PUBLIC DISCLOSURE AUTHORISED

CARIBBEAN DEVELOPMENT BANK

Draft Statement of Financial Position

For the Year Ended December 31, 2014

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

March 2015

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

Index to the Financial Statements
For the year ended December 31, 2014

Independent Auditors' Report

To the Board of Governors of Caribbean Development Bank

We have audited the accompanying financial statements of the **Ordinary Capital Resources** of the **Caribbean Development Bank** (the Bank) which comprise the statement of financial position as of December 31, 2014, statement of changes in equity, statement of comprehensive income, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly in all material respects the financial position of the Ordinary Capital Resources of the Bank as of December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Chartered Accountants
Barbados

March 12th, 2015

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES

STATEMENT OF FINANCIAL POSITION
As of December 31, 2014

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

	Notes		2014	2013
Assets				
Cash resources				
Cash and cash equivalents	**6**		**$34,202**	$67,723
Investments				
Debt securities at fair value through profit or loss	**7**		**232,766**	289,525
Receivables and prepayments	**8**		**7,607**	10,779
Loans				
Loans outstanding	**9(a)**		**982,671**	967,936
Receivable from members				
Non-negotiable demand notes	**10**	45,032		44,012
Maintenance of value on currency holdings	**11**	3,711		2,887
Subscriptions in arrears	**12**	11,234		7,386
			59,977	54,285
Derivative financial instruments				
Cross currency interest rate swaps	**13**		**52,403**	53,986
Other assets				
Property and equipment	**14**		**8,879**	8,039
Total assets			**$1,378,505**	$1,452,273

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, 2014

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

	Notes		2014	2013
Liabilities and Equity				
Liabilities				
Accounts payable and accrued liabilities	**15**		**$2,397**	$2,767
Subscriptions in advance (net)	**16**		**8,750**	13,310
Deferred income	**17**		**650**	800
Post-employment obligations	**18**		**14,856**	9,632
Maintenance of value on currency holdings	**11**		**-**	-
			-	-
Borrowings				
Short term facility	**19**	30,000		-
Long term borrowings	**19**	500,301	**530,301**	675,377
Derivative financial instruments				
Interest rate swap	**13**		**-**	6,797
Total Liabilities			**$556,954**	$708,683
Equity				
Subscriptions matured (net)	**20(b)**		**$299,468**	$256,374
Retained earnings and reserves	**20(f)**		**522,083**	487,216
Total Equity			**$821,551**	$743,590
Total Liabilities and Equity			**$1,378,505**	$1,452,273

Approved by the Board of Directors on March 12th, 2015 and signed on their behalf by:

Wm. Warren Smith
President

Carlyle Assue
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, 2014

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

	Notes	Capital Stock	Retained Earnings	Other Reserves	Post Employment Obligations Reserves	Total
Balance as of January 1, 2013		**$218,745**	**$474,188**	**$14,110**	**$(12,905)**	**$694,138**
New capital subscriptions	**20(b)**	37,629	-	-	-	37,629
Net income for the year		-	2,925	-	-	2,925
Other comprehensive income	**18**	-	-	-	8,898	8,898
Transfer from general banking reserve	**20(f)**	-	850	(850)	-	-
Balance as of December 31, 2013		**$256,374**	**$477,963**	**$13,260**	**$(4,007)**	**$743,590**
New capital subscriptions	**20(b)**	$43,179	$-	$-	$-	$43,179
Prepayment discount	**20(e)**	(85)	-	-	-	(85)
Net income for the year		-	48,637	-	-	48,637
Other comprehensive income	**18**	-	-	-	(7,770)	(7,770)
Transfer from general banking reserve	**20(f)**	-	-	-	-	-
Allocation from net income	**20(g)**	-	(6,000)	-	-	(6,000)
Balance as of December 31, 2014		**$299,468**	**$520,600**	**$13,260**	**$(11,777)**	**$821,551**

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, 2014

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

	Notes	2014	2013
Interest and similar income			
Loans	**21(a)**	**$40,504**	$39,107
Investments and cash balances	**21(b)**	**2,795**	3,909
		43,299	43,016
Interest expense and similar charges			
Borrowings		**20,107**	21,119
Other financial income		**(9,335)**	(5,534)
	21(c)	**10,772**	15,585
Net interest income		**32,527**	27,431
Other (income)/expenses			
Other income		**(326)**	(2,074)
Realized and unrealized fair value (gains)/losses		**(1,990)**	5,681
Provision for loan impairment	**9(c)**	**1,543**	850
Administrative expenses	**22**	**11,253**	10,749
Foreign exchange translation		**350**	611
		10,830	15,817
Operating income		**21,697**	11,614
Increase/(decrease) in fair value of derivatives	**23**	**6,182**	(47,156)
Foreign exchange gain in translation on Yen borrowings	**19(b)**	**20,758**	38,467
		26,940	(8,689)
Net income for the year		**48,637**	2,925
Other comprehensive income			
Re-measurements – Actuarial (losses)/gains	**18**	**(7,770)**	8,898
Total comprehensive income for the year		**$40,867**	$11,823

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, 2014

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

	Notes		2014	2013
Operating activities:				
Net income for the year			**$48,637**	$2,925
Adjustments:				
Unrealized (gain)/loss on debt securities		(1,785)		5,698
Depreciation		1,465		1,306
Gain on disposal of fixed assets		(1)		(9)
(Increase)/ decrease in fair value of derivatives		(6,182)		47,156
Interest income		(43,299)		(43,016)
Interest expense		10,772		15,585
Provision/ (net recovery) for loan impairment	**9(b)**	1,543		(2,818)
Foreign exchange gain in translation on Yen borrowings	**19(b)**	(20,758)		(38,467)
Increase in maintenance of value on currency holdings		(824)		(231)
Net foreign exchange difference		-	-	(1)
Total cash flows used in operating activities before changes in operating assets and liabilities			**(10,432)**	(11,872)
Changes in operating assets and liabilities:				
Decrease/ (increase) in receivables and prepayments		3,172		(557)
Decrease in accounts payable and accrued liabilities		(2,916)		(76)
Net decrease in debt securities at fair value through profit and loss		58,216		104,834
Cash provided by operating activities			**48,040**	92,329
Disbursements on loans		(100,783)		(84,318)
Principal repayments on loans		84,519		90,599
Interest received		43,613		44,402
Interest paid		(11,324)		(16,729)
Net cash provided by operating activities			**64,065**	126,283
Investing activities:				
Purchase of property and equipment	**14**	(2,454)		(1,134)
Proceeds from sale of property and equipment				9
Net cash used in investing activities			**(2,454)**	(1,125)
Financing activities:				
New borrowings		34,894		-
Repayments on borrowings	**19(b)**	(157,692)		(204,290)
Allocation of net income		(6,000)		
New capital subscriptions	**20(b)**	43,094		37,629
(Decrease)/ increase in Subscriptions in advance		(4,560)		9,172
(Increase)/ decrease in receivables from members		(4,868)		3,653
Net cash used in financing activities			**(95,132)**	(153,836)
Net decrease in cash and cash equivalents			**(33,521)**	(28,678)
Cash and cash equivalents at beginning of year			**67,723**	96,401
Cash and cash equivalents at end of year	**6**		**$34,202**	$67,723

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

NOTE 1 – 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 is an international treaty which, together with the instruments of ratification and accession by member countries, is deposited with the United Nations Secretary-General. The Charter entered into force on January 26, 1970 and CDB commenced operations on January 31, 1970. Since then other countries have become members of CDB by acceding to the Charter.

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") and to promote economic cooperation and integration among them, with special and urgent regard to the needs of the less developed members 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 any of its specialized agencies or of the International Atomic Energy Agency.

The membership of the Bank is comprised of twenty-two (22) regional states and territories and five (5) non-regional states (2013: 22 regional states and territories and 5 non-regional states). A detailed listing of the membership is provided at Note 20(c) - Equity.

Reducing poverty in the region is CDB's main objective and its lending and funding activities are carried out in its Borrowing Member Countries ("BMCs"). In advancing this objective, the Bank participates in the selection, study and preparation of projects contributing to poverty reduction and where necessary, provides technical assistance. These activities are financed through its shareholder funds comprising paid-in capital, retained earnings and reserves which are referred to as its Ordinary Capital Resources ("OCR") and borrowings.

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

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

NOTE 2 – 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 where otherwise stated. Prior year comparatives have been adjusted or amended to conform with the presentations in the current year where applicable.

Basis of preparation

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

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, 2014 (the reporting date).

The Bank presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within twelve (12) months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in Note 3 – "Risk Management: Liquidity risk".

