's results and financial situation due to their materiality.

Loan loss provisions

The Bank reviews its loan portfolios on an annual basis to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Bank. For public sector loans the assessment is done on a portfolio basis, while for the private sector loans, the assessment is done on the individual loans. The Bank's method for determining the level of impairment of loans is described in Note B 'Impairment of financial assets' and further explained in Note C under credit risk.

Portfolio provisions for the unidentified impairment of sovereign loans at December 31, 2010 and 2009, amounted to \$Nil. Due to the Bank's preferred creditor status afforded by its members a downgrade or upgrade by one risk-rating category would not have had a significant impact on the level of sovereign portfolio provision.

Fair value of derivatives

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques, for example, models. 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, areas such as credit risks (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value financial instruments. For example, if there was a decrease of 50 bps in credit spread, the Bank's profit for the year would increase by \$0.62 mn and if there was an increase of 50 bps in credit spread, the Bank's profit for the year would decrease by \$7.33 mn.

Post employment benefit obligations

The present value of the retirement benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension and other post-employment obligations.

The assumptions used in determining the net cost (income) for pensions include the discount rate. The Bank determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash flows expected to be required to settle the pension obligations. The Bank considers the interest rates of high-quality instruments that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

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NOTE D – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS...*continued*

Post employment benefit obligations...*continued*

Other key assumptions for pension obligations are based on current market conditions.

NOTE E – SEGMENT ANALYSIS

The Bank is a multilateral financial institution dedicated to the development of the economies of the Caribbean member countries. In management's opinion the Bank has one reportable segment since CDB does not manage its operations by allocating resources based on a determination of the contribution of the net income from individual borrowers.

The following table presents CDB's loans outstanding balances and associated interest income by countries which generated in excess of 10% in loan interest income as of and for the years ended December 31, 2011 and 2010:

Country	Interest income		Loans outstanding	
	2011	2010	2011	2010
Jamaica	\$9,401	\$9,848	\$243,281	\$223,925
Barbados	5,158	5,133	126,478	127,532
St. Vincent and the Grenadines	4,139	4,629	105,471	102,007
Other	21,884	23,052	532,552	540,084
Total	<u>\$40,582</u>	<u>\$42,662</u>	<u>\$1,007,752</u>	<u>\$993,548</u>

NOTE F – CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with less than 3 months maturity from the date of acquisition:

	2011	2010
Due from banks	\$22,187	\$4,116
Time deposits	<u>56,976</u>	<u>5,318</u>
Cash and cash equivalents	<u>\$79,163</u>	<u>\$9,434</u>

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

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

A summary of the Bank's debt securities at fair value through profit or loss was as follows:

	2011				
	USD	EUR	CAD	Other	All Currencies
December 31					
Obligations guaranteed by Governments ¹	\$175,218	\$4,052	\$2,619	\$1,405	\$183,294
Multilateral organizations	38,353	2,769	6,649	-	47,771
Time Deposits	-	-	-	1,886	1,886
Euro Commercial Paper	9,972	-	-	-	9,972
Sub-total	\$223,543	\$6,821	\$9,268	\$3,291	\$242,923
Accrued interest	1,079	186	49	5	1,319
Total	\$224,622	\$7,007	\$9,317	\$3,296	\$244,242
	2010				
	USD	EUR	CAD	Other	All Currencies
December 31					
Obligations guaranteed by Governments	\$72,969	\$7,627	\$4,839	\$1,564	\$86,999
Multilateral organizations	6,101	-	4,862	-	10,963
Time Deposits	-	-	-	1,834	1,834
Euro Commercial Paper	2,403	-	-	-	2,403
Sub-total	\$81,473	\$7,627	\$9,701	\$3,398	\$102,199
Accrued interest	754	177	81	1	1,013
Total	\$82,227	\$7,804	\$9,782	\$3,399	\$103,212

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

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

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NOTE H – LOANS OUTSTANDING

The following tables break down the Bank's main credit exposures at their carrying amounts, as categorized by Borrowing Member Countries, regional institutions and to the private sector as of December 31, 2010.

Borrowers	2011					
	Loans approved	Loans not yet effective	Signed agreements	Undisbursed	Outstanding	% of Loans outstanding
Anguilla	\$75,707	-	\$75,707	\$815	\$65,558	6.5
Antigua and Barbuda	69,483	-	69,483	12,170	40,513	4.0
Bahamas	58,893	-	58,893	10,058	3,787	0.4
Barbados	339,232	71,250	267,982	31,556	125,510	12.5
Belize	164,369	-	164,369	37,465	73,238	7.3
British Virgin Islands	59,944	15,672	44,272	4,434	15,193	1.5
Cayman Islands	45,285	-	45,285	-	5,012	0.5
Dominica	46,014	2,087	43,927	4,759	19,699	2.0
Grenada	58,328	2,032	56,296	7,142	30,071	3.0
Guyana	57,650	-	57,650	5,945	29,072	2.9
Jamaica	451,175	-	451,175	37,617	240,898	24.0
Montserrat	485	-	485	-	-	-
St. Kitts and Nevis	99,849	-	99,849	15,973	58,018	5.8
St. Lucia	177,210	4,000	173,210	18,353	92,569	9.2
St. Vincent & the Grenadines	141,459	3,072	138,387	7,719	104,505	10.4
Trinidad and Tobago	129,722	-	129,722	-	32,168	3.2
Turks & Caicos Islands	11,997	-	11,997	1,786	6,292	0.6
Regional	14,462	-	14,462	969	7,416	0.7
Private Sector	160,955	-	160,955	34,514	52,440	5.2
Sub-total	2,162,219	98,113	2,064,106	231,275	1,001,959	100
Provision for losses	-	-	-	-	(5,046)	
Accrued interest ¹	-	-	-	-	10,624	
Total – December 31	\$2,162,219	\$98,113	\$2,064,106	\$231,275	\$1,007,537	

	2011
Current	\$91,211
Non-current	\$916,541

¹ Relates to amounts disbursed and outstanding.

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

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NOTE H – LOANS OUTSTANDING...continued

Borrowers	2010					
	Loans approved	Loans not yet effective	Signed agreements	Undisbursed	Outstanding	% of Loans outstanding
Anguilla	\$93,711	\$18,000	\$75,711	\$815	\$66,771	6.8
Antigua and Barbuda	69,581	-	69,581	23,762	31,404	3.2
Bahamas	58,805	10,109	48,696	-	6,191	0.6
Barbados	304,144	37,062	267,082	41,936	126,306	12.8
Belize	164,447	31,538	132,909	11,328	73,217	7.4
British Virgin Islands	44,307	-	44,307	4,700	17,062	1.7
Cayman Islands	44,828	-	44,828	-	6,433	0.7
Dominica	43,927	2,176	41,751	8,120	16,048	1.6
Grenada	56,390	1,000	55,390	8,065	30,819	3.1
Guyana	59,468	5,831	53,637	3,398	29,360	3.0
Jamaica	451,977	-	451,977	75,785	216,293	22.0
Montserrat	485	-	485	-	-	-
St. Kitts and Nevis	99,851	7,017	92,834	12,002	59,290	6.0
St. Lucia	165,896	-	165,896	11,208	100,838	10.2
St. Vincent & the Grenadines	138,540	-	138,540	9,568	107,968	11.0
Trinidad and Tobago	129,754	-	129,754	-	38,450	3.9
Turks & Caicos Islands	12,055	-	12,055	1,856	6,808	0.7
Regional	14,512	-	14,512	7,093	1,359	0.1
Private Sector	160,761	-	160,761	43,452	49,783	5.1
Sub-total	2,113,439	112,733	2,000,706	263,088	984,400	100
Provision for losses	-	-	-	-	(2,046)	
Accrued interest ¹	-	-	-	-	11,194	
Total – December 31	\$2,113,439	\$112,733	\$2,000,706	\$263,088	\$993,548	

	2010
Current	\$89,662
Non-current	\$903,886

¹ Relates to amounts disbursed and outstanding.

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE H – LOANS OUTSTANDING ... *continued*

An analysis of the composition of outstanding loans was as follows:

	2011							
	Loans out- standing 2010	Net Interest Earned	Disbursements	Sub-Total	Repayments	Provision for Losses	Loans out- standing 2011	% of loans outstanding
Currencies receivable								
United States dollars	984,400	-	\$94,867	\$1,079,267	\$(77,308)	-	\$1,001,959	100.0
Sub-total	984,400	-	94,867	1,079,267	(77,308)	-	1,001,959	100.0
Provision for losses	(2,046)	-	-	(2,046)	-	(3,000)	(5,046)	
Accrued interest	11,194	(570)	-	10,624	-	-	10,624	
Total – December 31	\$993,548	(570)	\$94,867	\$1,087,845	(77,308)	(3,000)	\$1,007,537	

	2010							
	Loans out- standing 2009	Net Interest Earned	Disbursements	Sub-Total	Repayments	Provision for Losses	Loans out- standing 2010	% of loans outstanding
Currencies receivable								
United States dollars	808,839	-	\$246,358	\$1,055,197	\$(70,797)	-	\$984,400	100.0
Sub-total	808,839	-	246,358	1,055,197	(70,797)	-	984,400	100.0
Provision for losses	(2,046)	-	-	(2,046)	-	-	(2,046)	
Accrued interest	11,537	(343)	-	11,194	-	-	11,194	
Total – December 31	\$818,330	(343)	\$246,358	\$1,064,345	(70,797)	-	\$993,548	

Reconciliation of allowance account for losses on loans

	2011	2010
Balance at January 1	\$2,046	\$2,046
Increase in impairment allowance	3,000	-
Balance at December 31	\$5,046	\$2,046

CARIBBEAN DEVELOPMENT BANK

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December 31, 2011

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NOTE I – DERIVATIVE FINANCIAL INSTRUMENTS

The fair values of derivative financial instruments held at December 31, 2011 and 2010, were as follows:

		<u>2011</u>	<u>2010</u>
		Fair values	
	Notional Amount	Assets	Assets
Cross currency interest rate swaps	\$160,000	\$127,680	\$96,691
Maintenance of value		\$1,121	\$998
		Liabilities	Liabilities
Maintenance of value		\$193	\$297

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates or a combination of all these (e.g. cross-currency interest rate swaps). The bank's credit risk represents the potential cost to replace the swap contracts if the counterparties fail to fulfill their obligation.

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

NOTE J – NON-NEGOTIABLE DEMAND NOTES

The Agreement permits the Bank to accept from a member non-negotiable, non-interest-bearing demand notes in place of part of the member's subscription to the paid-up capital which shall be payable in the member's currency and maintenance of value in respect of such part, provided that such currency is not required for the conduct of the operations of the Bank. A member that has issued such demand notes may, at the request of the Bank, convert any of them into interest-bearing notes or into cash to be invested in government securities of that member. For a detailed listing refer to Note R.

All of the non-negotiable demand notes are non-current.

NOTE K – MAINTENANCE OF VALUE ON CURRENCY HOLDINGS

Member countries, whose currencies do not have a fixed relationship with the US dollar but have made adjustments to the exchange rate, are obliged to maintain the value of their currencies in respect of capital contributions if such currencies depreciate.

**CARIBBEAN DEVELOPMENT BANK
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NOTE L – RECEIVABLES – OTHER

	2011	2010
Inter-fund receivables – Note V	\$8,240	\$9,476
Staff loans and other receivables	852	1,026
VAT receivable	552	318
Other	4,981	228
	<u>\$14,625</u>	<u>\$11,048</u>
Current	\$13,413	\$10,027
Non-current	\$1,212	\$1,021

During the year, no provision (2009 – nil) was required as no receivables were considered to be impaired.

NOTE M – PROPERTY AND EQUIPMENT

Under the Headquarters' Agreement with the host country, the Bank's 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:

	2011					
	Projects in Progress	Land, Buildings and Ancillary Works	Computers	Furniture and Equipment	Motor Vehicles	Total
At January 1						
Cost	926	11,112	7,171	3,939	203	23,351
Accumulated depreciation	-	(6,197)	(5,502)	(3,196)	(151)	(15,046)
Closing net book amount	<u>926</u>	<u>4,915</u>	<u>1,669</u>	<u>743</u>	<u>52</u>	<u>8,305</u>
Year ended December 31						
Opening net book amount	926	4,915	1,669	743	52	8,305
Additions	713	-	140	592	122	1,567
Disposals – Cost	-	-	(31)	(40)	-	(71)
Disposals-accumulated depreciation	-	-	31	40	-	71
Depreciation expense	-	(270)	(832)	(302)	(49)	(1,453)
Closing net book amount	<u>1,639</u>	<u>4,645</u>	<u>977</u>	<u>1,033</u>	<u>125</u>	<u>8,419</u>
At December 31						
Cost	1,639	11,112	7,280	4,491	325	24,847
Accumulated Depreciation	-	(6,467)	(6,303)	(3,458)	(200)	(16,428)
Closing net book amount	<u>1,639</u>	<u>4,645</u>	<u>977</u>	<u>1,033</u>	<u>125</u>	<u>8,419</u>

**CARIBBEAN DEVELOPMENT BANK
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(expressed in thousands of United States dollars)

NOTE M – PROPERTY AND EQUIPMENT... *continued*

	2010					
	Projects in Progress	Land, Buildings and Ancillary Works	Computers	Furniture and Equipment	Motor Vehicles	Total
At January 1						
Cost	242	11,083	7,212	3,587	163	22,287
Accumulated Depreciation	-	(5,925)	(4,904)	(2,908)	(117)	(13,854)
Closing net book amount	242	5,158	2,308	679	46	8,433
Year ended December 31						
Opening net book amount						
Additions	242	5,158	2,308	679	46	8,433
Reclassifications – cost	684	29	197	369	40	1,319
Reclassifications – accumulated depreciation						
Disposals	-	-	(238)	(17)	-	(255)
Disposals-accumulated depreciation	-	-	238	17	-	255
Depreciation expense	-	(272)	(836)	(305)	(34)	(1,447)
Closing net book amount	926	4,915	1,669	743	52	8,305
At December 31						
Cost	926	11,112	7,171	3,939	203	23,351
Accumulated Depreciation	-	(6,197)	(5,502)	(3,196)	(151)	(15,046)
Closing net book amount	926	4,915	1,669	743	52	8,305

**CARIBBEAN DEVELOPMENT BANK
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NOTE N – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2011	2010
Accounts payable	\$847	\$83
Accrued expenses	2,119	1,820
Payments in advance	-	-
Total	\$2,966	\$1,903
Current portion	\$2,110	\$1,832
Non-current portion	\$856	\$71

NOTE O –MAINTENANCE OF VALUE OF VALUE ON CURRENCY HOLDINGS

The Bank is obliged to make MOV payments in promissory notes to members whose currencies have significantly appreciated.

NOTE P – POST EMPLOYMENT BENEFIT OBLIGATIONS

The Bank operates a defined benefit pension plan and a hybrid pension scheme based on the employee pensionable remuneration and length of service. While certain administration charges are allocated, the post-employment benefit obligations reflected are those of the OCR as the OCR has no recourse to the Other Special Funds with respect to this obligation.

Pension and other post employment obligations

	2011	2010
Balance sheet obligations for:		
Pension benefits		\$(239)
Post-employment medical benefits		2,071
Liability in the balance sheet		\$1,832
Income statement charge for:		
Pensions benefits		\$3,003
Post-employment medical benefits		244
		\$3,247

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

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NOTE P – POST EMPLOYMENT BENEFIT OBLIGATIONS...continued

Pension and other post employment obligations...continued

The amounts recognized in the statement of financial position are determined as follows:

	Pensions		Post-employment medical benefits	
	2011	2010	2011	2010
Present value of funded obligations		\$57,802		\$1,916
Fair value of plan assets		(53,690)		-
		4,112		1,916
Unrecognized actuarial losses		(4,351)		155
Liability/(asset) included in balance sheet		<u>\$ (239)</u>		<u>\$2,071</u>

The amounts recognized in the statement of comprehensive income are as follows:

	Pensions		Post-employment medical benefits	
	2011	2010	2011	2010
Current service cost		\$2,894		\$91
Interest cost		3,073		153
Expected return on plan assets		(3,092)		-
Amortisation of actuarial cost		128		-
		<u>\$3,003</u>		<u>\$244</u>
Actual return on the plan assets		<u>\$(3,754)</u>		

Movement in the (asset)/liability recognized in the statement of financial position:

	Pensions		Post-employment medical benefits	
	2011	2010	2011	2010
January 1		\$(678)		\$1,866
Pension/benefit cost		3,003		244
Contributions paid		(2,564)		(39)
December 31		<u>\$ (239)</u>		<u>\$2,071</u>

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

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NOTE P – POST EMPLOYMENT BENEFIT OBLIGATIONS...continued

Pension and other post employment obligations...continued

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

	Pensions		Post-employment medical benefits	
	2011	2010	2011	2010
January 1		\$51,989		\$1,932
Current service cost		2,894		91
Interest cost		3,073		153
Employees' contributions		812		-
Experience (gain)/loss		1,598		(221)
Benefits paid		(2,564)		(39)
December 31		<u>\$57,802</u>		<u>\$1,916</u>

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

	Pensions	
	2011	2010
January 1		\$48,423
Expected return on plan assets		3,092
Experience gain/(loss)		356
Employer's contributions		2,564
Employees' contributions		812
Benefits paid		(1,557)
December 31		<u>\$53,690</u>

The principal actuarial assumptions used for accounting purposes are:

	Pensions		Post-employment medical benefits	
	2011	2010	2011	2010
	(%)	(%)	(%)	(%)
Discount rate		5.5		7.75
Expected return on plan assets		5.5-6.0		
Future salary increases		5.5		
Future pension increases		0-2.5		
Annual increase in benefit	-	-		6.25

**CARIBBEAN DEVELOPMENT BANK
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NOTE P – POST EMPLOYMENT BENEFIT OBLIGATIONS...*continued*

Pension and other post-employment obligations...*continued*

Mortality rate

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

The average life expectancy in years of a pensioner retiring at age 62 on the reporting date is as follows:

	<u>2011</u>	<u>2010</u>
Male	19.35	19.35
Female	23.32	23.32

A one-percentage-point change in assumed health care trend rates would have the following effects:

	<u>1 % point increase</u>	<u>1 % point decrease</u>
Effect on total service and interest cost components	\$ 43	\$ (45)
Effect on post-retirement benefit obligation	336	(271)

Post-employment benefits are comprised as follows:

Asset allocation as at December 31 – New Pension Plan	<u>2011</u>	<u>2010</u>
Equity securities	55%	55%
Debt securities	42%	42%
Other	3%	3%
Total	<u>100%</u>	<u>100%</u>
 Asset allocation as at December 31 – Pension Scheme	 <u>2011</u>	 <u>2010</u>
Debt securities	93%	93%
Other	7%	7%
Total	<u>100%</u>	<u>100%</u>

CDB's contributions to both pension plans in 2011 are estimated at \$2,533 (2009 - \$2,552).

**CARIBBEAN DEVELOPMENT BANK
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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE P – POST EMPLOYMENT BENEFITS...*continued*

Pension and other post-employment obligations...*continued*

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting date, while equity returns reflect long-term real rates of return experienced in respective markets.

As at December 31

	2011	2010	2009	2008	2007
Present value of defined benefit obligation	\$57,802	\$51,989	\$47,910	\$45,872	\$45,872
Fair value of plan assets	(53,690)	(48,423)	(43,386)	(45,522)	(45,522)
Deficit	\$4,112	\$3,566	\$4,524	\$350	\$350
Experience adjustments on plan liabilities	\$1,152	\$ 538	\$ (240)	\$(750)	\$(750)
Experience adjustments on plan assets	\$356	\$ 895	\$(6,194)	\$ 102	\$ 102

NOTE Q – BORROWINGS

It is the Bank's policy to limit borrowing and guarantees chargeable to the Bank's Ordinary Capital Resources to 100 percent of the callable capital of its investment grade non-borrowing members plus the cash reserves. At December 31, 2011, total borrowings amounted to \$857,875 (2010: \$653,240). Also at December 31, 2011, the ratio of total outstanding borrowings to the borrowing limit of \$1,058,251 (2010 - \$833,901) was 81.1% (2010 – 78.3%).

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

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NOTE Q – BORROWINGS...*continued*

A summary of the borrowings was as follows:

	Original amounts ^{1/}	Translation adjustments	Repayments to date	Currency swap ^{2/}	Undrawn	Outstanding	Due dates
Short term Borrowing							
Floating Rate Note – US\$	20,000	-	(20,000)	-	-	-	2011
Floating Rate Note – US\$	20,000	-	-	-	-	20,000	2012
	40,000	-	(20,000)	-	-	20,000	
CDB Market Borrowings							
4.35% Notes – Yen	60,000	23,654	-	-	-	83,654	2030
2.75% Notes – Yen	100,000	51,324	-	10,196	-	161,520	2022
1.12% Two Year Bonds – US\$	75,000	-	-	-	-	75,000	2012
One Year Discount Note – US\$	9,911	-	(9,911)	-	-	-	2011
One Year Discount Note – US\$	9,925	-	-	-	-	9,925	2012
Floating Rate Note – US\$	60,000	-	(60,000)	-	-	-	2013
Floating Rate Note – US\$	175,000	-	-	-	-	175,000	2013
Floating Rate Note – US\$	149,869	-	-	-	-	149,869	2014
Floating Rate Note – US\$	119,817	-	-	-	-	119,817	2012
	759,522	74,978	(69,911)	10,196	-	774,785	
European Investment Bank							
Global Loan 11 – A – US\$	13,034	-	(13,034)	-	-	-	2011
Global Loan 11I - US\$	51,157	-	-	-	-	51,157	2023
	64,191	-	(13,034)	-	-	51,157	
Inter-American Development Bank							
Loan 926/OC-RG-US\$	19,347	-	(8,776)	-	-	10,571	2021
Sub-total	883,060	74,978	(111,721)	10,196	-	856,513	
Accrued interest ³	-	-	-	-	-	1,362	
Total – December 31	\$864,422	\$74,978	\$(111,721)	\$10,196	-	\$857,875	

1/ Net of cancellations and borrowings fully paid.

2/ Unwinding of fair value hedge.

3/ Relates to amounts withdrawn and outstanding

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

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NOTE Q – BORROWINGS...continued

	Original amounts ^{1/}	Translation adjustments	Repayments to date	Currency swap ^{2/}	Undrawn	Outstanding	Due dates
CDB Market Borrowings							
4.35% Notes – Yen	60,000	19,641	-	-	-	79,641	2030
2.75% Notes – Yen	100,000	42,647	-	11,123	-	153,770	2022
1.12% Two Year Bonds – US\$	75,000	-	-	-	-	75,000	2012
One Year discount Note – US\$	9,911	-	-	-	-	9,911	2011
Floating Rate Note – US\$	60,000	-	(60,000)	-	-	-	2013
Floating Rate Note – US\$	149,823	-	-	-	-	149,823	2014
Floating Rate Note – US\$	119,574	-	-	-	-	119,574	2012
	574,308	62,288	(60,000)	11,123	-	587,719	
European Investment Bank							
Global Loan 11 – A – US\$	13,034	-	(11,409)	-	-	1,625	2011
Global Loan 11I - US\$	51,157	-	-	-	-	51,157	2023
	64,191	-	(11,409)	-	-	52,782	
Inter-American Development Bank							
Loan 926/OC-RG-US\$	19,347	-	(7,664)	-	-	11,683	2021
Sub-total	657,846	62,288	(79,073)	11,123	-	652,184	
Accrued interest ³	1,541	-	-	-	-	1,056	
Total – December 31	\$659,387	\$62,288	\$(79,073)	\$11,123	-	\$653,240	

1/ Net of cancellations and borrowings fully paid.

2/ Unwinding of fair value hedge.

3/ Relates to amounts withdrawn and outstanding^{3/} Relates to amounts withdrawn and outstanding

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

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NOTE Q – BORROWINGS...continued

Currencies repayable on outstanding borrowings were as follows:

2011							
Currencies Repayable	Outstanding at December 2010	Translation Adjustment	Net Interest Paid	Draw- downs	Currency swap amortisation	Repayments	Outstanding at December 2011
United States dollars	\$419,699	\$ -	\$ -	\$225,216	\$ -	\$(32,649)	\$612,266
Japanese yen	232,485	12,689	-	-	(927)	-	244,247
Sub-total	652,184	12,689	-	225,216	(927)	(32,649)	856,513
Accrued interest ¹	1,056	-	306	-			1,362
Total – December 31	\$653,240	\$12,689	\$306	\$225,216	\$(927)	\$(32,649)	\$857,875

2010							
Currencies Repayable	Outstanding at December 2009	Translation Adjustment	Net Interest Paid	Draw- downs	Currency swap amortisation	Repayments	Outstanding at December 2010
United States dollars	\$511,080	\$ -	\$ -	\$86,126	\$ -	\$(177,507)	\$419,699
Japanese yen	205,448	27,964	-	-	(927)	-	232,485
Sub-total	716,528	27,964	-	86,126	(927)	(177,507)	652,184
Accrued interest ¹	1,541	-	(485)	-			1,056
Total – December 31	\$718,069	\$27,964	\$(485)	\$86,126	\$(927)	\$(177,507)	\$653,240

The current and non-current portions of borrowings as at December 31 were as follows:

	2011	2010
Current	\$232,375	\$13,705
Non-current	625,500	639,535
Total	\$857,875	\$653,240

^{1/}Relates to amounts withdrawn and outstanding

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

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NOTE R – EQUITY

Equity is comprised of capital, retained earnings and reserves. These are further detailed as follows:

Capital

Subscriptions to the capital stock of the Bank are made up of the initial capital, five additional subscriptions and four general capital increases. At the fortieth meeting of the Board of Governors in May 2010 in the Bahamas, a general capital increase of 150% was approved. The Bank's capital as at December 31 was as follows:

	<u>2011</u>	<u>2010</u>
Capital stock		
Authorised capital – 312,971 (2010 – 312,971) shares		
Subscribed capital – 239,463 (2010 – 146,022) shares	\$1,501,892	\$937,193
Less callable capital – 187,032 (2010 – 113,759) shares	<u>1,170,887</u>	<u>730,433</u>
Paid-up capital – 52,611 (2010 – 32,263) shares	<u>\$331,005</u>	<u>\$206,760</u>

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

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NOTE R – EQUITY...continued

Capital...continued

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

Member	2011								
	No. of Shares	% of Total	Total subscribed Capital	Callable Capital	Paid-up Capital	Sub- scriptions matured	Voting Power		Receivable from members non-negotiable demand notes
							No. of votes	% of total votes	
Regional States and Territories									
Jamaica	48,354	20.18	291,659	227,614	64,045	31,961	48,504	19.97	13,733
Trinidad and Tobago	48,354	20.18	291,659	227,614	64,045	31,961	48,504	19.97	11,037
Bahamas	14,258	5.95	86,001	67,115	18,886	9,426	14,408	5.93	1,612
Guyana	4,167	1.73	25,134	19,633	5,501	5,501	4,317	1.78	3,203
Colombia	7,795	3.25	47,017	36,691	10,326	5,154	7,945	3.27	628
Mexico	3,118	1.30	18,807	14,687	4,120	4,120	3,268	1.35	-
Venezuela	3,118	1.30	18,807	14,687	4,120	4,120	3,268	1.35	3,141
Barbados	9,074	3.79	54,732	42,717	12,015	5,999	9,224	3.80	1,070
Belize	2,148	0.90	12,956	10,109	2,847	1,419	2,298	0.95	-
Dominica	859	0.36	5,181	4,047	1,134	1,134	1,009	0.42	286
Grenada	736	0.31	4,439	3,468	971	971	886	0.36	213
St. Lucia	2,148	0.90	12,956	10,109	2,847	1,419	2,298	0.95	360
St. Vincent and the Grenadines	2,148	0.90	12,956	10,109	2,847	1,419	2,298	0.95	97
Antigua and Barbuda	859	0.36	5,181	4,047	1,134	1,134	1,009	0.42	296
St. Kitts and Nevis	859	0.36	5,181	4,047	1,134	1,134	1,009	0.42	255
Anguilla ^{1/}	182	0.36	1,098	857	241	241	-	-	14
Montserrat ^{1/}	213	0.08	1,285	1,001	284	283	1,504	0.62	-
British Virgin Islands ^{1/}	213	0.09	1,285	1,001	284	283	-	-	-
Cayman Islands ^{1/}	213	0.09	1,285	1,001	284	283	-	-	8
Turks and Caicos Islands ^{1/}	533	0.22	3,215	2,509	706	354	-	-	-
Haiti	875	0.37	5,278	4,120	1,158	1,158	1,025	0.42	-
Sub-total	150,224	62.68	906,112	707,183	198,929	109,474	152,774	62.88	35,953