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

The preparation of financial statements in conformity with IFRS requires management to make estimates. It also requires management to exercise its judgment 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 its financial position fairly. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 - "Critical accounting estimates and judgments".

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

New and amended standards and interpretations

The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014. The nature and the impact of each new standard and amendment is described below:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27), effective January 1, 2014
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 *Consolidated Financial Statements* and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments have no impact on the Bank as its operations are not subject to consolidation requirements.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32, effective January 1, 2014
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36), effective January 1, 2014. The amendment clarify the disclosure requirements in respect of fair value less costs of disposal. New requirements came into effect with respect to information relating to the fair value of measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal and information about the discount rates used when using a present value technique. This is not applicable to the Bank.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39, effective January 1, 2014
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments have no impact on the Bank as the Bank has not undertaken any hedging activities.

IFRIC 21 Levies, effective January 1, 2014
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Bank as levies are not applicable the Bank's business activities.

Annual Improvements 2010-2012 Cycle
In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 *Fair Value Measurement*. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

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

New and amended standards and interpretations*...continued*

Annual Improvements 2011-2013 Cycle
In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, and clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Bank since the Bank is an existing IFRS preparer.

Standards, amendments and interpretations in issue, not yet effective which had no impact on the Bank

- IFRS 11 – *Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 (Effective January 1, 2016)*
- IFRS 14 – *Regulatory Deferral Accounts (Effective January1 , 2016)*
- IAS 16 and IAS 41 – *Agriculture –Bearer Plants (Amendments) (Effective January 1, 2016)*
- IAS 27 - *Equity Method in Separate Financial Statements (Amendments) (Effective January 1, 2016)*

Standards in issue not yet effective and relevant to the Bank

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

- IFRS 9 – *Financial Instruments: Classification and Measurement* ((*Phase 1) (Effective January 1, 2018*)
- IAS 19 – *Defined Benefit Plans: Employee Contributions – Amendments to IAS 19 (Effective July 1, 2014)*
- IFRS 15 – *Revenue from contracts with customers (Effective January 1, 2017)*
- IAS 16 and IAS 38 – *Clarification of Acceptable Methods for Depreciation and Amortisation (Amendments) Effective date January 1, 2016*
- 2010 – *2012 Annual Improvement cycle: seven amendments to six standards (Effective July 1, 2014)*
- 2011 – *2013 Annual Improvement cycle: four amendments to four standards (Effective July 1, 2014)*

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

Foreign currency translation

Functional and presentation currency

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

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

Taxation

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

Financial instruments

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

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

(a) Initial measurement of financial instruments

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

Financial liabilities carried at fair value through profit or loss are initially recognized at fair value, and directly attributable transaction costs are expensed for the year in the statement of comprehensive income. All other financial liabilities are initially measured at fair value net of transaction costs.

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

Financial instruments*...continued*

(b) Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are 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 management on that basis. Once the asset has been so classified, it cannot be changed. Financial instruments in this category are included in the statement of financial position as 'Debt securities at fair value through profit or loss'. All of the Bank's investments are designated at fair value through profit or loss.

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

(c) Loans and receivables

Loans and receivables and prepayments 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 and prepayments 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.

(d) Derivatives recorded at fair value through profit or loss

The Bank uses derivatives such as cross currency interest rate swaps, interest rate swaps and forward exchange contracts in its borrowing and liability management activities. These derivatives are for the purposes of lowering the Bank's funding costs and to align the interest rate profiles on its borrowings with that of its lending activities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when it is negative. Changes in the fair value of derivatives are reflected as "Decrease/ (increase) in fair value of derivatives" in the statement of comprehensive income.

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

Financial instruments*...continued*

(e) Financial liabilities

The Bank's financial liabilities include accounts payable and accrued liabilities, subscriptions in advance, deferred income, maintenance of value and borrowings. The fair value option is not applied and they are measured at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit and loss when the liabilities are de-recognised as well as through the EIR process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as a borrowing expense in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

(f) 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, adjusted for transaction costs that are directly attributable to the issuance of the guarantee, 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. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

The Bank's existing guarantees do not result in liability to the Bank since under the terms of these agreements any payments made by the Bank on the borrower's behalf are reimbursable within a stipulated period. Should this not occur, the amounts paid by the Bank are converted into a loan in the name of the BMC.

(g) De-recognition

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

(i) The rights to receive cash flows from the asset have expired; or
(ii) The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:

(a) the Bank has transferred substantially all the risks and rewards of the asset; or
(b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*…continued*

Financial instruments*…continued*

De-recognition…continued

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

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

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

(i) significant financial difficulty of the issuer or obligor;

(ii) a breach of contract, such as a default or delinquency in interest or principal payments;

(iii) the Bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Bank would not otherwise consider;

(iv) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

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

(vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including:

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*…continued*

Financial instruments*…continued*

Impairment of financial assets…continued

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

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

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

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

When a loan is deemed uncollectible, it is written off against the related impairment provisions. If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event after the impairment was 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.

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

Financial instruments*...continued*

(i) *Fair value measurement*

The Bank measures financial instruments such as those designated at fair value through profit and loss and derivatives at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or those for which only where fair values are disclosed are denoted in Note 3, *Risk Management*. For financial instruments traded in active markets, the determination of fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that the market participants are acting in their economic best interest.

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 curves, Foreign Exchange (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 interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 3 – Risk Management – "Fair value of financial assets and liabilities".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole.

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

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

Financial instruments*...continued*

(j) *Renegotiated loans*

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

(k) 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 fees and other income

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

Property and equipment

Except for donated land which is stated at fair value, property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the assets.

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

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

Property and equipment*...continued*

Land is not depreciated as it is deemed to have an indefinite life. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

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

	Years
Buildings and ancillary works	15-25
Furniture and equipment	4-8
Computers	4
Motor vehicles	4

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

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

Deferred income

Deferred income comprises freehold land donated to the Bank as a Government grant and is stated at fair value. The grant was recorded using the income approach and will be recognized in profit and loss in line with the useful life of the assets scheduled for construction on the property.

Cash and cash equivalents

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

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

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 and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. The Bank 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.

Post-employment obligations

(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 for eligible employees of the Bank. Both the Plan and the Scheme are final salary defined benefit and are managed by independent Trustees who are appointed by representatives from the management and staff of the Bank and operated under the rules of respective Trust Deeds.

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

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

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 actuarial gains or losses and past service costs. Independent actuaries are engaged to calculate the defined benefit obligation using the projected unit credit method. 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 denominated in the currency in which the benefits will be paid, and terms to maturity approximating the terms of the related pension liability.

Current service costs, past service costs and gain or loss on settlement and net interest expense or income on the net defined liability are recognized immediately in profit and loss. Net interest is calculated by applying the discount rate to the net defined liability or asset.

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

Post-employment obligations*...continued*

Pension obligations…continued

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

(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. The present value of the post-retirement obligation is determined by discounting the estimated future cash outflows (relating to service accrued to the reporting date) using the yields available on high-quality corporate bonds.

(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 twelve months after the reporting date are discounted to their present value.

Valuation of Capital Stock

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

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

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

Valuation of Capital Stock*...continued*

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 Charter 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 (MOV”) in respect of such part. This is provided that such currency is not required for the conduct of the operations of the Bank.

Maintenance of value (MOV)

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 Charter, 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. If in the opinion of the Bank, the value of a Member’s currency depreciates or appreciates to a significant extent, the Bank or Member may be required to repay an amount of currency equal to the increase or decrease in the value of its currency which is held by the Bank in respect of capital subscriptions. For the purposes of effecting settlement, MOV obligations are established at December 31 in each year.

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

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. Under Article 33.4 the President is the Chief Executive Officer (CEO) and is required to conduct, under the direction of the Board of Directors (BOD) the current business of the Bank as well as the other matters set out in this paragraph.

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

NOTE 3 – RISK MANAGEMENT

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

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

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

All derivative activities for risk management purposes are carried out by senior management that have the appropriate skills, experience and supervision. It is the Bank's policy that no trading in derivatives for speculative purposes may be undertaken.

The ability to manage these risks is supported by an enterprise wide risk management framework which was approved by the Board of Directors in March 2013. Operationally, CDB seeks to minimize its risks via the implementation of robust mitigating controls aimed at reducing exposure to achieve adherence to approved Risk Appetite portfolio limits. The Bank's risk mitigation approaches include adopting sound processes, systems, policies, guidelines and practices which are reviewed and modified periodically in line with the institution's changing circumstances.

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

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

- (i) The Enterprise Risk Committee (ERC);
- (ii) The Loans Committee;
- (iii) The Audit and Post-Evaluation Committee (APEC); and
- (iv) The Advisory Management Team (AMT).