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE R – EQUITY...continued

Capital...continued

Member	2011								
	No. of Shares	% of Total	Total subscribed capital	Callable Capital	Paid-up Capital	Sub- scriptions matured	Voting Power		Receivable from members non-negotiable demand notes
							No. of votes	% of total votes	
Sub-total	150,224	62.68	906,112	707,183	198,929	109,474	152,774	62.88	35,953
Non-Regional States									
Canada	26,004	10.85	156,849	122,408	34,441	17,190	26,154	10.77	-
United Kingdom	26,004	10.85	156,849	122,408	34,441	17,190	26,154	10.77	2,150
Italy	6,235	2.60	37,608	29,375	8,233	8,234	6,385	2.63	711
Germany	15,588	6.50	94,023	73,376	20,647	10,303	15,738	6.48	5,549
China	15,588	6.50	94,023	73,376	20,647	10,303	15,738	6.48	-
	89,419	37.32	539,352	420,943	118,409	63,220	90,169	37.12	8,410
Sub-total	239,643	100.00	1,445,464	1,128,126	317,338	172,694	242,943	100.00	44,363
Additional subscriptions									
China	-	-	18,804	14,688	4,116	4,116	-	-	-
Colombia	-	-	1,810	905	905	905	-	-	-
Germany	-	-	12,546	9,681	2,865	2,865	-	-	-
Italy	-	-	12,546	9,681	2,865	2,865	-	-	-
Mexico	-	-	6,273	4,841	1,432	1,432	-	-	-
Venezuela	-	-	1,810	905	905	905	-	-	-
Haiti	-	-	2,639	2,060	579	579	-	-	-
Sub-total	-	-	56,428	42,761	13,667	13,667	-	-	-
Total - December 31	239,643	100.00	1,501,892	1,170,887	331,005	186,361	242,943	100.00	44,363

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE R – EQUITY...continued

Capital...continued

Member	2010								
	No. of Shares	% of Total	Total subscribed Capital	Callable Capital	Paid-up Capital	Subscriptions matured	Voting Power		Receivable from members non-negotiable demand notes
							No. of votes	% of total votes	
Regional States and Territories									
Jamaica	19,342	13.25	116,666	91,122	25,544	25,544	19,492	13.05	13,849
Trinidad and Tobago	19,342	13.25	116,666	91,122	25,544	25,544	19,492	13.05	10,896
Bahamas	14,258	9.76	86,000	67,115	18,885	7,534	14,408	9.65	1,612
Guyana	4,167	2.84	25,134	19,633	5,501	5,501	4,317	2.89	3,146
Colombia	7,795	5.34	47,017	36,691	10,326	4,120	7,945	5.32	628
Mexico	3,118	2.14	18,807	14,687	4,120	4,120	3,268	2.19	-
Venezuela	3,118	2.14	18,807	14,687	4,120	4,120	3,268	2.19	3,203
Barbados	9,074	6.21	54,732	42,717	12,015	4,795	9,224	6.18	1,070
Belize	2,148	1.47	12,956	10,109	2,847	1,134	2,298	1.54	-
Dominica	859	0.59	5,181	4,047	1,134	1,134	1,009	0.68	286
Grenada	736	0.50	4,439	3,468	971	971	886	0.59	213
St. Lucia	859	0.59	5,181	4,047	1,134	1,134	1,009	0.68	360
St. Vincent and the Grenadines	2,148	1.47	12,956	10,109	2,847	1,134	2,298	1.54	97
Antigua and Barbuda	859	0.59	5,181	4,047	1,134	1,134	1,009	0.68	296
St. Kitts and Nevis	859	0.59	5,181	4,047	1,134	1,134	1,009	0.68	255
Anguilla ^{1/}	182	0.12	1,098	857	241	241	-	-	14
Montserrat ^{1/}	213	0.15	1,285	1,002	283	283	1,504	1.01	-
British Virgin Islands ^{1/}	213	0.15	1,285	1,002	283	283	-	-	-
Cayman Islands ^{1/}	213	0.15	1,285	1,002	283	283	-	-	8
Turks and Caicos Islands ^{1/}	533	0.37	3,215	2,509	706	283	-	-	-
Haiti	875	0.60	5,278	4,120	1,158	1,158	1,025	0.69	-
Sub-total	90,911	62.25	\$548,350	\$428,140	\$120,210	\$91,584	93,461	62.59	\$35,933

^{1/} In accordance with Article 3 of the Agreement establishing the Bank 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 Agreement

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE R – EQUITY...continued

Capital...continued

Member	2010						Voting Power		Receivable from members non-negotiable demand notes
	No. of Shares	% of Total	Total subscribed capital	Callable Capital	Paid-up Capital	Sub- scriptions matured	No. of votes	% of total votes	
Sub-total	90,911	62.25	\$548,350	\$428,140	\$120,210	\$91,584	93,461	62.59	\$35,933
Non-Regional States									
Canada	26,004	17.81	156,849	122,408	34,441	13,740	26,154	17.52	-
United Kingdom	10,402	7.12	62,742	49,002	13,740	13,740	10,552	7.07	2,150
Italy	6,235	4.27	37,608	29,374	8,234	8,234	6,385	4.28	736
Germany	6,235	4.27	37,608	29,374	8,234	8,234	6,385	4.28	5,549
China	6,235	4.27	37,608	29,374	8,234	8,234	6,385	4.28	-
	55,111	37.75	332,415	259,532	72,883	52,182	55,861	37.41	8,435
Sub-total	146,022	100.00	\$880,765	\$687,672	\$193,093	\$143,766	149,322	100.00	\$44,368
Additional subscriptions									
China	-	-	18,804	14,688	4,116	4,116	-	-	-
Colombia	-	-	1,810	905	905	905	-	-	-
Germany	-	-	12,546	9,681	2,865	2,865	-	-	-
Italy	-	-	12,546	9,681	2,865	2,865	-	-	-
Mexico	-	-	6,273	4,841	1,432	1,432	-	-	-
Venezuela	-	-	1,810	905	905	905	-	-	-
Haiti	-	-	2,639	2,060	579	579	-	-	-
Sub-total	-	-	\$ 56,428	\$ 42,761	\$ 13,667	\$ 13,667	-	-	-
Total - December 31	146,022	100.00	\$937,193	\$730,433	\$206,760	\$157,433	149,322	100.00	\$44,368

^{1/} In accordance with Article 3 of the Agreement establishing the Bank 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 Agreement

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE R – EQUITY...*continued*

Members' subscriptions

The Bank's capital stock is divided into paid-in shares and callable shares. Payment for paid-in shares subscribed by its members is made over a period of years determined in advance. The Bank's Articles state 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.

The Agreement establishing the CDB 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. Only one member has ever withdrawn its membership voluntarily. No other member has ever indicated to the Bank that it intends to withdraw its membership from the Bank. The stability in the membership reflects the fact that the purpose of the Bank is to contribute to the sustainable economic development and social progress of its Borrowing Member Countries individually and jointly. Moreover, there is a significant financial disincentive to withdrawing membership. The repurchase price of the shares is the value shown by 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 parts 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. If, for example, paying a former member would have adverse consequences for the Bank's financial position, the Bank could 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. Based on the above discussion, management has determined that members' shares are deemed to be a permanent investment in the bank and are appropriately classified as equity.

Under the agreement, payment for the paid-up shares of the original capital stock subscribed to by members was made in installments. Of each installment, up to 50 percent was 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.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE R – EQUITY...*continued*

Retained earnings and reserves

Retained earnings and reserves comprise the following elements:

	<u>2011</u>	<u>2010</u>
Ordinary reserves	\$398,551	\$370,441
Surplus	11,648	11,648
Unallocated net income	21,535	28,110
Derivative fair value earnings net of cumulative effect of foreign exchange translation	42,007	22,758
Special reserve	6,254	6,254
General banking reserve	7,856	7,856
	<u>\$487,851</u>	<u>\$447,067</u>

In accordance with Article 39 of the Agreement, the Board of Governors shall determine at least annually the disposition of the net income of the Bank arising from its Ordinary operations. In previous years the net income has been allocated to the Ordinary Reserves of the Bank which may be used, *inter alia*, to meet possible future losses on loans and guarantees made by the Bank in its Ordinary operations and possible future losses from currency devaluations.

Special reserve

In accordance with Article 18 of the Agreement, commissions and guarantee fees received on loans made out of the Ordinary Capital Resources of the Bank 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 Board of Directors 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.

General banking reserve

Loan loss provisions amounting to \$7,856 (2010 - \$7,856) are deemed to be a provision for general banking risks and are reported as a general banking reserve.

CARIBBEAN DEVELOPMENT BANK

ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE S – INCOME FROM LOANS, INVESTMENTS and cash balances

Income from loans

Income from loans for the years ended December 31, 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Interest income	\$38,288	\$40,223
Other fees	2,294	2,439
Total	<u>\$40,582</u>	<u>\$42,662</u>

Other financial income and expenses

Other financial income and expenses is comprised of the net interest position on the swaps and includes other finance charges.

NOTE T – ADMINISTRATIVE EXPENSES

Administrative expenses incurred by the Bank are allocated between the Ordinary Capital Resources and the Special Funds Resources in accordance with a method of allocation approved by the Board of Directors.

Administrative expenses are as follows:

	<u>2011</u>	<u>2010</u>
Staff related	\$6,465	\$6,508
Professional fees and consultancies	650	579
Travel	508	460
Depreciation	591	607
Other	401	367
Utilities and maintenance	426	428
Training and seminars	235	236
Supplies and printing	67	80
Board of Governors and Directors	191	212
Computer services	400	421
Communications	175	190
Bank charges	41	50
Insurance	33	30
Total administrative expenses	<u>\$10,183</u>	<u>\$10,168</u>

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE T – ADMINISTRATIVE EXPENSES...*continued*

Staff costs charged to the OCR are as follows:

	<u>2011</u>	<u>2010</u>
Salaries and allowances	\$4,982	\$4,839
Pension costs – hybrid scheme	96	115
Pension costs – defined benefit plan	943	1,156
Other benefits	444	398
	<u>\$6,465</u>	<u>\$6,508</u>

NOTE U – DERIVATIVE FAIR VALUE ADJUSTMENT

Derivative fair value adjustment of (\$32,290) (2010 – \$41,094) included in the statement of income comprises:

	<u>2011</u>	<u>2010</u>
Cross currency interest rate swap	\$(31,925)	\$(38,796)
Maintenance of value on currency holdings	(13)	(25)
	<u>\$(31,938)</u>	<u>\$(38,821)</u>

NOTE V – RELATED PARTY TRANSACTIONS

The movement in interfund receivables in accounts receivables at December 31 is as follows:

	<u>2011</u>	<u>2010</u>
January 1	\$9,476	\$16,007
Advances during the year	31,289	23,124
Allocation of administrative expenses	12,799	10,532
Repayments during the year	<u>(45,324)</u>	<u>(40,187)</u>
December 31	<u>\$8,240</u>	<u>\$9,476</u>

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

NOTE V – RELATED PARTY TRANSACTIONS...*continued*

Key management compensation as at December 31 is as follows:

	<u>2011</u>	<u>2010</u>
Key management compensation		
Salaries and allowances	\$1,420	\$1,616
Post-employment benefits		632
		<u>\$2,248</u>

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 to the OCR. During 2010, \$431 (2009 - \$346) was received from the Other Special Funds in interest on behalf of the borrowers.

NOTE W – COMMITMENTS AND GUARANTEES

At December 31, 2011, CDB had undisbursed loan balances of \$231,275 (2010 - \$263,088) as well as approved capital expenditure commitments amounting to \$1,080 (2010- \$2,370) for the 2011 financial year. Of the amounts previously approved \$839 (2010 - \$478) had been committed at December 31, 2011.

CDB has provided a partial guarantee of a loan made by another financial institution. Guarantee, in support of a bond issuance, is for the payment of no more than two debt service payments on a rolling and non-accelerable basis. The payment cannot exceed the equivalent of \$8,300 in any one year. This amount represents the maximum potential amount of undiscounted future payments that CDB could be required to make under the guarantee, and is not included in the Balance Sheet. The guarantee has a maturity of 12 years, and will expire in 2020. In September 2011, one debt service payment amounting to \$4,100 was called.

At its two-hundredth and forty ninth meeting held on December 8, 2011, CDB issued another guarantee in an amount not exceeding the equivalent of USD12,000 with respect to the Bonds to be issued by the Government of St. Kitts and Nevis.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying special purpose financial statements of the **Special Development Fund** of the **Caribbean Development Bank** (the "Bank") for the year ended December 31, 2011, which comprise the statement of financial position as at December 31, 2011 and the statement of income and accumulated income for the year then ended, and a summary of significant accounting policies and other explanatory information. The special purpose financial statements have been prepared on the basis set out in Note A.

Management's responsibility for the special purpose financial statements

Management is responsible for the preparation and presentation of these special purpose financial statements on the basis described in Note A. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of special purpose financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the special purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the special purpose financial statements.

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

Opinion

In our opinion, the accompanying special purpose financial statements have been prepared, in all material respects, in accordance with the basis set out in Note A.