NOTE 3 – RISK MANAGEMENT

Credit risk

The major risk to CDB as a multilateral development bank is its exposure to country credit risk. This risk relates to potential losses in the event that a borrowing member is unable or unwilling to service its obligations to the Bank. CDB manages its country credit risk through its financial policies and lending strategies, including the setting of individual country exposure limits and evaluation of overall creditworthiness. Individual BMC exposure to the Bank on outstanding loans as at December 31, 2014 is reported in Note 5 and Note 9.

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

Credit risk measurement

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 borrowers from which the Bank derives the 'exposure at default'; and
(iii) the historical five year loss ratio (the loss given default).

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, judgment and bench-marking against similar credits are used to assign an appropriate internal rating. Borrowers are segmented into four rating classes. The rating scale, shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures can migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary.

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

NOTE 3 – RISK MANAGEMENT

Credit risk measurement

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

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

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

Risk limit control and mitigation measures

The Bank manages limits and controls concentration of credit risk for which new limits were approved by the BOD. 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 monthly basis. Currently the approved exposure limit to the single largest borrower is 40% of total outstanding loans or 50% of total available capital, whichever is greater. The limit for the three largest borrowers is 60% of total outstanding loans or 90% of total available capital whichever is greater.

	2014	2013
Single largest borrower exposure to total outstanding loans	**23.9%**	24.7%
Three largest borrowers exposure to total outstanding loans	**48.1%**	49.2%

NOTE 3 – RISK MANAGEMENT...*continued*

Collateral

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

With respect to non-sovereign loans, CDB requires its commitments to be secured, the nature and extent of which will be determined on a case-by-case basis. The securities against the non-sovereign loans comprise sub-loans assigned to trusts (to be managed at no cost to CDB by the borrower) to which the Bank has recourse against these sub-loans in the event of the default of the borrower. 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 non-sovereign, while the fair value is the observable market price of the asset.

The fair value of the collateral held for the impaired non-sovereign loans was estimated at $5,870 (2013: $4,661). This is comprised of the fair value of sub-loans and the Bank's portion of the estimated realizable value of a property.

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 represent irrevocable assurances that the Bank will make payment. The Bank currently has guarantees not exceeding the equivalent of $16.5 million with respect to bonds issued by the Government of St. Kitts and Nevis and a Policy based guarantee to the Government of Grenada.

Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it may undertake 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. CDB currently has four swaps with three counterparties.

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

NOTE 3 – RISK MANAGEMENT*…continued*

Impairment and provisioning policies

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 (the “incurred loss” model). The impairment provision in the statement of financial position at year-end includes an assessment of collateral held and anticipated receipts for that asset. It also includes a collective assessment of risk based on the external credit ratings of the borrowers, the probability of default related to those ratings, the loss given default based on CDB’s historical loss experience (if any) and the exposure at default. The following table provides an analysis of the internal rating categories of the Bank’s loans and the associated impairment provision made within:

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	**2014**	**2013**
Cash and cash equivalents	$34,202	$67,723
Debt securities at fair value through profit or loss	232,766	289,525
Sovereign loans outstanding	945,885	924,322
Non-sovereign loans outstanding	36,786	43,614
Cross currency interest rate swaps	52,403	53,986
Non-negotiable demand notes	45,032	44,012
Maintenance of value on currency holdings	3,711	2,887
Subscriptions in arrears	11,234	7,386
Receivables and prepayments	7,607	10,779
	1,369,626	1,444,234
Undisbursed loan balances		
Sovereign	289,823	272,023
Non-sovereign	17,314	17,791
	$1,676,763	**$1,734,048**

The above table represents a worst case scenario of credit risk exposure as at December 31, 2014 and 2013, without taking account of any collateral held or other credit enhancements attached.

The Bank’s assessment of credit quality and the maximum exposure relating to financial guarantees, financial derivative instruments and cash and cash equivalents is noted in the ‘Liquidity risk’ section of this note.

For assets included on the statement of financial position, the exposures set out above are based on net carrying amounts as reported in the statement of financial position. As shown, the total maximum exposure derived from loans and commitments to the sovereign was 73.7% (2013: 69.0%), and to the non-sovereign was 2.2% (2013: 3.5%).

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

NOTE 3 – RISK MANAGEMENT...*continued*

Debt securities, treasury bills and other eligible bills

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

The following tables present an analysis of debt securities, treasury bills and other eligible bills by rating agency designation at December 31, 2014 and 2013, based on Standard & Poor's Rating Agency ratings or their equivalent:

2014

	Ratings				
Type	AAA	AA+ to AA-	A+ to A-	Unrated	Total
Obligations guaranteed by Governments[1]	$66,148	$96,092	$-	$-	$162,240
Time Deposits	-	4,968	-	1,314	6,282
Sovereign Bonds	42	1,532	-	-	1,574
Supranational Bonds	57,659	5,011	-	-	62,670
	$123,849	**$107,603**	**$-**	**$1,314**	**$232,766**

2013

	Ratings				
Type	AAA	AA+ to AA-	A+ to A-	Unrated	Total
Obligations guaranteed by Governments[2]	$84,876	$90,556	$-	$-	$175,432
Time Deposits	-	4,812	1,798	-	6,610
Sovereign Bonds	10,261	25,698	-	-	35,959
Supranational Bonds	66,456	5,068	-	-	71,524
	$161,593	**$126,134**	**$1,798**	**$-**	**$289,525**

In accordance with the Bank's internal rating scale all debt securities, Treasury bills and other eligible bills are classified as 'Basic monitoring'.

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

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

NOTE 3 – RISK MANAGEMENT*...continued*

Loans and advances

Loans are summarized as follows:

	December 31, 2014		December 31, 2013	
	Sovereign	Non-sovereign	Sovereign	Non-sovereign
Neither past due nor impaired	$945,885	$37,734	$924,322	$43,179
Past due but not impaired			-	-
Impaired	-	5,361	-	5,201
Gross	945,885	43,095	924,322	48,380
Less: allowance for impairment		(6,309)	-	(4,766)
Net	**$945,885**	**$36,786**	**$924,322**	**$43,614**

As of December 31, 2014, loans that were neither past due nor impaired represented 99.5% (2013: 99.5 %) of gross loans outstanding.

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

	Loans at December 31, 2014				
	Sovereign	Impairment provision (%)	Non-sovereign	Impairment provision (%)	Total Loans
Basic monitoring	$46,013	-	$-	-	$46,013
Standard monitoring	558,238	-	-	-	558,238
Special monitoring	341,634	-	38,240	-	379,874
Sub-standard	-	-	4,855	100.0%	4,855
	$945,975	**-**	**$43,095**		**$988,980**

			Loans at December 31, 2013		
	Sovereign	Impairment provision (%)	Non-sovereign	Impairment provision (%)	Total Loans
Basic monitoring	$23,100	-	$-	-	$23,100
Standard monitoring	556,996	-	-	-	556,996
Special monitoring	315,749	-	43,179	-	358,928
Sub-standard	28,477	-	-	16.48	28,477
	$924,322		**$43,179**		**$967,501**

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

NOTE 3 – RISK MANAGEMENT...*continued*

Loans and advances

As at December 31, 2014, two loans relating to one borrower in the non-sovereign loan portfolio were assessed as impaired (2013: two).

As at December 31, 2014 based on the collective assessment and methodology as applied to the sovereign loan portfolio, no impairment was required (December 2013: $850).

Other financial assets neither past due nor impaired

	2014	Impairment provision %	Total
Receivables and prepayments	$7,607	-	$7,607
Cross currency interest rate swaps and interest rate swaps	52,403	-	52,403
Non-negotiable demand notes	45,032	-	45,032
Maintenance of value on currency holdings	3,711	-	3,711
	$108,753	**$-**	**$108,753**

	2013	Impairment provision %	Total
Receivables and prepayments	$10,779	-	$10,779
Cross currency interest rate swaps	53,986	-	53,986
Non-negotiable demand notes	44,012	-	44,012
Maintenance of value on currency holdings	2,887	-	2,887
	$111,664	**$-**	**$111,664**

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

NOTE 3 – RISK MANAGEMENT…*continued*

Loans and advances...*continued*

The Bank also maintains a General banking reserve of $7,006 (2013: $7,006) – See Note 21(f) (ii).

Aging of loans and advances past due but not impaired

	Loans at December 31, 2014		
	Sovereign	Non-sovereign	Total Loans
Past due up to 30 days	$-	$-	$-
Past due 30 – 60 days	-	-	-
Past due 60 – 90 days	-	-	-
Over 90 days	-	-	-
	$-	**$-**	**$-**

There were no other financial assets past due but not impaired (2013 – Nil)

Derivative Instruments
The Bank's existing policy provides that derivative instruments can only be undertaken with counterparties with a minimum rating of "A" as assessed by Standard & Poor's or the Moody's equivalent.

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

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

NOTE 3 – RISK MANAGEMENT*…continued*

Risk concentration of financial assets with exposure to credit risk

(a) Geographical sectors

The following table presents CDB's main credit exposures at their carrying amounts, as categorized by BMC and non-regional members, USA, and other countries. For this table, the exposures are allocated to regions based on the country of domicile of the counterparties. A further analysis of the Bank's exposure to loans by geographical region is provided at Note 5.

	2014				
	Borrowing Member Countries	Non-Regional Members	USA	Other	Total
Cash and cash equivalents	$8,732	$10,665	$4,002	$10,803	$34,202
Debt securities at fair value through profit or loss	1,314	59,442	79,417	92,593	232,766
Sovereign loans outstanding	945,885	-	-	-	945,885
Non-sovereign loans outstanding	36,786	-	-	-	36,786
Cross currency interest rate swaps & interest rate swaps	-	28,653	23,750	-	52,403
Maintenance of value on currency holdings	776	2,935	-	-	3,711
Non-negotiable demand notes	36,665	8,367	-	-	45,032
Subscriptions in arrears	6,746	4,488	-	-	11,234
Receivables and prepayments	7,607	-	-	-	7,607
	$1,044,511	**$114,550**	**$107,169**	**$103,396**	**$1,369,626**

Due to the limited scope and nature of the bank's activities management has considered that exposures by industry sector is not meaningful.

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

NOTE 3 – RISK MANAGEMENT…*continued*

	2013				
	Borrowing Member Countries	Non-Regional Members	USA	Other	Total
Cash and cash equivalents	$8,331	$6,232	$51,980	$1,180	$67,723
Debt securities at fair value through profit or loss	1,297	70,136	114,833	103,259	289,525
Sovereign loans outstanding	924,322	-	-	-	924,322
Non-sovereign loans outstanding	43,614	-	-	-	43,614
Cross currency interest rate swaps	-	33,425	20,561	-	53,986
Maintenance of value on currency holdings	1,209	1,678	-	-	2,887
Non-negotiable demand notes	35,554	8,458	-	-	44,012
Subscriptions in arrears	7,386	-	-	-	7,386
Receivables and prepayments	10,779	-	-	-	10,779
	$1,032,492	**$119,929**	**$187,374**	**$104,439**	**$1,444,234**

CDB's membership is classified into regional and non-regional members. The regional members, with the exception of three, are 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 and comprise 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. CDB is exposed to two types of market risk - foreign exchange risk and interest rate risk. Financial instruments affected by market risk includes loans, debt securities at fair value through profit and loss, borrowings and derivative financial instruments.

Foreign currency risk

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

The Bank manages currency risk by ensuring that all loans by the Bank are made either from currencies available from members' subscriptions or from currencies borrowed, and the principal amounts are repayable to the Bank in the currencies lent. It also manages this risk by entering into currency swaps. The following table summarizes 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, 2014 and 2013, all loans are denominated in United States dollars.

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

NOTE 3 – RISK MANAGEMENT…*continued*

Concentrations of foreign currency risk

		2014		
As at December 31	**US$**	**Yen**	**Other**	**Total**
Assets				
Cash and cash equivalents				
Debt securities at fair value through profit and loss				
Loans outstanding	$982,671	$-	$-	$982,671
Cross currency interest rate swaps	52,403	-	-	52,403
Receivable from members	59,977	-	-	59,977
Receivables and prepayments	7,596	-	11	7,607
Total financial assets	**$1,102,647**	**$-**	**$11**	**$1,102,658**
Liabilities				
Accounts payable	$2,397	$-	$-	$2,397
Subscriptions in advance	8,750	-	-	8,750
Borrowings	372,478	157,823	-	530,301
Interest rate swap	-	-	-	-
Total financial liabilities	**$383,625**	**$157,823**	**$-**	**$541,448**
Net on-balance sheet financial position	**$719,022**	**$(157,823)**	**$11**	**$561,210**
Credit commitments	**$307,137**	**$-**	**$-**	**$307,137**

		2013		
As at December 31	**US$**	**Yen**	**Other**	**Total**
Assets				
Cash and cash equivalents	$58,166	$-	$9,557	$67,723
Debt securities at fair value through profit and loss	266,143	-	23,382	289,525
Loans outstanding	967,936	-	-	967,936
Cross currency interest rate swaps	53,986	-	-	53,986
Receivable from members	38,181	-	16,104	54,285
Receivables and prepayments	8,893	-	1,886	10,779
Total financial assets	**$1,393,305**	**$-**	**$50,929**	**$1,444,234**
Liabilities				
Accounts payable	$2,669	$-	$98	$2,767
Subscriptions in advance	13,310	-	-	13,310
Borrowings	494,569	180,808	-	675,377
Interest rate swap	6,797	-	-	6,797
Total financial liabilities	**$517,345**	**$180,808**	**$98**	**$698,251**
Net on-balance sheet financial position	**$875,960**	**$(180,808)**	**$50,831**	**$745,983**
Credit commitments	**$289,814**	**$-**	**$-**	**$289,814**

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

NOTE 3 – RISK MANAGEMENT…*continued*

Foreign currency sensitivity

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.

The following are the estimated (decrease)/ increase in comprehensive income that would have resulted as a result of the application of sensitivity factors to the Yen exchange rate:-

Exchange rate movements	2014	2013
Increase of 5%	$(7,852)	$(8,902)
Decrease of 5%%	$8,067	$9,224
Increase of 10%	$(14,726)	$(16,438)
Decrease of 10%	$17,353	$20,089

The 'Other' currency category comprise various individual currencies which in total make up 3.5% of total financial assets and 0.01% of total financial liabilities. Management considers these to be immaterial and sensitivity analysis has therefore not been applied.

Interest rate risk

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

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.

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

NOTE 3 – RISK MANAGEMENT…*continued*

Exposure to interest rate risk

	2014					
At December 31	**0-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Non-interest generating/ bearing**	**Total**
Assets						
Cash and cash equivalents	$34,202	$-	$-	$-	$-	$34,202
Debt securities at fair value through profit and loss	37,065	26,216	139,149	30,336	-	232,766
Loans outstanding	982,671					982,671
Cross currency interest rate swaps & interest rate swaps	40,719	11,684	-	-	-	52,403
Receivable from members	-	-	-	-	59.977	59,977
Receivables and prepayments	-	-	-	-	7,607	7,607
Total Assets	**$1,094,657**	**$37,900**	**$139,149**	**$30,336**	**$67,584**	**$1,369,626**
Liabilities						
Accounts payable	$-	$-	$-	$-	$2,397	$2,397
Subscriptions in advance	-	-	-	-	8,750	8,750
Borrowings	31,808	3,876	21,256	473,361	-	530,301
Interest rate swap	-	-	-	-	-	-
Total Liabilities	**$31,808**	**$3,876**	**$21,256**	**$473,361**	**$11,147**	**$541,448**
Total interest sensitivity Gap	**$1,062,849**	**$34,024**	**$117,893**	**$(443,025)**		

	2013					
At December 31						
Assets						
Cash and cash equivalents	$67,723	$-	$-	$-	$-	$67,723
Debt securities at fair value through profit and loss	20,702	42,339	189,210	37,274	-	289,525
Loans outstanding	967,936	-	-	-	-	967,936
Cross currency interest rate swaps	53,986	-	-	-	-	53,986
Receivable from members	-	-	-	-	54,285	54,285
Receivables and prepayments	-	-	-	-	10,779	10,779
Total Assets	**$1,110,347**	**$42,339**	**$189,210**	**$37,274**	**$65,064**	**$1,444,234**
Liabilities						
Accounts payable	$-	$-	$-	$-	$2,767	$2,767
Subscriptions in advance	-	-	-	-	13,310	13,310
Borrowings	159,089	7,611	16,599	492,078	-	675,377
Interest rate swap	-	6,797	-	-	-	6,797
Total Liabilities	**$159,089**	**$14,408**	**$16,599**	**$492,078**	**$16,077**	**$698,251**
Total interest sensitivity Gap	**$951,258**	**$27,931**	**$172,611**	**$(454,804)**		

NOTE 3 – RISK MANAGEMENT*…continued*

Interest rate sensitivity

If interest rates had been 50 bps higher or lower and all other variables were held constant, CDB's net income for the year ended December 31, 2014 (inclusive of the effects from derivative instruments), would have decreased by $12,385 (2013: Decreased by $12,035) and increased by $11,625 (2013 : Increased by $12,795).