Chartered Accountants
March 7, 2012
Bridgetown, Barbados

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF FINANCIAL POSITION

As of December 31, 2011

(expressed in thousands of United States dollars)

	2011			2010		
	Unified	Other	Total	Unified	Other	Total
Assets						
Cash and time deposits – Note A	\$33,646	\$23,548	\$57,194	\$57,660	\$11,259	\$68,919
Investments – at fair value (Schedule 1)	240,828	36,599	277,427	202,615	54,340	256,955
Loans (Schedule 2)	448,451	20,570	469,021	431,044	21,453	452,497
Receivables – other						
Accounts receivable including interfund receivables	1	-	1	1	-	1
	<u>\$722,926</u>	<u>\$80,717</u>	<u>\$803,643</u>	<u>\$691,320</u>	<u>\$87,052</u>	<u>\$778,372</u>
Receivable from contributors						
Non-negotiable demand notes (Schedule 3)	59,247	-	59,247	62,917	-	62,917
Contribution in arrears	12,287	-	12,287	11,867	-	11,867
	<u>71,534</u>	<u>-</u>	<u>71,534</u>	<u>74,784</u>	<u>-</u>	<u>74,784</u>
Total assets	<u>\$794,460</u>	<u>\$80,717</u>	<u>\$875,177</u>	<u>\$766,104</u>	<u>\$87,052</u>	<u>\$853,156</u>
Liabilities and Funds						
Liabilities						
Bank overdraft	-	-	-	-	-	-
Accounts payable including interfund payables	70,763	939	71,702	65,371	953	66,324
Accrued charges on contributions	-	9	9	-	12	12
	<u>\$70,763</u>	<u>\$948</u>	<u>\$71,711</u>	<u>\$65,371</u>	<u>\$965</u>	<u>\$66,336</u>

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF FINANCIAL POSITION

As of December 31, 2011

(expressed in thousands of United States dollars)

Funds	2011			2010		
	Unified	Other	Total	Unified	Other	Total
Contributed resources (Schedule 3)						
Contributions	\$970,353	\$43,786	\$1,014,139	\$979,672	\$44,907	\$1,024,579
Less amounts not yet made available	(54,006)	-	(54,006)	(111,261)	-	(111,261)
Amounts made available	916,347	43,786	960,133	868,411	44,907	913,318
Allocation to technical assistance and grant resources	(320,950)	(2,266)	(323,216)	(286,300)	(2,266)	(288,566)
	595,397	41,520	636,917	582,111	42,641	624,752
Accumulated net income (Schedule 4)	41,832	37,343	79,175	40,957	42,540	83,497
Technical assistance and grant resources – Note E	86,468	906	87,374	77,665	906	78,571
	\$723,697	\$79,769	\$803,466	\$700,733	\$86,087	\$786,820
Total liabilities and funds	\$794,460	\$80,717	\$875,177	\$766,104	\$87,052	\$853,156

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
STATEMENT OF COMPREHENSIVE INCOME AND ACCUMULATED NET INCOME
For the year ended December 31, 2011

(expressed in thousands of United States dollars)

	2011			2010		
	Unified	Other	Total	Unified	Other	Total
Income						
From loans	\$10,054	\$488	\$10,542	\$9,502	\$512	\$10,014
From investments and cash balances	3,434	959	4,393	2,840	805	3,645
Gross income	13,488	1,447	14,935	12,342	1,317	13,659
Expenses						
Administrative expenses	12,260	1,046	13,306	11,574	939	12,513
Charges on contributions	-	86	86	-	116	116
Exchange	353	(388)	(35)	(1,923)	(421)	(2,344)
Total expenses	12,613	744	13,357	9,651	634	10,285
Net income and total comprehensive income for the year	\$875	\$703	\$1,578	\$2,691	\$683	\$3,374

Accumulated net income and total comprehensive income

Accumulated net income and total comprehensive income – beginning of year	\$40,957	\$42,540	\$83,497	\$38,266	\$42,757	\$81,023
Appropriations for technical assistance	-	(5,900)	(5,900)	-	(900)	(900)
Net income and total comprehensive income for the year	875	703	1,578	2,691	683	3,374
Accumulated net income and total comprehensive income– end of year	\$41,832	\$37,343	\$79,175	\$40,957	\$42,540	\$83,497

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (UNIFIED)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2011

(expressed in thousands of United States dollars)

	2011	2010
Operating activities		
Net income for the year	\$875	\$2,691
Adjustments for non-cash items		
Unrealised gain on trading portfolio	654	900
Interest income	(13,488)	(12,342)
Total cash flows used in operating activities before changes in operating assets and liabilities	(12,834)	(11,442)
Changes in operating assets and liabilities:		
(Increase)/decrease in accounts receivable	-	(1)
Increase/(decrease) in accounts payable	5,392	(4,717)
Cash used in operating activities	(7,442)	(6,726)
Disbursements on loans	(35,266)	(34,570)
Principal repayments to the Bank on loans	18,017	16,471
Interest received	13,512	12,570
Net increase in trading securities	(39,049)	3,353
Technical assistance disbursements	(14,332)	(12,078)
Net cash used in operating activities	(64,560)	(20,980)
Financing activities		
Contributions		
Increase in contributions for loans	13,585	26,893
(Increase)/decrease in receivables from contributors	3,250	(11,504)
Technical assistance allocation	23,135	23,274
Net cash provided by financing activities	39,970	38,663
Net (decrease) increase in cash and cash equivalents	(23,715)	20,374
Net foreign exchange difference	(299)	(1,359)
Cash and cash equivalents at beginning of year	57,660	38,645
Cash and cash equivalents at end of year	33,646	\$57,660

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

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

STATEMENT OF CASH FLOWS

For the year ended December 31, 2011

(expressed in thousands of United States dollars)

	2011	2010
Operating activities		
Net income for the year	\$703	\$683
Adjustments for non-cash items		
Unrealised loss (gain) on trading portfolio	26	371
Interest income	(1,447)	(1,317)
Interest expense	86	116
Total cash flows from operating activities before changes in operating assets and liabilities	(1,335)	(830)
Changes in operating assets and liabilities		
Decrease in accounts receivable	-	
(Decrease)/increase in accounts payable	(14)	(355)
Cash used in operating activities	(1,349)	(1,185)
Disbursements on loans	(376)	((180)
Principal repayments to the Bank on loans	1,254	971
Interest received	1,757	1,365
Interest paid	(89)	(119)
Net decrease/(increase) in trading securities	17,410	4,072
Net cash (used in)/provided by operating activities	18,607	4,924
Financing activities:		
Contributions		
Repayments of contributions	(1,017)	
Net cash used in financing activities	(1,017)	(987)
Appropriations of accumulated net income	(5,900)	(900)
Net increase/(decrease) in cash and cash equivalents	12,393	3,720
Net foreign exchange difference	(104)	218
Cash and cash equivalents at beginning of year	11,259	7,321
Cash and cash equivalents at end of year	\$23,548	\$11,259

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUND RESOURCES – SPECIAL DEVELOPMENT FUND
SUMMARY STATEMENT OF INVESTMENTS
December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 1

	2011			2010		
	Market value			Market value		
	Unified	Other	Total	Unified	Other	Total
Government and Agency Obligations	\$165,054	\$29,115	\$194,169	\$155,892	\$41,228	\$197,120
Supranationals	50,778	5,761	56,539	10,429	2,763	13,192
Euro Commercial Paper	23,822	1,495	25,317	34,938	9,816	44,754
Sub-total	239,654	36,371	276,025	201,259	53,807	255,066
Accrued interest	1,174	228	1,402	1,356	533	1,889
Total	\$240,828	\$36,599	\$277,427	\$202,615	\$54,340	\$256,955

Residual term to contractual maturity

	2011	2010
One month to three months	\$37,944	\$67,937
Over three months to one year	58,478	32,034
From one year to five years	142,244	115,436
From five years to ten years	38,761	41,548
Total	\$277,427	\$256,995

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

SUMMARY STATEMENT OF LOANS

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 2

Member countries in which loans have been made	2011						% of total loans out- stand- ing
	Total loans approved ^{1/}	Loans approved but not yet effective	Signed agree- ments	Principal repaid to bank	Undis- bursed	Out- standing ^{2/}	
Anguilla	\$10,342	\$695	\$9,647	\$6,035	\$19	\$3,593	0.8
Antigua and Barbuda	11,757	-	11,757	7,531	1,123	3,103	0.7
Bahamas	1,619	-	1,619	1,619	-	-	-
Barbados	5,724	-	5,724	5,224	-	500	0.1
Belize	79,256	-	79,256	25,270	15,252	38,734	8.7
British Virgin Islands	11,009	-	11,009	8,909	300	1,800	0.4
Cayman Islands	4,226	-	4,226	4,161	65	-	-
Dominica	99,678	10,300	89,378	28,786	10,450	50,142	11.2
Grenada	114,176	6,580	107,596	25,766	15,736	66,094	14.8
Guyana	140,373	-	140,373	24,101	15,368	100,904	22.6
Jamaica	150,519	-	150,519	35,054	50,765	64,700	14.5
Montserrat	10,432	-	10,432	5,055	2,500	2,877	0.7
St. Kitts and Nevis	76,973	17,760	59,213	20,886	3,146	35,181	7.9
St. Lucia	102,453	7,233	95,220	25,557	31,757	37,906	8.5
St. Vincent & the Grenadines	73,925	14,550	59,375	23,864	5,432	30,079	6.8
Trinidad & Tobago	5,218	1,000	4,218	4,218	-	-	-
Turks & Caicos Islands	12,815	-	12,815	5,374	1,051	6,390	1.4
Regional	8,947	-	8,947	5,028	-	3,919	0.9
Sub-total	919,442	58,118	861,324	262,438	152,964	445,922	100.0
Accrued interest	-	-	-	-	-	2,529	
Total – December 31	\$921,971	\$58,118	\$863,853	\$262,438	\$152,964	\$448,451	

^{1/} Net of lapses and cancellations

^{2/} There are no overdue installments of principal (2009 - \$28).

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

SUMMARY STATEMENT OF LOANS...continued

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 2

Member countries in which loans have been made	2010						% of total loans out- stand- ing
	Total loans approved ^{1/}	Loans approved but not yet effective	Signed agree- ments	Principal repaid to bank	Undis- bursed	Out- standing ^{2/}	
Anguilla	\$10,344	\$695	\$9,649	\$5,679	\$300	\$3,670	0.9
Antigua and Barbuda	11,820	-	11,820	7,335	1,123	3,362	0.8
Bahamas	1,622	-	1,622	1,622	-	-	-
Barbados	5,733	-	5,733	5,233	-	500	-
Belize	78,217	8,181	70,036	23,349	9,432	37,255	0.1
British Virgin Islands	11,011	-	11,011	8,765	300	1,946	8.7
Cayman Islands	4,278	-	4,278	4,213	65	-	0.5
Dominica	89,439	1,714	87,725	27,445	13,815	46,465	10.8
Grenada	106,940	2,000	104,960	24,378	15,523	65,039	15.2
Guyana	138,676	10,542	128,134	21,646	9,686	96,802	22.6
Jamaica	151,625	-	151,625	31,578	66,751	53,296	12.4
Montserrat	7,933	-	7,933	4,870	-	3,063	0.7
St. Kitts and Nevis	58,470	1,408	57,062	19,059	1,534	36,469	8.5
St. Lucia	84,230	-	84,230	23,356	21,077	39,797	9.3
St. Vincent & the Grenadines	57,945	-	57,945	22,385	5,441	30,119	7.0
Trinidad & Tobago	5,218	1,000	4,218	4,218	-	-	-
Turks & Caicos Islands	12,866	-	12,866	4,994	1,079	6,793	1.6
Regional	8,969	-	8,968	4,871	-	4,097	1.0
Sub-total	845,335	25,540	819,795	244,996	146,126	428,673	100.0
Accrued interest	-	-	-	-	-	2,371	
Total – December 31	\$845,335	\$25,540	\$822,166	\$244,996	\$146,126	\$431,044	

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

SUMMARY STATEMENT OF LOANS...continued

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 2

Member countries in which loans have been made	2011						% of total loans out- stand- ing
	Total loans approved ^{1/}	Loans approved but not yet effective	Signed agree- ments	Principal repaid to bank	Undis- bursed	Out- standing ^{2/}	
Anguilla	\$1,430	\$ -	\$1,430	\$1,430	\$ -	\$ -	-
Antigua and Barbuda	3,750	-	3,750	3,256	-	494	2.4
Bahamas	773	-	773	773	-	-	-
Barbados	1,614	-	1,614	1,614	-	-	-
Belize	27,718	-	27,718	19,590	-	8,128	39.7
British Virgin Islands	4,528	-	4,528	4,376	-	152	0.7
Cayman Islands	609	-	609	609	-	-	-
Dominica	13,915	-	13,915	11,852	-	2,063	10.1
Grenada	4,874	-	4,874	4,706	-	168	0.8
Guyana	22	-	22	22	-	-	-
Jamaica	6,871	-	6,871	5,019	-	1,852	9.1
Montserrat	786	-	786	786	-	-	-
St. Kitts and Nevis	11,879	-	11,879	6,070	144	5,665	27.7
St. Lucia	21,878	-	21,878	20,794	477	607	3.0
St. Vincent & the Grenadines	12,343	-	12,343	11,022	-	1,321	6.5
Turks & Caicos Islands	1,535	-	1,535	1,535	-	-	-
Regional	2,518	-	2,518	2,518	-	-	-
Sub-total	117,043	-	117,043	95,972	621	20,450	100.0
Accrued interest	-	-	-	-	-	125	
Total – December 31	\$117,163	\$ -	\$117,163	\$95,972	\$621	\$20,570	

^{1/} Net of lapses and cancellations

^{2/} There were no overdue installments of principal (2009-\$0)

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

SUMMARY STATEMENT OF LOANS...continued

December 31, 2011

(expressed in thousands of United States dollars)