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

Liquidity risk

Liquidity risk relates to the probability that the Bank will be unable to meet the payment obligations associated with its financial liabilities when they fall due. The consequence may be the failure to meet obligations or to disburse on its commitments. This risk is managed by conformity to the Bank's policy of maintaining a net three years' funding requirement or 40% of undisbursed commitments, whichever is greater.

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

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

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

NOTE 3 – RISK MANAGEMENT*...continued*

Liquidity risk*...continued*

Non-derivative cash flows

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

			2014		
At December 31	**0 – 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Assets					
Cash and cash equivalents	$34,202	$-	$-	$-	$34,202
Debt securities at fair value through profit and loss	3,545	6,485	13,715	41,401	65,146
Loans outstanding	43,440	88,347	473,237	619,899	1,224,923
Receivable from members	11,234	-	-	48,743	59,977
Receivables and prepayments	5,562	459	1,447	139	7,607
Total Assets	**$97,983**	**$95,291**	**$488,399**	**$710,182**	**$1,391,855**
Liabilities					
Accounts payable	$2,375	$-	$3	$19	$2,397
Borrowings	7,134	16,753	107,240	583,633	714,760
Total Liabilities	**$9,509**	**$16,753**	**$107,243**	**$583,652**	**$717,157**

			2013		
At December 31	**0 - 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Assets					
Cash and cash equivalents	$67,727	$-	$-	$-	$67,727
Debt securities at fair value through profit and loss	14,092	36,837	211,063	42,015	304,007
Loans outstanding	43,310	90,292	454,836	636,228	1,224,666
Receivable from members	-	7,386	-	46,900	54,286
Receivables and prepayments	9,037	527	1,064	151	10,779
Total Assets	**$134,166**	**$135,042**	**$666,963**	**$725,294**	**$1,661,465**
Liabilities					
Accounts payable	$1,637	$1,107	$23	$-	$2,767
Borrowings	10,703	167,741	97,535	628,698	904,677
Total Liabilities	**$12,340**	**$168,848**	**$97,558**	**$628,698**	**$907,444**

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

NOTE 3 – RISK MANAGEMENT*...continued*

Liquidity risk*...continued*

Derivative cash flows

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

	2014				
At December 31	**0 - 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Derivative asset:					
Cross currency interest rate swaps & interest rate swaps	$3,545	6,485	13,715	41,401	**$65,146**
Derivative liability					
Interest rate swap	$-	$-	$-	$-	**$-**

	2013				
At December 31					
Derivative asset:					
Cross currency interest rate swaps	$3,508	$705	$6,257	$70,404	**$80,874**
Derivative liability					
Interest rate swap	$-	$3,996	$3,006	($19,440)	**$12,438**

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

NOTE 3 – RISK MANAGEMENT*...continued*

Liquidity risk*...continued*

Commitments, guarantees and contingent liabilities

Loan and capital commitments

The table below summarizes the amounts of the Bank's commitments and guarantees to which it has committed for the extension of credit to its BMCs. Capital commitments represent obligations in respect of ongoing capital projects. There were no capital commitments as at December 31, 2014.

	2014		
At December 31	**0-12 months**	**1-5 years**	**Total**
Loan commitments	$115,000	$192,137	$307,137
Guarantees	12,000	-	12,000
	$127,000	**$192,137**	**$319,137**

	2013		
At December 31			
Loan commitments	$90,000	$199,814	$289,814
Guarantees	$12,000	-	$12,000
	$102,000	**$199,814**	**$301,814**

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 (unadjusted) market prices in active markets for identical assets or liabilities. 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 for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable. Bloomberg is the source of input parameters like the LIBOR yield curves or counterparty credit risks.

Level 3 – Inputs for the asset or liability for which the lowest level input that is significant to the fair value measurement is unobservable. This level includes equity investments and debt instruments with significant unobservable components.

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

NOTE 3 – RISK MANAGEMENT...*continued*

Fair value of financial assets and liabilities…*continued*

Fair value hierarchy…continued

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:

	2014			
December 31	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Cross currency interest rate swaps	$-	$40,719	-	$40,719
Financial assets designated at fair value through profit or loss				
Debt securities		232,766	-	232,766
Interest rate swaps	-	11,684	-	11,684
	$-	**$285,169**	**$-**	**$285,169**

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

	2013			
December 31	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss				
Cross currency interest rate swaps	$-	$53,986	$-	$53,986
Financial assets designated at fair value through profit or loss				
Debt securities	-	289,525	-	289,525
	$-	**$343,511**	**$-**	**$343,511**
Financial liabilities at fair value through profit or loss				
Interest rate swap	$-	$6,797	$-	$6,797
	$-	**$6,797**	**$-**	**$6,797**

NOTE 3 – RISK MANAGEMENT*...continued*

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

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

The total amount of the change in fair value estimated using Level 2 valuation techniques that was recognized in profit and loss during the year was a gain of $6,182 (2013 a loss of $47,156).

(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, it's Borrowing Member Countries. Amounts disbursed on loans are repayable in the currency or currencies disbursed by the Bank or in other freely convertible 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-two years, including a grace period, which is typically the period of project implementation. Loans are for the purpose of financing development projects and programmes and are not intended for sale. Management also does not believe that there is a comparable secondary market for the type of loans made by the Bank.

For 2014 and 2013, the estimated fair values are based on discounted cash flow models using an estimated yield curve appropriate for the remaining term to maturity.

(iii) *Non-negotiable demand notes*
These are non-negotiable, non-interest bearing demand notes with no conditions for repayment as settlement for capital subscriptions in place of any part of the member's currency paid or to be paid. They are payable at their par value upon demand. Therefore the fair value is estimated to be the carrying value.

(iv) *Receivables and prepayments*
Due to the short-term nature of these assets, fair value is assumed to be equal to carrying value.

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

(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.

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

NOTE 3 – RISK MANAGEMENT...*continued*

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

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

The following table summarizes the carrying amounts and fair values of financial assets and liabilities presented on the Bank's statement of financial position which are not recorded at fair value and for which the carrying value does not approximate fair value.

	Carrying value		Fair value	
	2014	**2013**	**2014**	**2013**
Financial assets – loans and receivables				
Loans outstanding	$982,671	$967,936	$770,035	$854,523
Financial liabilities – amortised cost				
Borrowings	$530,301	$675,377	$575,764	$707,246

The fair value measurement of the Bank's assets and liabilities are as follows:

Quantitative disclosures of fair value measurement hierarchy for assets and liabilities for which fair value is disclosed as at December 31, 2014 are as follows:

	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed				
Loans outstanding	$770,035	$-	$770,035	$-
	$770,035	**$-**	**$770,035**	**$-**

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

NOTE 3 – RISK MANAGEMENT*...continued*

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

	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities for which fair values are disclosed				
Borrowings	$575,764	$-	$575,764	$-
	$575,764	**$-**	**$575,764**	**$-**

Derivatives

The Bank uses derivatives in its borrowing and liability management activities to lower its funding costs and to align the interest rate profiles on its borrowings with that of its lending activities. 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.

During the year the Bank entered into a second fixed for floating interest rate swap agreement with a commercial bank for the notional sum of $150 million against its fixed rate borrowing of $300 million. This was effective from September, 2014 and expires in November 2027. This borrowing is now fully swapped. The determination of the fair value of financial instruments is disclosed in Note 2 “Fair value measurement”.

Capital Management

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

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

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

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

NOTE 3 – RISK MANAGEMENT*...continued*

Capital Management*…continued*

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

As at December 31, 2014 the Bank's available capital was 204.1% (2013: 191.5%) of its economic capital.

No changes were made in the objective, policies or processes for managing capital during the year ended December 31, 2014.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Accounting policies and management's judgment for certain items that are especially critical for the Bank's results and financial situation due to their materiality are as follows:

Loan impairment provisions

The Bank reviews its loan portfolios on an annual basis, at a minimum, to assess impairment. In determining whether an impairment provision is required the Bank makes judgments 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 based on current events. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers singly or in a group, or national or local economic conditions that correlate with defaults on assets held by the Bank.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS*...continued*

Loan impairment provisions*...continued*

The Bank's method for determining the level of impairment of loans is described in Note 2 – "Impairment of financial assets" and further explained in Note 3 – "Risk Management: Impairment and provisioning policies".

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

Fair value of financial instruments

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, consideration of inputs such as credit risks, liquidity risks, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.
This is detailed in Note 3 – "Risk Management: Fair value of financial assets and liabilities."

Going concern

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

Post-employment benefit obligations

The present value of the retirement benefit obligations depend 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, future salary increases, mortality rates, and future pension increases. At the end of each year the Bank determines the appropriate discount rate which 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. In that determination 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.

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

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

NOTE 5 – SEGMENT ANALYSIS

The Bank is a multilateral financial institution dedicated to the development of the economies of, and poverty reduction in, its regional 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 outstanding loan balances inclusive of accrued interest and net of impairment provisions as of December 31. 2014 and 2013, and associated interest income by countries which generated in excess of 10% in loan interest income for the years ended December 31, 2014 and 2013:

	Interest income		Loans outstanding	
Country	**2014**	**2013**	**2014**	**2013**
Jamaica	$9,426	$9,397	$235,885	$240,028
Barbados	6,363	5,539	137,268	135,762
St. Vincent and the Grenadines	4,138	3,994	101,846	102,597
Other	20,576	20,177	507,672	489,549
	$40,503	**$39,107**	**$982,671**	**$967,936**

NOTE 6 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following balances:

	2014	**2013**
Due from banks	$8,732	$22,032
Time deposits	25,470	45,691
	$34,202	**$67,723**

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

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

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

	2014				
	USD	EUR	CAD	Other	All Currencies
December 31					
Obligations guaranteed by Governments[1]	$156,315	$1,219	$5,859	$-	$163,393
Multilateral organizations	56,232	6,211	-	-	62,443
Time Deposits	-	-	-	6,279	6,279
Euro Commercial Paper	-	-	-	-	-
Sub-total	212,547	7,430	5,859	6,279	232,115
Accrued interest	623	11	14	3	651
	$213,170	**$7,441**	**$5,873**	**$6,282**	**$232,766**

	2013				
	USD	EUR	CAD	Other	All Currencies
December 31					
Obligations guaranteed by Governments[1]	$196,615	$5,653	$8,591	$-	$210,859
Multilateral organizations	68,211	2,870	-	-	71,081
Time Deposits	501	-	-	6,105	6,606
Euro Commercial Paper	-	-	-	-	-
Sub-total	265,327	8,523	8,591	6,105	288,546
Accrued interest	850	113	12	4	979
	$266,177	**$8,636**	**$8,603**	**$6,109**	**$289,525**

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

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

NOTE 8 – RECEIVABLES AND PREPAYMENTS

	2014	2013
Interfund receivable – Note 24	$4,778	$8,407
Staff loans and other receivables	1,085	1,011
VAT receivable	1,293	838
Institutional receivables	148	172
Prepayments	303	351
	$7,607	**$10,779**
Current	1,586	$9,636
Non-current	6,021	$1,143
	$7,607	**$10,779**

During the year, no provision (2013: nil) was required as none of the above receivables was deemed to be impaired.

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

NOTE 9 – LOANS OUTSTANDING

(a) The following tables disclose the Bank's main credit exposures at their carrying amounts, as categorized by Borrowing Member Countries, regional institutions and to the non-sovereign as of December 31, 2014.

	2014			
Borrowers	Loans not yet effective	Undisbursed	Outstanding	% of Loans outstanding
Anguilla	$-	$3,192	$61,735	6.3
Antigua and Barbuda	-	25,391	54,327	5.6
Bahamas	4,740	19,967	6,322	0.7
Barbados	11,089	86,749	136,070	13.9
Belize	12,503	61,937	71,526	7.3
British Virgin Islands	-	16,776	12,116	1.2
Cayman Islands	-	-	2,531	0.3
Dominica	-	6,610	20,803	2.1
Grenada	-	5,180	30,006	3.1
Guyana	3,562	8,212	29,491	3.0
Jamaica	15,000	16,219	233,525	23.9
St. Kitts and Nevis	-	2,431	42,335	4.3
St. Lucia	13,675	10,763	79,317	8.1
St. Vincent and the Grenadines	-	16,396	100,816	10.3
Suriname	18,570	-	-	-
Trinidad and Tobago	-	10,000	43,323	4.4
Turks and Caicos Islands	-	-	4,370	0.5
Regional	6,625	-	8,246	0.8
Non-sovereign	-	17,314	41,840	4.3
Sub-total	**85,764**	**307,137**	**978, 699**	**100.0**
Provision for impairment			(6,309)	
Accrued interest and other charges	-	-	10,281	
	$85,764	**$307,137**	**$982,671**	

Current	$91,897
Non-current	890,774
	$982,671

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

NOTE 9 – LOANS OUTSTANDING…*continued*

		2013		
Borrowers	Loans not yet effective	Undisbursed	Outstanding	% of Loans outstanding
Anguilla	$ 3,215	$-	$63,272	6.6
Antigua and Barbuda	13,383	17,518	51,087	5.3
Bahamas	-	4,281	6,306	0.7
Barbados	6,659	101,207	134,561	14.0
Belize	11,231	31,966	71,351	7.4
British Virgin Islands	-	19,417	11,610	1.2
Cayman Islands	-	-	3,271	0.3
Dominica	-	8,252	21,512	2.2
Grenada	-	5,682	28,197	2.9
Guyana	2,900	11,442	28,887	3.0
Jamaica	-	24,498	237,535	24.7
St. Kitts and Nevis	-	13,695	43,578	4.5
St. Lucia	-	18,561	79,364	8.3
St. Vincent and the Grenadines	-	15,504	101,558	10.6
Trinidad and Tobago	-	-	19,604	2.0
Turks and Caicos Islands	-	-	5,033	0.5
Regional	6,624	-	8,246	0.9
Non-sovereign	-	17,791	47,463	4.9
Sub-total	**44,012**	**289,814**	**962,435**	**100.0**
Provision for impairment	-	-	(4,766)	
Accrued interest and other charges	-	-	10,267	
	$44,012	**$289,814**	**$967,936**	

	2013
Current	$95,002
Non-current	$872,934
	$967,936

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

NOTE 9 – LOANS OUTSTANDING*...continued*

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

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

	2013						
Currencies receivable	**Loans out-standing 2012**	**Net interest earned**	**Disbursements**	**Sub-Total**	**Repayments**	**Recovery on impairment**	**Loans out-standing 2013**
United States dollars	$968,716	$-	$84,318	$1,053,034	$(90,599)	$-	$962,435
Sub-total	**968,716**	**-**	**84,318**	**1,053,034**	**(90,599)**	**-**	**962,435**
Provision for impairment	(7,584)	-	-	(7,584)	-	2,818	(4,766)
Accrued interest	11,200	(933)	-	10,267	-	-	10,267
Total – December 31	**$972,332**	**$(933)**	**$84,318**	**$1,055,717**	**$(90,599)**	**$2,818**	**$967,936**

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

NOTE 9 – LOANS OUTSTANDING*...continued*

(c) An additional provision of $1,543 (2013: $850) was recognized during 2014 in respect of non-sovereign loans which are now fully provided for. The accumulated provision balance was $6,309 as at December 31, 2014 (2013: $4,766).

No provision for the impairment of sovereign loans was recognized as at December 31, 2014 (2013: Nil).

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

	2014	2013
Balance at January 1	$4,766	$7,584
Increase in specific impairment provision	1,543	-
Collective impairment provision – non- sovereign	-	850
Write back of previous specific impairment provision	-	(3,668)
Balance at December 31	**$6,309**	**$4,766**

(d) **Exceptional financial assistance**

There was no exceptional financial assistance provided during the year (2013: 1).

NOTE 10 – NON-NEGOTIABLE DEMAND NOTES

The Charter 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.

All of the non-negotiable demand notes are considered non-current as there is no expectation that they will be called within the next twelve months. As at December 31, 2014 the non-negotiable demand notes amounted to $45,032 (2013: $44,012).

NOTE 11 – MAINTENANCE OF VALUE ON CURRENCY HOLDINGS

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

As at December 31, 2014, the amount of $3,711 was due by certain members (2013: $2,887), at the reporting date, no amounts were due by the Bank (2013: Nil).

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

NOTE 12 – SUBSCRIPTIONS IN ARREARS

Member countries are required to meet their obligations for paid-in shares over a period determined in advance which comprises six installments. The amount of $11,234 (2013: $7,386) represents amounts that are due and not yet paid by certain members.

NOTE 13 – DERIVATIVE FINANCIAL INSTRUMENTS

In accordance with the Bank's approved policy, derivative contracts are undertaken for the purposes of reducing its borrowing costs and to pass these benefits to its borrowers, to align its assets and liabilities specifically its loans and borrowings to variable rates where that is not the case and to mitigate currency risk in instances where borrowing commitments are denominated in a currency other than the Bank's functional currency. Engaging in trading or speculative activities is prohibited.

All derivatives are held to maturity but may be terminated in those instances where the contract no longer satisfies the purpose for which it was intended or is detrimental to the Bank's profitability in any way.