Member countries in which loans have been made	2010						% of total loans out- stand- ing
	Total loans approved ^{1/}	Loans approved but not yet effective	Signed agree- ments	Principal repaid to bank	Undis- bursed	Out- standing ^{2/}	
Anguilla	\$1,440	\$ -	\$1,440	\$1,440	\$ -	\$ -	-
Antigua and Barbuda	3,788	-	3,788	3,266	-	522	2.5
Bahamas	773	-	773	773	-	-	-
Barbados	1,616	-	1,616	1,616	-	-	-
Belize	27,805	-	27,805	19,231	-	8,574	40.2
British Virgin Islands	4,614	-	4,614	4,416	-	198	0.9
Cayman Islands	621	-	621	621	-	-	-
Dominica	14,123	-	14,123	11,995	-	2,128	10.0
Grenada	4,957	-	4,957	4,789	-	168	0.8
Guyana	22	-	22	22	-	-	-
Jamaica	6,871	-	6,871	4,868	-	2,003	9.4
Montserrat	787	-	787	787	-	-	-
St. Kitts and Nevis	11,906	-	11,906	5,802	519	5,585	26.2
St. Lucia	22,092	-	22,092	20,837	477	778	3.7
St. Vincent & the Grenadines	12,348	-	12,348	10,976	-	1,372	6.4
Turks & Caicos Islands	1,543	-	1,543	1,543	-	-	-
Regional	2,519	-	2,519	2,519	-	-	-
Sub-total	117,825	-	117,825	95,501	996	21,328	100.0
Accrued interest	-	-	-	-	-	125	
Total – December 31	\$117,950	\$ -	\$117,950	\$95,501	\$996	\$21,453	

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS...continued

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 2

Analysis by Contributor	2011						% of total loans outstanding
	Total loans approved ^{1/}	Loans approved but not yet effective	Signed agreements	Principal repaid to bank	Undisbursed	Outstanding ^{2/}	
Special Development Fund – Unified							
Members/Contributors	\$919,442	\$58,118	\$861,324	\$262,438	\$152,964	\$445,922	100.00
Accrued interest	-	-	-	-	-	2,529	
Total SDF – (Unified)	\$921,971	\$58,118	\$863,853	\$262,438	\$152,964	\$448,451	
Special Development Fund – Other							
Members							
Colombia	\$8,534	\$ -	\$8,534	\$8,214	\$ -	\$319	1.6
Germany	18,715	-	18,715	18,593	-	122	0.6
Mexico	8,815	-	8,815	6,564	-	2,251	11.0
Venezuela	52,795	-	52,795	34,449	621	17,727	86.6
	88,859	-	88,859	67,820	621	20,419	99.8
Other contributors							
Sweden	5,351	-	5,351	5,319	-	31	0.2
United States of America	22,833	-	22,833	22,833	-	-	-
	28,184	-	28,184	28,152	-	31	100.0
Sub-total	117,043	-	117,043	95,972	621	20,450	
Accrued interest ³		-	-	-	-	120	
Total – SDF (Other)	\$117,163	-	\$117,163	\$95,972	\$621	\$20,570	
Total SDF – December 31	\$1,039,254	\$58,118	\$981,136	\$358,410	\$153,585	\$469,021	

1/ Net of lapses and cancellations

2/ There were no overdue installments of principal (2010- \$28)

3/ Relates to amounts disbursed and outstanding.

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

SUMMARY STATEMENT OF LOANS...continued

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 2

Analysis by Contributor	2010						% of total loans outstanding
	Total loans approved ^{1/}	Loans approved but not yet effective	Signed agreements	Principal repaid to bank	Undisbursed	Outstanding ^{2/}	
Special Development Fund – Unified							
Members/Contributors	\$845,335	\$25,540	\$819,795	\$244,996	\$146,126	\$428,673	100.00
Accrued interest	-	-	-	-	-	2,371	
Total SDF – (Unified)	\$847,706	\$25,540	\$822,166	\$244,996	\$146,126	\$431,044	
Special Development Fund – Other							
Members							
Colombia	\$8,533	\$ -	\$8,533	\$8,150	\$ -	\$383	1.8
Germany	19,352	-	19,352	19,230	-	122	0.6
Mexico	8,815	-	8,815	6,433	-	2,382	11.2
Venezuela	52,795	-	52,795	33,389	996	18,410	86.3
	89,495	-	89,495	67,202	996	21,297	99.9
Other contributors							
Sweden	5,497	-	5,497	5,466	-	31	0.1
United States of America	22,833	-	22,833	22,833	-	-	-
	28,330	-	28,330	28,299	-	31	100.0
Sub-total	117,825	-	117,825	95,501	996	21,328	
Accrued interest ³		-	-	-	-	125	
Total – SDF (Other)	\$117,950	-	\$117,950	\$95,501	\$996	\$21,453	
Total SDF – December 31	\$965,656	\$25,540	\$940,116	\$340,497	\$147,122	\$452,497	

1/ Net of lapses and cancellations

2/Includes overdue installments of principal amounting to \$28 (2009 - \$254)

3/ Relates to amounts disbursed and outstanding.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (OTHER)
SUMMARY STATEMENT OF LOANS...continued
December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 2

Currencies Receivable	2011					Loans out- standing 2011
	Loans out- standing 2010	Trans- lation adjust- ment	Disburse- ments	Sub- total	Repay- ments	
(a) Special Development Fund - Unified						
United States dollars	\$428,673	\$ -	\$35,266	\$463,939	\$(18,017)	\$445,922
Accrued interest	2,371	-	-	-	-	2,529
Total – December 31	\$431,044	\$ -	\$35,266	\$463,939	\$(18,017)	\$448,451
(b) Special Development Fund - Other						
United States dollars	\$22,328	\$ -	\$376	\$21,704	\$(1,254)	\$20,450
Accrued interest ¹	125	-	-	-	-	120
Total – December 31	\$21,453	\$ -	\$376	\$21,704	\$(1,254)	\$20,570

Maturity structure of loans outstanding

January 1, 2012 to December 31, 2012	\$23,178
January 1, 2013 to December 31, 2013	21,090
January 1, 2014 to December 31, 2014	22,675
January 1, 2015 to December 31, 2015	25,185
January 1, 2016 to December 31, 2016	25,848
January 1, 2017 to December 31, 2021	124,709
January 1, 2022 to December 31, 2026	102,302
January 1, 2027 to December 31, 2031	80,230
January 1, 2032 to December 31, 2042	43,804
Total	\$469,021

¹/Relates to amounts disbursed and outstanding.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND (OTHER)
SUMMARY STATEMENT OF LOANS...continued
December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 2

Currencies Receivable	2010					Loans out- standing 2010
	Loans out- standing 2009	Trans- lation adjust- ment	Disburse- ments	Sub- total	Repay- ments	
(c) Special Development Fund - Unified						
United States dollars	\$410,574	\$ -	\$34,570	\$445,144	\$(16,471)	\$428,673
Accrued interest ¹	2,361	-	-	-	-	2,371
Total – December 31	\$412,935	\$ -	\$34,570	\$445,144	\$(16,471)	\$431,044
(d) Special Development Fund - Other						
United States dollars	\$22,119	\$ -	\$180	\$22,299	\$(971)	\$21,328
Accrued interest	129	-	-	-	-	125
Total – December 31	\$22,248	\$ -	\$180	\$22,299	\$(971)	\$21,453

Maturity structure of loans outstanding

January 1, 2011 to December 31, 2011	\$21,719
January 1, 2012 to December 31, 2012	20,191
January 1, 2013 to December 31, 2013	20,638
January 1, 2014 to December 31, 2014	22,111
January 1, 2015 to December 31, 2015	24,442
January 1, 2016 to December 31, 2020	119,102
January 1, 2021 to December 31, 2025	96,222
January 1, 2026 to December 31, 2030	79,293
January 1, 2031 to December 31, 2042	48,779
TOTAL	\$452,497

¹/Relates to amounts disbursed and outstanding.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 3

Contributors	2011					
	Total approved ^{1/}	Approved but not yet effective ^{2/}	Total contribution agreed	Amounts not yet made available	Amounts made available	Receivable from members non-negotiable demand notes
Special Development Fund						
– Unified						
Members						
Trinidad & Tobago	\$35,384	\$-	\$35,384	\$2,546	\$32,838	\$9,057
Bahamas	19,809	-	19,809	4,249	15,560	6,931
Barbados	19,805	-	19,805	-	19,805	4,249
Jamaica	33,204	-	33,204	2,546	30,658	5,728
Guyana	19,810	-	19,810	1,416	18,394	-
Antigua and Barbuda	2,257	605	1,652	-	1,652	32
Belize	5,134	-	5,134	349	4,785	1,595
Dominica	4,873	-	4,873	348	4,525	2,047
St. Kitts and Nevis	5,135	-	5,135	349	4,786	2,145
St. Lucia	5,134	-	5,134	348	4,786	1,595
St. Vincent & the Grenadines	5,146	-	5,146	348	4,798	1,797
Grenada	3,345	-	3,345	-	3,345	2,712
Montserrat	2,045	605	1,440	-	1,440	-
British Virgin Islands	2,045	-	2,045	151	1,894	-
Turks & Caicos Islands	2,045	605	1,440	-	1,440	-
Cayman Islands	1,945	605	1,340	-	1,340	-
Anguilla	2,045	-	2,045	151	1,894	1,051
Colombia	27,133	3,600	23,533	-	23,533	-
Venezuela	21,982	-	21,982	900	21,082	-
Canada	264,765	-	264,765	17,458	247,307	-
United Kingdom	214,350	-	214,350	17,457	196,893	13,683
Germany	81,950	-	81,950	3,139	78,811	6,625
Italy	64,101	7,083	57,018	-	57,018	-
China	41,298	-	41,298	2,024	39,274	-
Haiti	1,560	-	1,560	227	1,333	-
Mexico	17,000	3,000	14,000	-	14,000	-
	903,300	16,103	887,197	54,006	833,191	59,247
Other contributors						
France	58,254	-	58,254	-	58,254	-
Netherlands	24,902	-	24,902	-	24,902	-
	986,456	16,103	970,353	54,006	916,347	59,247
Technical assistance allocation	(320,950)	-	(320,950)	-	(320,950)	-
Sub-total	\$665,506	\$16,103	\$649,403	\$54,006	\$595,397	\$59,247

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES...continued

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 3

Contributors	2011					
	Total approved ^{1/}	Approved but not yet effective ^{2/}	Total contribution agreed	Amounts not yet made available	Amounts made available	Receivable from members non-negotiable demand notes
Sub-total b/fwd	\$665,506	\$16,103	\$649,403	\$54,006	\$595,397	\$59,247
Special Development Fund – Other						
Members						
Colombia	5,000	-	5,000	-	5,000	-
Germany ^{3/}						
Mexico ^{4/}	13,067	-	13,067	-	13,067	-
Venezuela	17,474	-	17,474	-	17,474	-
	35,541	-	35,541	-	35,541	-
Other contributors						
Sweden	3,769	-	3,769	-	3,769	-
United States of America ^{3/}	2,210	-	2,210	-	2,210	-
	5,979	-	5,979	-	5,979	-
Sub-total	41,520	-	41,520	-	41,520	-
Total – SDF	\$707,026	\$16,103	\$690,923	\$54,006	\$636,917	\$59,247
Summary						
Members	617,891	16,103	601,788	54,006	547,782	59,247
Other contributors	89,135	-	89,135	-	89,135	-
Total – SDF	\$707,026	\$16,103	\$690,923	\$54,006	\$636,917	\$59,247

1/Net of repayments

2/Contributions not yet firmly pledged by Governments

3/Contributions with fixed repayment dates

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES...continued

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 3

Contributors	2010					
	Total approved ^{1/}	Approved but not yet effective ^{2/}	Total contribution agreed	Amounts not yet made available	Amounts made available	Receivable from members non-negotiable demand notes
Special Development Fund - Unified						
Members						
Trinidad & Tobago	\$35,384	\$-	\$35,384	\$3,564	\$31,820	\$9,057
Bahamas	19,809	-	19,809	4,249	15,560	6,931
Barbados	19,805	-	19,805	-	19,805	6,015
Jamaica	33,204	-	33,204	5,092	28,112	7,569
Guyana	22,642	-	22,642	5,665	16,977	-
Antigua and Barbuda	2,997	605	2,392	-	1,652	32
Belize	5,134	-	5,134	697	4,437	1,246
Dominica	5,228	-	5,228	1,051	4,177	1,350
St. Kitts and Nevis	5,134	-	5,134	697	4,437	1,797
St. Lucia	5,134	-	5,134	697	4,437	1,247
St. Vincent & the Grenadines	5,147	-	5,147	697	4,450	1,797
Grenada	3,345	-	3,345	-	3,345	2,712
Montserrat	2,045	605	1,440	-	1,440	-
British Virgin Islands	2,045	-	2,045	302	1,743	169
Turks & Caicos Islands	2,045	605	1,440	-	1,440	-
Cayman Islands	1,945	605	1,340	-	1,340	-
Anguilla	2,197	-	2,197	454	1,743	1,051
Colombia	27,133	3,600	23,533	-	23,533	-
Venezuela	21,982	-	21,982	1,800	20,182	-
Canada	264,302	-	264,302	34,915	229,387	-
United Kingdom	216,725	-	216,725	34,915	181,810	13,721
Germany	83,928	-	83,928	9,417	74,511	8,223
Italy	64,101	7,083	57,018	-	57,018	-
China	41,298	-	41,298	4,049	37,249	-
Haiti	1,560	910	650	-	650	-
Mexico	20,000	3,000	17,000	3,000	14,000	-
	913,529	17,013	896,516	111,261	785,255	62,917
Other contributors						
France	58,254	-	58,254	-	58,254	-
Netherlands	24,902	-	24,902	-	24,902	-
	996,685	17,013	979,672	111,261	868,411	62,917
Technical assistance allocation	(286,300)	-	(286,300)	-	(286,300)	-
Sub-total	\$710,385	\$17,013	\$693,372	\$111,261	\$582,111	\$62,917

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES...continued

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 3

Contributors	2010					
	Total approved ^{1/}	Approved but not yet effective ^{2/}	Total contribution agreed	Amounts not yet made available	Amounts made available	Receivable from members non-negotiable demand notes
Sub-total b/fwd	\$710,385	\$17,013	\$693,372	\$111,261	\$582,111	\$62,917
Special Development Fund – Other						
Members						
Colombia	5,000	-	5,000	-	5,000	-
Germany ^{3/}						
Mexico ^{4/}	13,067	-	13,067	-	13,067	-
Venezuela	17,474	-	17,474	-	17,474	-
	35,541	-	35,541	-	35,541	-
Other contributors						
Sweden	3,873	-	3,873	-	3,873	-
United States of America ^{3/}	3,227	-	3,227	-	3,227	-
	7,100	-	7,100	-	7,100	-
Sub-total	42,641	-	42,641	-	42,641	-
Total – SDF	\$753,026	\$17,013	\$736,013	\$111,261	\$624,752	\$62,917
Summary						
Members	662,770	17,013	645,757	111,261	534,496	62,917
Other contributors	90,256	-	90,256	-	90,256	-
Total – SDF	\$753,026	\$17,013	\$736,013	\$111,261	\$624,752	\$62,917

1/Net of repayments

2/Contributions not yet firmly pledged by Governments

3/Contributions with fixed repayment dates

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

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

STATEMENT OF CONTRIBUTED RESOURCES...continued

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 3

Currencies	2011					
	Amounts made available 2010	Translation adjustment	Draw-downs/ Appropriations from Capital ^{1/}	Sub-total	Repay-ments	Amounts made available 2011
(a) Special Development Fund – Unified						
Canadian dollars	\$185	-	\$(185)	\$ -	\$ -	\$ -
Euros	8,552	(272)	(1,652)	6,628	-	6,628
Pounds sterling	9,070	(27)	4,640	13,683	-	13,683
United States dollars	564,304	-	10,782	575,086	-	575,086
Total – December 31	\$582,111	\$(299)	\$13,585	\$595,397	-	\$595,397
(b) Special Development Fund – Other						
Swedish kroners	3,874	(104)	-	3,770	-	3,770
United States dollars	38,767	-	-	38,767	(1,017)	37,750
Total – December 31	\$42,641	\$(104)	-	\$42,537	\$(1,017)	\$41,520

^{1/}Net of conversion to the United States dollars in accordance with the funding rules of the Unified Special Development Fund..

Maturity structure of repayable contributions outstanding*

January 1, 2012 to December 31, 2012	\$1,047
January 1, 2013 to December 31, 2013	577
January 1, 2014 to December 31, 2014	586
TOTAL	\$2,210

* Relates to SDF (O) contributions by Germany and the United States of America only.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES...continued

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 3

Currencies	2010					
	Amounts made available 2009	Translation adjustment	Draw-downs/ Appropriations from Capital ^{1/}	Sub-total	Repay-ments	Amounts made available 2010
(c) Special Development Fund – Unified						
Canadian dollars	\$ 176	\$9	\$ -	\$185	\$ -	\$185
Euros	14,877	(1,064)	(5,261)	8,552	-	8,552
Pounds sterling	7,056	(304)	2,318	9,070	-	9,070
United States dollars	534,468	-	29,836	564,304	-	564,304
Total – December 31	\$556,577	\$(1,359)	\$26,893	\$582,111	-	\$582,111
(d) Special Development Fund – Other						
Swedish kroners	\$ 3,656	218	-	3,874	-	3,874
United States dollars	39,754	-	-	39,754	(987)	38,767
Total – December 31	\$43,410	\$218	-	\$43,628	\$(987)	\$42,641

^{1/} Net of conversion to the United States dollars in accordance with the funding rules of the Unified Special Development Fund..

Maturity structure of repayable contributions outstanding*

January 1, 2011 to December 31, 2011	\$1,017
January 1, 2012 to December 31, 2012	1,047
January 1, 2013 to December 31, 2013	577
January 1, 2014 to December 31, 2014	586
TOTAL	\$3,227

* Relates to SDF (O) contributions by Germany and the United States of America only.

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

STATEMENT OF ACCUMULATED NET INCOME

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 4

Contributors	2011			
	Brought forward 2010	Net income 2011	Appropriations	Carried forward 2011
Special Development Fund – Unified	\$40,957	\$875	\$ -	\$41,832
Special Development Fund – Other				
Members				
Colombia	\$2,327	\$50	\$ -	\$2,377
Germany	(674)	(108)	-	(782)
Mexico	7,082	8	-	7,090
Venezuela	15,901	(6)	(900)	14,995
	24,636	(56)	(900)	23,680
Other contributors				
Sweden	6,876	702	(5,000)	2,578
United States of America	11,028	57	-	11,085
	17,904	759	(5,000)	13,663
	42,540	703	(5,900)	37,343
Total SDF	\$83,497	\$1,578	\$(5,900)	\$79,175
Summary				
Members	\$65,593	\$819	\$(900)	65,512
Other contributors	17,904	759	(5,000)	13,663
Total SDF – December 31	\$83,497	\$1,578	\$(5,900)	\$79,175

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES...continued

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 4

Contributors	2010			
	Brought forward 2009	Net income 2009	Appropriations	Carried forward 2010
Special Development Fund – Unified	\$38,266	\$2,691	\$ -	\$40,957
Special Development Fund – Other				
Members				
Colombia	\$2,322	\$5	\$-	\$2,327
Germany	(612)	(62)	-	(674)
Mexico	6,892	190	-	7,082
Venezuela	16,773	28	(900)	15,901
	25,375	161	(900)	24,636
Other contributors				
Sweden	6,528	348	-	6,876
United States of America	10,854	174	-	11,028
	17,382	522	-	17,904
	42,757	683	(900)	42,540
Total SDF	\$81,023	\$3,374	\$(900)	\$83,497
Summary				
Members	\$63,641	\$2,852	\$(900)	65,593
Other contributors	17,382	522	-	17,904
Total SDF – December 31	\$81,023	\$3,374	\$(900)	\$83,497

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

A. Nature of operations and summary of significant accounting policies

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.

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 a presentation in accordance with International Financial Reporting Standards. 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.

Translation of currencies

The financial statements are expressed in United States dollars solely for the purpose of summarizing the SDF's financial position and the results of its operations.

Assets and liabilities in currencies other than United States dollars are translated into United States dollars either at the par values established for those currencies with the International Monetary Fund, or where no par values are maintained, at rates which have been determined by the Bank to be appropriate for translation. In general, the rates so determined will be the approximate market rates of exchange prevailing at the dates of the financial statements.

Income and expenses in currencies other than United States dollars are 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 determination of net income for the year.

Investments

All investment securities are in a portfolio designated at fair value through profit or loss and reported at fair market value. Securities are initially recognized at fair value (which excludes transaction costs) and subsequently re-measured at fair value based on quoted market prices. All related realized and unrealized gains and losses are included in investment income. Interest earned whilst holding securities is reported as interest income.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

A. Summary of significant accounting policies...continued

Investments...continued

Regular-way purchases and sales of securities are recognized at trade date, which is the date that the Bank commits to purchase or sells the asset.

Loans

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method less any impairment. Interest income is recognized by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

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 country in which the loans are made.

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

The Fund does not make provisions for losses on impaired loans as any loss that may occur is taken in profit and loss for that year.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in banks and other depositories and time deposits with less than 90 days maturity from the date of acquisition.

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with less than 3 months maturity from the date of acquisition:

	SDF Unified		SDF Other	
	2011	2010	2011	2010
Due from banks	\$ 42	\$ 7,063	\$16,007	\$5,396
Time deposits	33,627	50,597	7,541	5,863
Cash and cash equivalents	<u>\$33,669</u>	<u>\$57,660</u>	<u>\$23,548</u>	<u>\$11,259</u>

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

A. Summary of significant accounting policies...continued

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 recognized when the project is approved and becomes effective.

Interest income and charges on contributions

Interest income and charges on contributions are recognized in the statement of income and total comprehensive income for all interest-bearing instruments using the effective interest rate method based on the actual purchase price.

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, the Other Special Funds and the Special Development Fund in accordance with a method of allocation notified to the Board of Directors.

B. Investments

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

The annualized rate of return on the average investments held during the year, including realized and unrealized gains and losses was 1.47% (2010 – 1.22%). Net realized gain on investments traded during 2011 totalled \$968 (2010 – \$42) while net unrealized gains totalled \$654 (2010 – loss of \$1,270).

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

C. Funds

In accordance with the Agreement establishing the Bank (the Agreement), 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, with longer maturities, longer deferred commencement of repayment and lower interest rates than those determined by the Bank for its Ordinary Operations. As a result of Rules adopted by the Bank in May 1983 for the Special Development Fund, contributions to the Special Development Fund currently comprise funds made available to the Bank under the rules applicable to the old Special Development Fund (referred to herein as “Other”) and shown separately from funds made available to the Bank from the Unified SDF (referred to herein as “Unified”).

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

(i) Special Development Fund – Unified

	<u>2011</u>	<u>2010</u>
Contributions (as per Schedule 3)	\$595,397	\$582,111

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, but under the Rules of the Special Development Fund, its contributions are non-reimbursable.

(ii) Special Development Fund - Other

	<u>2011</u>	<u>2010</u>
Colombia	\$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 \$39,000 (2009 - \$39,000) has been incurred on technical assistance and has been charged against the income from the contribution.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

C. Funds...continued

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

The contributions consist of two loans which are subject to interest at the rate of 2% on the amounts drawn and a commitment fee of 0.25% per annum on the amounts undrawn. The first contribution was repaid by end of July 2005, and the second contribution is repayable over the period 1993 to 2012.

	<u>2011</u>	<u>2010</u>
Mexico		
First contribution	\$10,000	\$7,000
Less technical assistance	(9,508)	(2,266)
	<u>492</u>	<u>4,734</u>
Second contribution	12,000	5,000
Third contribution	(10,282)	3,333
	<u>\$1,718</u>	<u>\$13,067</u>
Technical assistance resources	<u>\$ 2,210</u>	<u>\$ 2,266</u>

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

	<u>2011</u>	<u>2010</u>
Venezuela		
First contribution	\$10,000	\$10,000
Less technical assistance	(176)	(176)
	<u>9,824</u>	<u>9,824</u>
Second contribution	<u>7,650</u>	<u>7,650</u>
	<u>\$17,474</u>	<u>\$17,474</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

C. Funds...continued

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

	<u>2011</u>	<u>2010</u>
Sweden	\$3,769	\$3,873
The contribution is interest-free with no definite date for repayment.		
	<u>2011</u>	<u>2010</u>
United States of America		
First contribution	\$10,000	\$10,000
Less repayments	(9,508)	(9,031)
	<u>492</u>	969
Second contribution	12,000	12,000
Less repayments	(10,282)	(9,742)
	<u>1,718</u>	2,258
	<u>\$2,210</u>	<u>\$3,227</u>

The contributions are subject to interest at the rate of 2% per annum on the amounts outstanding for the first ten years after first disbursement and thereafter at the rate of 3% per annum. The first contribution is repayable over the period 1982 to 2012 and the second contribution over the period 1984 to 2014.

D. Accumulated net income and net income for the year

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2011

(expressed in thousands of United States dollars)

E. Technical assistance and grant resources

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 (expressed in thousands of United States dollars) during the years ended December 31, 2011 and 2010 were as follows:

Balance at January 1, 2010	\$67,375
Allocations for the year	23,274
Expenditure for the year	<u>(12,078)</u>
Balance at December 31, 2010	78,571
Allocations for the year	23,135
Expenditure for the year	<u>(14,309)</u>
Balance at December 31, 2011	<u>\$87,397</u>

F. Loans

The average interest rate earned on loans outstanding was 2.32% (2010 -2.30 %). There were no impaired loans at December 31, 2011 and 2010.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying special purpose financial statements of the **Other Special Funds** of the **Caribbean Development Bank** (the "Bank") for the year ended December 31, 2010, which comprise the statement of financial position as at December 31, 2010 and the statement of income and accumulated income for the year then ended, and a summary of significant accounting policies and other explanatory information. The special purpose financial statements have been prepared on the basis set out in Note A.

Management's responsibility for the special purpose financial statements

Management is responsible for the preparation and presentation of these special purpose financial statements on the basis described in Note A. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of special purpose financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the special purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the special purpose financial statements.

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

Opinion

In our opinion, the accompanying special purpose financial statements have been prepared, in all material respects, in accordance with the basis set out in Note A.