The fair values of derivative financial instruments held at December 31, 2014 and 2013, were as follows:

		2014	2013
		Fair values	
	Notional Amount		
Derivative financial asset			
Cross currency interest rate swaps	$163,220	$40,719	$53,986
Interest rate swaps	$300,000	$11,684	$-
Derivative financial liability			
Interest rate swaps	$-	$-	$6,797

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 in United States dollars.

During the year, the Bank entered into an additional fixed for floating interest rate swap which became effective in September, 2014 up to November 2027 for a notional amount of $150 million with a commercial bank. This swap is related to the Bank's fixed rate borrowing of $300 million which carried an interest rate of 4.375%. As a result of this new transaction this borrowing is now fully converted into a floating rate obligation.

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

NOTE 14 – PROPERTY AND EQUIPMENT

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

The carrying values of property and equipment were as follows:

	2014					
	Projects in Progress	Land, Buildings and Ancillary Works	Computers	Furniture and Equipment	Motor Vehicles	Total
At January 1						
Cost	$2,122	$11,112	$7,512	$4,997	$325	$26,068
Accumulated depreciation	-	(6,729)	(6,978)	(3,836)	(239)	(17,782)
Closing net book value	**2,122**	**4,383**	**534**	**1,161**	**86**	**8,286**
Year ended December 31						
Opening net book value	2,122	4,383	534	1,161	86	8,286
Additions	664	10	103	326	31	1,134
Transfer from furniture and equipment	18	-	-	(18)	-	-
Transfers from projects in progress	(514)	-	514	-	-	-
Change in valuation of donated land	-	(75)	-	-	-	(75)
Disposals - cost	-	-	-	(26)	(29)	(55)
Disposals - accumulated depreciation	-	-	-	26	29	55
Depreciation expense	-	(261)	(619)	(380)	(46)	(1,306)
Closing net book value	**$2,290**	**$4,057**	**$532**	**$1,089**	**$71**	**$8,039**
At December 31						
Cost	$2,290	$11,047	$8,129	$5,279	$327	$27,072
Accumulated depreciation	-	(6,990)	(7,597)	(4,190)	(256)	(19,033)
Closing net book value	**$2,290**	**$4,057**	**$532**	**$1,089**	**$71**	**$8,039***

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

NOTE 14 – PROPERTY AND EQUIPMENT*...continued*

	2013					
	Projects in Progress	Land, Buildings and Ancillary Works	Computers	Furniture and Equipment	Motor Vehicles	Total
At January 1						
Cost	$2,290	$11,047	$8,129	$5,279	$327	$27,072
Accumulated depreciation	-	(6,990)	(7,597)	(4,190)	(256)	(19,033)
Closing net book value	**$2,290**	**$4,057**	**$532**	**$1,089**	**$71**	**$8,039**
Year ended December 31						
Opening net book value	$2,290	$4,057	$532	$1,089	$71	$8,039
Additions	1,777	199	158	321	-	2,455
Transfer from furniture and equipment	-	-	-	-	-	-
Transfers from projects in progress	(1.452)	438	830	184	-	-
Change in valuation of donated land	-	(150)	-	-	-	(150)
Disposals - cost	-	-	-	(22)	-	(22)
Disposals - accumulated depreciation	-	-	-	22	-	22
Depreciation expense	-	(290)	(734)	(396)	(45)	(1,465)
Closing net book value	**$2,615**	**$4,254**	**$786**	**$1,198**	**$26**	**$8,879**
At December 31						
Cost	$2,615	$11,534	$9,117	$5,762	$327	$29,355
Accumulated depreciation	-	(7,280)	(8,331)	(4,564)	(301)	(20,476)
Closing net book value	**$2,615**	**$4,254**	**$786**	**$1,198**	**$26**	**$8,879**

NOTE 15 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2014	**2013**
Accounts payable	$28	$128
Accrued liabilities	2,369	2,639
	$2,397	**$2,767**
Current portion	2,375	$2,744
Non-current portion	22	23
	$2,397	**$2,767**

NOTE 16 – SUBSCRIPTIONS IN ADVANCE

Payment of the amount due in respect of paid-up shares initially subscribed by a State or Territory which becomes a member of the Bank is required to be made in six installments. The amount of $8,750 (2013: $13,310) represents amounts paid in advance of the due dates by certain members.

NOTE 17 – DEFERRED INCOME

The amount of $650 (2013: $800) represents the fair value of freehold land donated to the Bank by the host country, based upon an independent external valuation report dated December 4, 2014. The original valuation of the land was $850.

NOTE 18 – POST-EMPLOYMENT OBLIGATIONS

The Bank operates a defined benefit new pension plan and a hybrid old pension scheme based on the employee pensionable remuneration and length of service.

The plans are established under Trust Deeds. Management of the funds rest in the Trustees who perform their duties under the provisions of these Trust Deeds and they are responsible for the administration of the plan assets and for the definition of the investment strategy. The plans aim to achieve an appropriate balance between risk and return by adopting an appropriate mix of measures to mitigate the various types of risks to which they are exposed. These measures include a variety of policies, guidelines and practices that together make up the plans' risk management framework.

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

The plans are valued by independent actuaries every three years using the projected unit cost method. The last actuarial valuation was performed as at January 1, 2014. These actuarial valuations determine the funding requirements for the plans.

With respect to the Hybrid Pension Scheme members other than those of Defined Benefit Pension Plan or those who have completed 33 1/3 years of pensionable service pay regular contributions of 5% of salaries. The Bank meets the balance of the cost of funding the defined benefits and must pay contributions at least equal to 13% of contributing members' salaries and fund any deficit over a maximum period of 40 years. Under the provisions of the Defined Benefit Pension Plan the Bank meets the costs of funding the Plan and must pay contributions at least equal to those paid by members, which are fixed.

In accordance with the rules of the Defined Benefit Plan, members contribute 7% of their annual salary and the Bank contributes such sums as are certified by the Actuary to be sufficient together with the existing assets of the Fund to provide the benefits payable and preserve the solvency of the Fund. The current contribution rate certified by the Actuary is 24.7% of the aggregate amount of the annual salaries of eligible employees. The Bank however applies a contribution rate of 26.1% which generates a surplus deemed to be acceptable by the actuary given macroeconomic uncertainties. All contributions (initially determined in Barbados dollars) are immediately converted to United States dollars and held or invested in that currency.

The financial statements of the plans are audited annually by independent external auditors and every three years a professional firm is engaged to conduct an actuarial review of the plans and the Trustees decide on the level of contributions necessary to meet future obligations.

NOTE 18 – POST-EMPLOYMENT OBLIGATIONS*...continued*

During the year, the BOD approved certain changes to the plan. These included:

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

These changes were factored into the actuarial valuations.

The Post-Retirement Medical Benefit is provided through a group insurance contract which is available to all Defined Benefit Pension Plan and Hybrid Pension Scheme retirees (including those who took their Hybrid Pension Scheme entitlement as a lump sum) provided they retired from the service of the Bank after completing at least 10 years' service. It is not available to persons who leave the service of the Bank before retirement. The Bank and the retirees share the burden of the medical premiums on a predetermined ratio.

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

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

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

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

Risks factors that may impact the Bank
The Defined Benefit Pension Plan exposes the Bank to:

- longevity risk,
- inflation risk since although pension increases are capped, the benefits to current employees are based on final average salaries,
- interest rate risk due to the liabilities being of longer duration than the dated securities

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

NOTE 18 – POST-EMPLOYMENT OBLIGATIONS*...continued*

Risks factors that may impact the Bank*...continued*

- investment risk as in order to counter the inflation risk and improve the investment return, 61% of the assets as at December 2014 were invested in equities.

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

While administrative expenses are allocated to the special funds resources, the post-employment benefit obligations reflected are those of the OCR as the OCR has no recourse to the special funds resources with respect to this obligation.