Chartered Accountants
March 7, 2012
Bridgetown, Barbados

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF FINANCIAL POSITION

As of December 31, 2011

(expressed in thousands of United States dollars)

	<u>2011</u>	<u>2010</u>
Assets		
Cash and time deposits – Note A	\$7,575	\$11,124
Investments at fair value through profit and loss (Schedule 1)	65,809	72,418
Loans (Schedule 2)	125,083	118,010
Receivables – other		
Accounts receivable – Note F	69,309	63,607
Total assets	\$267,776	\$265,159
Liabilities and Funds		
Liabilities		
Accounts payable including interfund payables – Note G	\$9,049	\$8,843
Accrued charges on contributions	226	241
	<u>9,275</u>	<u>9,084</u>
Funds		
Contributed resources (Schedule 3)		
Contributions	79,541	78,107
Less amounts not yet made available	-	-
	<u>79,541</u>	<u>78,107</u>
Amounts made available	79,541	78,107
Accumulated net income (Schedule 4)	48,903	48,392
	<u>128,444</u>	<u>126,499</u>
Technical assistance and other grant resources (Schedule 5)	130,057	129,576
Total liabilities and funds	\$267,776	\$265,159

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

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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2011

(expressed in thousands of United States dollars)

	<u>2011</u>	<u>2010</u>
Income		
From loans	\$2,555	\$2,437
From investments and cash balances	259	4,201
	<u>2,814</u>	6,638
Expenses		
Administrative expenses	1,459	1,652
Charges on contributions	939	962
Exchange	(95)	78
Total expenses	<u>2,303</u>	2,692
Net income and total comprehensive income for the year	<u>\$511</u>	\$3,946
<hr/>		
Accumulated net income and total comprehensive income		
Accumulated net income and total comprehensive income – beginning of year	\$48,392	\$44,446
Net income and total comprehensive income for the year	511	3,946
Accumulated net income and total comprehensive income – end of year	<u>\$48,903</u>	\$48,392

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF CASH FLOWS

For the year ended December 31, 2011

(expressed in thousands of United States dollars)

	<u>2011</u>	<u>2010</u>
Operating activities		
Net income for the year	\$511	\$3,946
Adjustments for non-cash items		
Unrealized gain on trading portfolio	(304)	(1,611)
Interest income	(2,814)	(6,638)
Interest expense	939	962
Disbursements on loans	(11,549)	(14,605)
Principal repayment on loans	4,311	3,480
Technical assistance disbursements	(11,413)	(16,767)
Net cash used in lending activities	(20,830)	(35,179)
(Increase)/decrease in accounts receivable	(5,702)	(4,387)
(Decrease)/increase in accounts payable	206	(13,107)
Total adjustments	(5,496)	(17,494)
Interest received	2,819	6,742
Interest paid	(954)	(984)
Net decrease in debt securities at fair value through profit or loss	6,863	5,512
Net cash (used in)/provided by operating activities	(17,087)	(37,457)
Financing activities		
Contributions:		
Increase in contributions for loans	-	-
Repayments	(3,126)	(3,224)
Technical assistance contributions	11,894	35,921
Net cash provided by/(used in)financing activities	13,692	32,697
Net (decrease)/increase in cash and cash equivalents	(3,395)	(4,760)
Net foreign exchange difference	(154)	(108)
Cash and cash equivalents at beginning of year	11,124	15,992
Cash and cash equivalents at end of year	\$7,575	\$11,124

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

**CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS**

SUMMARY STATEMENT OF INVESTMENTS

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 1

	2011	2010
	Market value	Market value
Financial assets at fair value through profit or loss		
Government and Agency obligations	\$23,879	\$29,122
Supranationals	7,858	8,743
Euro Commercial Paper	4,667	2,822
Mutual Funds	8,003	7,705
Managed Funds	10,922	11,428
Available for sale	55,329	59,820
Equity investments	10,301	12,369
Sub-total	65,630	72,189
Accrued interest	179	229
Total	\$65,809	\$72,418

Residual Term to Contractual Maturity

	2011	2010
One month to three months	\$6,199	\$26,579
From three months to one year	4,799	6,716
From one year to five years	20,397	25,655
From five years to ten years	34,434	13,468
Total¹	\$65,809	\$72,418

¹

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 2

2011							
Member countries in which loans have been made	Total loans ^{1/}	Un- committed loans	Signed agree- ments	Principal repaid to bank	Undis- bursed	Out- standing ^{2/}	% of total loans out- stand- -ing
Anguilla	500	-	500	394	-	106	0.1
Antigua and Barbuda	8,500	-	8,500	3,242	478	4,780	3.8
Barbados	26,046	-	26,046	17,965	730	7,351	5.9
Belize	9,536	-	9,536	9,536	-	-	-
British Virgin Islands	1,934	-	1,934	1,934	-	-	-
Cayman Islands	3,213	-	3,213	3,213	-	-	-
Dominica	35,266	-	35,266	15,451	-	19,815	15.9
Grenada	30,748	-	30,748	7,270	285	23,193	18.7
Guyana	20,731	-	20,731	16,517	-	4,214	3.4
Jamaica	68,963	-	68,963	37,702	-	31,261	25.1
Montserrat	1,243	-	1,243	1,243	-	-	-
St. Kitts and Nevis	8,524	-	8,524	4,747	95	3,682	3.0
St. Lucia	38,349	-	38,349	15,371	3,296	19,682	15.8
St. Vincent and the Grenadines	21,789	-	21,789	12,922	119	8,748	7.0
Trinidad and Tobago	3,383	-	3,383	2,147	-	1,236	1.0
Regional	2,266	-	2,266	1,905	37	324	0.3
Sub-total	280,991	-	280,991	151,559	5,040	124,392	100.0
Accrued interest ³	-	-	-	-	-	691	
Total – December 31	\$281,682	-	\$281,682	\$151,559	\$5,040	\$125,083	

^{1/} Net of lapses and cancellations

^{2/} There are no overdue installments of principal at December, 2010 (2009 - Nil)

^{3/} Relates amounts disbursed and outstanding

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 2

Member countries in which loans have been made	2010						% of total loans out- stand- -ing
	Total loans approved ^{1/}	Un- committe d loans	Signed agree- ments	Principal repaid to bank	Undis- bursed	Out- standing ^{2/}	
Anguilla	500	-	500	369	-	131	0.1
Antigua and Barbuda	8,535	-	8,535	3,016	848	4,671	4.0
Barbados	26,091	-	26,091	17,562	1,285	7,244	6.2
Belize	9,648	-	9,648	9,648	-	-	-
British Virgin Islands	1,942	-	1,942	1,942	-	-	-
Cayman Islands	3,183	-	3,183	3,183	-	-	-
Dominica	35,302	-	35,302	14,534	7	20,761	17.7
Grenada	30,808	-	30,808	6,769	524	23,515	20.0
Guyana	20,763	-	20,763	16,291	-	4,472	3.8
Jamaica	69,042	-	69,042	37,640	10,000	21,402	18.2
Montserrat	1,252	-	1,252	1,252	-	-	-
St. Kitts and Nevis	8,597	-	8,597	4,558	95	3,944	3.4
St. Lucia	38,419	-	38,419	14,650	3,582	20,187	17.2
St. Vincent and the Grenadines	21,854	-	21,854	12,478	211	9,165	7.8
Trinidad and Tobago	3,500	-	3,500	2,112	-	1,388	1.2
Regional	2,266	-	2,266	1,745	37	484	0.4
Sub-total	281,702	-	281,702	147,749	16,589	117,364	100.0
Accrued interest ³	-	-	-	-	-	646	
Total – December 31	\$282,348	-	\$282,348	\$147,749	\$16,589	\$118,010	

1/ Net of lapses and cancellations

2/ There are no overdue installments of principal at December, 2010 (2009 - Nil)

3/ Relates amounts disbursed and outstanding

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS...continued

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 2

Analysis by Special Fund	2011						% of total loans outstanding
	Total Loans	Un-committed loans	Signed agreements	Principal repaid to Bank	Undisbursed	Out-standing ^{2/}	
Members							
Trinidad and Tobago	1,343	-	1,343	1,340	-	3	-
Other contributors							
Caribbean Development Bank	76,050	-	76,050	14,484	3,543	58,022	46.6
Nigeria	9,635	-	9,635	5,074	-	4,562	3.7
United States of America	93,008	-	93,008	92,901	-	106	0.1
Inter-American Development Bank	58,107	-	58,107	17,317	1,083	39,707	31.9
European Union	10,595	-	10,595	7,677	37	2,881	2.3
International Development Association	32,252	-	32,252	12,766	377	19,111	15.4
Sub-total	280,990	-	280,990	151,559	5,040	124,392	100.0
Accrued interest ^{3/}	-	-	-	-	-	691	
Total – December 31	\$281,682	-	\$281,682	\$151,559	\$5,040	\$125,083	

1/ Net of lapses and cancellations

2/ There are no overdue installments of principal at December 31, 2010 (2009 – nil).

3/ Relates amounts disbursed and outstanding

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS...continued

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 2

Analysis by Special Fund	2010						% of total loans outstanding
	Total Loans	Un-committed loans	Signed agreements	Principal repaid to Bank	Undis-bursed	Out-standing ^{2/}	
Members							
Trinidad and Tobago	1,307	-	1,307	1,304	-	3	-
Other contributors							
Caribbean Development Bank	76,270	-	76,270	13,287	14,655	48,328	41.2
Nigeria	9,635	-	9,635	4,665	-	4,970	4.2
United States of America	93,007	-	93,007	92,876	-	131	0.1
Inter-American Development Bank	58,097	-	58,097	16,145	1,520	40,432	34.4
European Union	10,957	-	10,957	7,685	37	3,235	2.8
International Development Association	32,429	-	32,429	11,787	377	3,235	17.3
Sub-total	281,702	-	281,702	147,749	16,589	117,364	100.0
Accrued interest ³	-	-	-	-	-	646	
Total – December 31	\$282,348	-	\$282,348	\$147,749	\$16,590	\$118,010	

1/ Net of lapses and cancellations

2/ There are no overdue installments of principal at December, 2010 (2009 - Nil)

3/ Relates amounts disbursed and outstanding

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS...continued

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 2

	2011						Loans out- standing 2011
	Loans out- standing 2010	Trans- lation adjust- ment	Disburse- ments	Sub- total	Repay- ments	Provision for losses	
Currencies receivable							
Euros	\$ 3,235	\$(107)	\$ -	\$3,128	\$ (247)	-	\$2,881
Special drawing rights	16,527	(103)	-	16,424	(854)	-	15,570
United States dollars	97,602	-	11,549	109,151	(3,210)	-	105,941
Sub-total	117,364	(210)	11,549	128,703	(4,311)	-	124,392
Accrued interest ¹	646	-	-	-	-	-	691
Total – December 31	\$118,010	\$(210)	\$11,549	\$129,394	\$(4,311)	-	\$125,083

Maturity structure of loans outstanding

January 1, 2012 to December 31, 2012	\$4,622
January 1, 2013 to December 31, 2013	3,936
January 1, 2014 to December 31, 2014	5,268
January 1, 2015 to December 31, 2015	6,338
January 1, 2016 to December 31, 2016	6,512
January 1, 2017 to December 31, 2021	33,773
January 1, 2022 to December 31, 2026	31,538
January 1, 2027 to December 31, 2031	21,491
January 1, 2032 to December 31, 2046	11,605
Total	\$125,083

^{1/} Relates amounts disbursed and outstanding

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS...continued

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 2

Currencies receivable	2010						Loans out- standing 2010
	Loans out- standing 2009	Trans- lation adjust- ment	Disburse- ments	Sub- total	Repay- ments	Provision for Losses	
Euros	\$ 3,756	\$(268)	\$ -	\$3,488	\$ (253)	-	\$3,235
Special drawing rights	17,548	(247)	-	17,301	(774)	-	16,527
United States dollars	85,450	-	14,605	100,055	(2,453)	-	97,602
Sub-total	106,754	(515)	14,605	120,844	(3,480)	-	117,364
Accrued interest ¹	578	-	-	-	-	-	646
Total – December 31	\$107,332	\$(515)	\$14,605	\$121,490	\$(3,480)	-	\$118,010

Maturity structure of loans outstanding

January 1, 2011 to December 31, 2011	\$4,345
January 1, 2012 to December 31, 2012	3,837
January 1, 2013 to December 31, 2013	3,872
January 1, 2014 to December 31, 2014	4,827
January 1, 2015 to December 31, 2019	30,239
January 1, 2020 to December 31, 2024	30,342
January 1, 2025 to December 31, 2029	23,036
January 1, 2030 to December 31, 2034	14,270
January 1, 2035 to December 31, 2039	1,844
January 1, 2040 to December 31, 2046	1,398
	<u>\$118,010</u>

^{1/} Relates amounts disbursed and outstanding

**CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS**

SUMMARY STATEMENT OF CONTRIBUTIONS

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 3

Contributors	2011		
	Contributions		
	Total ^{1/}	Amounts not yet made available	Amounts made available
Members			
Canada ^{2/}	\$6,959	\$ -	\$6,959
Other contributors			
Inter-American Development Bank ^{1/}	41,053	-	41,053
European Investment Bank ^{1/}	1,293	-	1,293
United States of America	5,416	-	5,416
European Union	4,232	-	4,232
International Development Association	20,588	-	20,588
	72,582	-	72,582
Total – December 31	\$79,541	\$ -	\$79,541

1/Net of cancellations and repayments

Maturity structure of repayable contributions outstanding

January 1, 2012 to December 31, 2012	\$ 3,290
January 1, 2013 to December 31, 2013	3,322
January 1, 2014 to December 31, 2014	2,930
January 1, 2015 to December 31, 2015	2,850
January 1, 2016 to December 31, 2016	3,100
January 1, 2017 to December 31, 2021	17,007
January 1, 2022 to December 31, 2026	12,374
January 1, 2027 to December 31, 2031	11,168
January 1, 2032 to December 31, 2046	23,500
Total	\$79,541

**CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS**

SUMMARY STATEMENT OF CONTRIBUTIONS

December 31, 2011

(expressed in thousands of United States dollars)

Contributors	2010		
	Total ^{1/}	Amounts not yet made available	Amounts made available
Members			
Canada ^{2/}	\$2,006	\$ -	\$2,006
Other contributors			
Inter-American Development Bank ^{1/}	41,752	-	41,752
European Investment Bank ^{1/}	1,338	-	1,338
United States of America	6,552	-	6,552
European Union	4,761	-	4,761
International Development Association	21,698	-	21,698
	76,101	-	76,101
Total – December 31	\$78,107	\$-	\$78,107

^{1/}Net of cancellations and repayments

Maturity structure of repayable contributions outstanding

January 1, 2011 to December 31, 2011	3,145
January 1, 2012 to December 31, 2012	3,307
January 1, 2013 to December 31, 2013	3,340
January 1, 2013 to December 31, 2018	17,075
January 1, 2018 to December 31, 2023	14,113
January 1, 2023 to December 31, 2028	12,171
January 1, 2028 to December 31, 2033	10,003
January 1, 2033 to December 31, 2045	14,953
Total	\$78,107

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF CONTRIBUTIONS...continued

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 3

Currencies repayable	2011					
	Contributions made available 2010	Translation adjustment	Draw-downs/ Appropriations from Capital	Sub-total	Repayments	Contributions made available 2011
Canadian dollars	\$2,237	\$(53)	\$ -	\$2,184	\$ (50)	\$2,134
Euros	6,102	(205)	-	5,897	(371)	5,526
Japanese yen	203	10	-	213	(47)	166
Pounds sterling	221	(1)	-	220	(49)	171
Special Drawing Rights	18,004	(113)	-	17,891	(803)	17,088
Swedish kroners	91	(2)	-	89	(20)	69
United States dollars	51,249	-	4,924	56,173	(1,786)	54,387
Total – December 31	\$78,107	\$(364)	\$ 4,924	\$82,667	\$(3,126)	\$79,541

Currencies repayable	2010					
	Contributions made available 2009	Translation adjustment	Draw-downs/ Appropriations from Capital	Sub-total	Repayments	Contributions made available 2010
Canadian dollars	\$2,171	\$117	\$ -	\$2,288	\$ (51)	\$2,237
Euros	6,980	(498)	-	6,482	(380)	6,102
Japanese yen	218	30	-	248	(45)	203
Pounds sterling	282	(12)	-	270	(49)	221
Special Drawing Rights	18,992	(266)	-	18,726	(722)	18,004
Swedish kroners	105	6	-	111	(20)	91
United States dollars	53,206	-	-	53,206	(1,957)	51,249
Total – December 31	\$81,954	\$(623)	\$ -	\$81,331	\$(3,224)	\$78,107

**CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS**

STATEMENT OF ACCUMULATED INCOME

December 31, 2011

(expressed in thousands of United States dollars)

SCHEDULE 4

	2011			
	Accumulated Net Income			
Contributors	Brought forward 2010	Net income/(Loss) 2011	Appropriations	Carried forward 2011
General Funds	\$37,073	765	\$ -	\$37,838
European Investment Bank	(677)	(107)	-	(784)
European Union	2,532	10	-	2,542
Inter-American Development Bank	552	(40)	-	482
International Development Association	229	(7)	-	222
Nigeria	6,119	5	-	6,124
United States of America	2,594	(115)	-	2,479
Total – December 31	\$48,392	511	-	\$48,903

	2010			
	Accumulated Net Income			
Contributors	Brought forward 2009	Net Income/(Loss) 2010	Appropriations	Carried forward 2010
General Funds	\$21,177	4,126	\$11,770	\$37,073
European Investment Bank	(599)	(78)	-	(677)
European Union	2,494	37	-	2,531
Inter-American Development Bank	552	(30)	-	522
International Development Association	240	(11)	-	229
Nigeria	6,860	39	(780)	6,119
United States of America	13,722	(137)	(10,990)	2,595
Total – December 31	\$44,446	3,946	-	\$48,392

**CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS**

**STATEMENT OF TECHNICAL ASSISTANCE AND OTHER GRANT RESOURCES
December 31, 2011**

(expressed in thousands of United States dollars)

SCHEDULE 5

Contributors	2011				
	Contributors				
	Total^{1/}	Amounts not yet made available	Amounts made available	Amounts utilized	Net Amounts available
Members					
Canada	\$39,897	\$-	\$39,897	\$33,833	\$6,064
United Kingdom	18,658	-	18,658	6,333	12,325
Italy	522	-	522	252	270
	59,077	-	59,077	40,418	18,659
Other contributors					
Caribbean Development Bank	211,560	-	211,560	101,671	109,889
United States of America	1,407	-	1,407	1,407	-
Inter-American Development Bank	2,876	-	2,876	2,479	397
China	677	-	677	198	479
Venezuela	587	-	587	-	587
Nigeria	193	-	193	147	46
Sub-total	217,300	-	217,300	105,902	111,398
Total – December 31	\$276,377	\$-	\$276,377	\$146,320	\$130,057
Summary					
Basic Needs Trust Fund	\$138,250	\$ -	\$138,250	\$70,478	\$67,772
Other resources	138,127	-	138,127	75,842	62,285
Total – December 31	\$276,377	\$ -	\$276,377	\$146,320	\$130,057

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

**CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS**

**STATEMENT OF TECHNICAL ASSISTANCE AND OTHER GRANT RESOURCES
December 31, 2011**

(expressed in thousands of United States dollars)

SCHEDULE 5

Contributors	2010				
	Contributors				
	Total^{1/}	Amounts not yet made available	Amounts made available	Amounts utilized	Net Amounts available
Members					
Canada	\$40,067	\$139	\$39,928	\$30,589	\$9,339
United Kingdom	18,494	-	18,494	4,459	14,035
Italy	518	-	518	252	266
	59,079	139	58,940	35,300	23,640
Other contributors					
Caribbean Development Bank	200,064	-	200,064	95,518	104,546
United States of America	1,407	-	1,407	1,405	2
Inter-American Development Bank	2,618	-	2,618	2,339	279
China	676	-	676	198	478
Venezuela	585	-	585	-	585
Nigeria	193	-	193	147	46
Sub-total	205,543	-	205,543	99,607	105,936
Total – December 31	\$264,622	\$139	\$264,483	\$134,907	\$129,576
Summary					
Basic Needs Trust Fund	\$126,750	\$ -	\$126,750	\$64,922	\$61,828
Other resources	137,872	139	137,733	69,985	67,748
Total – December 31	\$264,622	\$139	\$264,483	\$134,907	\$129,576

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

A. Nature of operations and summary of significant accounting policies

Nature of operations

The Other Special Funds (OSF) were 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.

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 a presentation in accordance with International Financial Reporting Standards. These special purpose financial statements have been prepared in accordance with the accounting policies outlined below.

Preparation of these special purpose 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.

Translation of currencies

The financial statements are expressed in United States dollars solely for the purpose of summarising the OSF's financial position and the results of its operations.

Assets and liabilities in currencies other than United States dollars are translated into United States dollars either at the par values established for those currencies with the International Monetary Fund, or where no par values are maintained, at rates which have been determined by the Bank to be appropriate for translation. In general, the rates so determined will be the approximate market rates of exchange prevailing at the date of the financial statements.

Income and expenses in currencies other than United States dollars are translated into United States dollars at applicable rates of exchange on the transaction dates. This practice approximates the application of average rates in effect during the year. 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 determination of net income for the year.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS

December 31, 2011

(expressed in thousands of United States dollars)

A. Summary of significant accounting policies...continued

Investments

Investment securities held in a portfolio are designated at fair value through profit or loss and reported at fair market value. Securities are initially recognized at fair value (which excludes transaction costs) and subsequently re-measured at fair value based on quoted market prices. All related realized and unrealized gains and losses are included in investment income in the statement of income. Interest earned whilst holding trading securities is reported as interest income.

Equity investments are categorized as available for sale instruments which are intended to be held for an indefinite period of time. Available for sale instruments are recognized at fair value which is the cash consideration including any transaction costs, and measured subsequently at book value with income or losses being recognized in the statement of income and accumulated net income.

The investment is assessed for impairment 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. Amounts distributed to the Fund are recorded as a return on investment until such investments are written off and are subsequently recorded as income.

Loans

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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

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

The OSF does not make provisions for losses on impaired loans as any loss that may occur is taken in profit and loss for that year.

CARIBBEAN DEVELOPMENT BANK

SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY OF STATEMENT OF LOANS

December 31, 2011

(expressed in thousands of United States dollars)

A. Summary of significant accounting policies...*continued*

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in banks and other depositories and time deposits with less than 90 days maturity from the date of acquisition.

	<u>2011</u>	<u>2010</u>
Due from banks	\$3,341	\$7,123
Time deposits	4,234	4,001
Cash and cash equivalents	<u>\$7,575</u>	<u>\$11,124</u>

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 recognized when the project is approved and becomes effective.

Interest income and charges on contributions

Interest income and charges on contributions are recognized in the statement of income and accumulated income for all interest-bearing instruments 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 Ordinary Capital Resources, the Other Special Funds and the Special Development Fund in accordance with a method of allocation notified to the Board of Directors.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
STATEMENT OF TECHNICAL ASSISTANCE AND GRANT RESOURCES
December 31, 2011

(expressed in thousands of United States dollars)

B. Investments

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

The annualized rate of return on the average investments held during the year, including realized and unrealized gains and losses was 2.35% (2010 – 2.35%). Net realized gain on investments amounted to \$167 (2010 – loss of \$250), while net unrealized losses amounted to \$304 (2010 – gain of \$1,611).

C. Funds

In accordance with the Agreement establishing the Bank (the Agreement), 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. For the purposes of these financial statements, the Other Special Funds have been presented separately from the Special Development Fund. The Other Special Funds 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.

For the purpose of presentation in these financial statements, the financial statements of each of the Other Special Funds have been aggregated.

Technical assistance and other grant resources include resources for the Basic Needs Trust Fund and other resources established for specific purposes as determined between the Bank and contributors.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY OF STATEMENT OF LOANS

December 31, 2011

(expressed in thousands of United States dollars)

C. Funds...continued

Details of contributions, loans and technical assistance resources of the Other Special Funds 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:

	<u>2011</u>	<u>2010</u>
Canada		
Agricultural ²	\$6,959	\$2,006
Technical assistance resources	39,897	39,928
Italy		
Technical assistance resources	\$522	\$519
China		
Technical assistance resources	677	676
Venezuela		
Technical assistance resources	587	585
Nigeria		
Technical assistance resources	\$ 193	\$ 193
United Kingdom		
Technical assistance resources	\$18,658	\$18,494
Inter-American Development Bank		
975/SF-RG	14,211	14,211
Less repayments	(3,946)	(3,527)
	10,265	10,684
Second Global Loan	5,074	5,067
Less repayments	(4,209)	(4,000)
	865	1,067
1108/SF-RG Global Credit	20,000	20,000
1637/SF-RG Credit	9,923	10,000
	\$41,053	\$41,751
Technical assistance resources	\$2,876	\$2,618

² The contributions are interest-free with no date for repayment

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
STATEMENT OF TECHNICAL ASSISTANCE AND GRANT RESOURCES
December 31, 2011

(expressed in thousands of United States dollars)

C. Funds...continued

The first global loan was subject to interest at the rate of 1% per annum until 1983 and thereafter at 2% per annum and was repayable during the period 1985 to 2003. The second global loan was subject to interest at the rate of 1% per annum until 1994 and thereafter at 2% per annum and is repayable during the period 1995 to 2015.

The pre-investment loan was subject to interest at the rate of 1% per annum up to 1982 and subsequently at 2% per annum and was repaid during the period 1983 to 2002.

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

Global Credit 1108/SF-RG is 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.

	<u>2011</u>	<u>2010</u>
European Investment Bank		
Global loan II – B	\$1,293	\$1,338

Repayable in full in a single instalment on September 30, 2016.

	<u>2010</u>	<u>2010</u>	<u>Due dates</u>
United States of America			
Contributions			
Agricultural	\$7,052	\$7,052	1988-2018
Less repayments	(4,973)	(4,687)	
	2,079	2,642	

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY OF STATEMENT OF LOANS

December 31, 2011

(expressed in thousands of United States dollars)

C. Funds...continued

	<u>2011</u>	<u>2010</u>	<u>Due dates</u>
United States of America...continued			
Employment Investment Promotion	6,732	6,732	1990-2000
Less repayments	(4,209)	(3,952)	
	<u>2,523</u>	<u>2,780</u>	
Housing	8,400	8,400	1983-2012
Less repayments	(7,586)	(7,197)	
	<u>814</u>	<u>1,203</u>	
Regional Agri-business Development	6,299	6,299	1991-2021
Less repayments	(6,299)	(6,095)	
	<u>-</u>	<u>204</u>	
	<u>\$5,416</u>	<u>\$6,552</u>	
Technical assistance resources	<u>\$1,407</u>	<u>\$1,407</u>	

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.

	<u>2011</u>	<u>2010</u>
European Union		
First contribution	\$7,566	\$7,825
Less repayments	(4,788)	(4,680)
	<u>2,778</u>	<u>3,145</u>
Second Contribution	3,207	3,317
Less repayments	(1,753)	(1,701)
	<u>1,454</u>	<u>1,616</u>
	<u>\$4,232</u>	<u>\$4,761</u>

The contributions are subject to interest at the rate of 1% per annum. The first contribution is repayable during the period 1992 to 2021 and the second contribution is repayable over the period 1994 to 2024

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS
STATEMENT OF TECHNICAL ASSISTANCE AND GRANT RESOURCES
December 31, 2011

(expressed in thousands of United States dollars)

C. Funds...continued

International Development Association

	2011		2010		Due dates
Credit No. 960/CRG	\$6,480		\$6,480		1990-2029
Less repayments	2,981	\$3,499	2,786	\$3,694	
Credit No. 37/CRG (EEC)	906		930		
Less repayments	906	-	930	-	
Credit No. 1364/CRG	8,302		8,355		
Less repayments	2,947	5,355	2,715	5,640	1993-2033
Credit No. 1785/CRG	7,091		7,136		
Less repayments	1,666	5,425	1,463	5,673	1997-2030
Credit No. 2135/CRG	8,525		8,579		2000-2030
Less repayments	2,216	6,309	1,888	6,691	
	\$20,588		\$21,698		

The credits are subject to a service charge of 0.75% per annum on amounts outstanding. In addition, the credits totalling \$43,159 (2010 - \$43,431) representing \$28,200 Special Drawing Rights are subject to a commitment fee not exceeding 0.5% per annum on amounts eligible for withdrawal but remain undrawn.

	2011	2010
Caribbean Development Bank		
Technical assistance resources	\$211,560	\$200,064

**CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS**

SUMMARY OF STATEMENT OF LOANS

December 31, 2011

(expressed in thousands of United States dollars)

C. Accumulated net income and net income for the year

It is normal for the Board of Governors to determine the disposition of the accumulated net income and net income for the current year of each of the Other Special Funds, subject to any rules and regulations governing each Fund and any agreement relating thereto.

E. Loans

The average interest rate earned on loans outstanding was 2.16% (2010 – 2.17%). There were no impaired loans at December 31, 2011 and 2010.

F. Accounts receivable

	<u>2011</u>	<u>2010</u>
Accounts receivable	\$69,309	\$63,607

G. Accounts payable including interfund payables

	<u>2011</u>	<u>2010</u>
Accounts payable	\$3,173	\$2,060
Interfund payables	5,876	6,783
Total	<u>\$9,049</u>	<u>\$8,843</u>