Post employment obligations

	2014	2013
Net post-employment obligations		
Defined benefit pension liability	$6,773	$2,456
Hybrid pension liability	5,406	4,304
Post-Retirement medical obligations	2,677	2,872
	$14,856	**$9,632**

Net pension costs recognised in profit or loss

	2014	2013
Defined benefit pension liability	$1,077	$3,513
Hybrid pension liability	(351)	414
Post-Retirement medical obligation	66	420
	$792	**$4,347**

Re-measurements recognised in other comprehensive income

	2014	2013
Defined benefit obligation	$5,779	$(8,377)
Hybrid pension liability	2,184	(579)
Post-Retirement medical obligation	(193)	58
	$7,770	**$(8,898)**

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

NOTE 18 – POST-EMPLOYMENT OBLIGATIONS*...continued*

(a) **Defined Benefit Pension Plan**

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

	Pensions	
	2014	**2013**
Present value of funded obligations	$51,466	$44,366
Fair value of plan assets	(44,693)	(41,910)
Net defined benefit liability	**$6,773**	**$2,456**

The amounts recognized in profit or loss are as follows:

	Pensions	
	2014	**2013**
Current service costs	$2,987	$3,165
Net interest on net defined benefit liability	8	348
Past service cost/ (credit)	(1,918)	
Net pension cost	**$1,077**	**$3,513**
Re-measurement recognized in other comprehensive income		
Experience (gains)/losses	$5,779	$(8,377)
Total amount recognized in other comprehensive income	**$5,779**	**$(8,377)**

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

	Pensions	
	2014	**2013**
Opening defined benefit liability	$2,456	$9,638
Net pension cost	1,077	3,513
Re-measurements recognized in other comprehensive income	5,779	(8,377)
Bank contribution paid	(2,539)	(2,344)
Other	-	26
	$6,773	**$2,456**

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

NOTE 18 – PENSIONS AND POST-EMPLOYMENT OBLIGATIONS*...continued*

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

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

	Pensions	
	2014	**2013**
Balance at January 1	$44,366	$45,888
Current service costs	2,987	3,165
Interest costs	2,130	1,899
Members' contributions	683	632
Past service cost/ (credit)	(1,918)	-
Re-measurements		
Experience adjustments	1,739	(128)
Actuarial (gains)/losses from changes in financial assumptions	3,614	(4,614)
Benefits paid	(2,135)	(2,476)
	$51,466	**$44,366**

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

	Pensions	
	2014	**2013**
Balance at January 1	$41,910	$36,250
Interest income	2,122	1,551
Return on plan assets, excluding interest	(426)	3,609
Bank contributions	2,539	2,344
Members' contributions	683	632
Benefits paid	(2,135)	(2,476)
	$44,693	**$41,910**

NOTE 18 – PENSIONS AND POST-EMPLOYMENT OBLIGATIONS*...continued*

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

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

	2014	**2013**
Quoted in active markets		
Equity securities	$27,164	$24,338

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

	27,164	$24,338
Unquoted investments		
Cash and cash equivalents	1,207	3,484
Equity securities	-	423
Debt securities	17,363	14,645
	$18,570	$18,552
Net accruals	(1,041)	(980)
Total	**$44,693**	**$41,910**

Sensitivity analysis

The principal actuarial assumptions used for accounting purposes are:

	Pensions	
	2014 %	**2013 %**
Discount rate	5.00	5.00
Future salary increases	4.00	4.00
Future pension increases	2.25	2.25

Mortality rate

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

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

	2014	**2013**
Male	21.0	21.0
Female	25.1	25.1

NOTE 18 – PENSIONS AND POST-EMPLOYMENT OBLIGATIONS*...continued*

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

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

	2014	**2013**
Male	21.4	21.4
Female	25.4	25.4

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

A quantitative sensitivity analysis for significant assumptions as at December 31, 2014 is as shown below:

	Discount rate		**Future salary increases**		**Pension increases**	
	1% p.a. increase	**1% p.a. decrease**	**1% p.a. increase**	**1% p.a. decrease**	**1% p.a. increase**	**1% p.a. decrease**
Impact on the defined benefit obligation	$(6,848)	$8,599	$2,190	$(1,946)	$5,169	$(4,377)

	Life expectancy of male pensioners		**Life expectancy of female pensioners**	
	Increase by 1 year	**Decrease by 1 year**	**Increase by 1 year**	**Decrease by 1 year**
Impact on the defined benefit obligation	$465	$(447)	$887	$(876)

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

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

	2014	**2013**
Within the next 12 months (annual reporting period)	$2,399	$2,400
Between 1 year and 2 years	$2,471	$3,283

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

NOTE 18 – PENSIONS AND POST-EMPLOYMENT OBLIGATIONS*...continued*

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

Liability profile

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

Active members……………….60%
Deferred members…………….0%
Pensioners…………………….40%

The weighted average duration of the defined benefit obligation was 14.7 years.
94% of the benefits for active members were vested.
22% of the defined benefit obligation for active members was conditional on future salary increases.

(b) **Hybrid Pension Scheme**

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

	Pensions	
	2014	**2013**
Present value of funded obligations	$25,444	$24,630
Fair value of plan assets	(20,038)	(20,326)
Net defined benefit liability	**$5,406**	**$4,304**

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

NOTE - 18 – PENSIONS AND POST-EMPLOYMENT OBLIGATIONS*...continued*

(b) Hybrid Pension Scheme…*continued*

The amounts recognized in profit or loss are as follows:

	Pensions	
	2014	**2013**
Current service costs	$187	$226
Net interest on defined liability/ (asset)	173	188
Past service cost/ (credit)	(711)	-
Net pension cost	**$(351)**	**$414**

The amounts recognized in profit and loss are as follows:

	Pensions	
	2014	**2013**
Re-measurement recognized in other comprehensive income		
Experience (gains)/losses	$2,184	$(579)
Total amount recognized in other comprehensive income	**$2,184**	**$(579)**

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

	Pensions	
	2014	**2013**
Opening defined benefit liability	$4,304	$4,666
Net pension cost	(351)	414
Re-measurement recognized in other comprehensive income	2,184	(579)
Employer contributions paid	(731)	(197)
	$5,406	**$4,304**

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

NOTE 18 – PENSIONS AND POST-EMPLOYMENT OBLIGATIONS*...continued*

(b) **Hybrid Pension Scheme***...continued*

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

	Pensions	
	2014	**2013**
Balance at January 1	$24,630	$27,302
Current service costs	187	226
Net interest costs	1,171	1,108
Employees' contributions	393	349
Past services costs/ (credit)	(711)	-
Re-measurements		
Experience adjustments	(717)	111
Actuarial (gains)/losses from changes in Demographic assumptions	851	-
Actuarial (gains)/losses from changes in financial assumptions	1,498	(1,913)
Benefits paid	(1,858)	(2,553)
	$25,444	**$24,630**

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

	Pensions	
	2014	**2013**
Balance at January 1	$20,326	$22,636
Interest income	998	920
Return on plan assets excluding interest income	(552)	(1,223)
Employer's contributions	731	197
Members' contributions	393	349
Benefits paid	(1,858)	(2,553)
	$20,038	**$20,326**

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

NOTE 18 – PENSIONS AND POST-EMPLOYMENT OBLIGATIONS*...continued*

(b) **Hybrid Pension Scheme***...continued*

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

	2014	**2013**
Unquoted investments		
Government and Government guaranteed bonds	$13,530	$15,295
Supranational bonds	5,866	6,388
Cash and cash equivalents	567	155
	19,963	21,838
Net accruals	75	(1,512)
	$20,038	**$20,326**

Sensitivity analysis

The principal actuarial assumptions used for accounting purposes are:

	Pensions	
	2014 %	**2013 %**
Discount rate	5.00	5.00
Future salary increases	4.00	4.00
Future pension increases	0.00	0.00

Mortality rate

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

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

	2014	**2013**
Male	21.0	21.0
Female	25.1	25.1

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

	2014	**2013**
Male	21.4	21.4
Female	25.4	25.4

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

NOTE 18 – PENSIONS AND POST-EMPLOYMENT OBLIGATIONS…*continued*

(b) **Hybrid Pension Scheme**...*continued*

A quantitative sensitivity analysis for significant assumptions as at December 31, 2014 is as shown below:

	Discount rate		Future salary increases	
	1% p.a. increase	**1% p.a. decrease**	**1% p.a. increase**	**1% p.a. decrease**
Impact on defined benefit obligation	$(2,796)	$3,591	$483	$(536)

	Life expectancy of male pensioners		Life expectancy of female pensioners	
	Increase by 1 year	**Decrease by 1 year**	**Increase by 1 year**	**Decrease by 1 year**
Impact on the defined benefit obligation	$266	$(269)	$297	$(297)

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

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

	2014	2013
Within the next 12 months	$729	$200
Between 1 year and 2 years	$733	$180

Liability profile

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

Active members………………….60%
Deferred members ………………0%
Pensioners………………………..40%

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

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

NOTE 18 – PENSIONS AND POST-EMPLOYMENT OBLIGATIONS*...continued*

(c) **Post-Retirement Medical Plan**

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

	Post-employment medical obligation	
	2014	**2013**
Post-employment medical obligations	**$2,677**	**$2,872**

The amounts recognized in profit or loss were as follows:

	Post-employment medical obligation	
	2014	**2013**
Current service costs	$122	$104
Net Interest on net defined benefit liability	212	182
Past service costs	(268)	134
	$66	**$420**

Re-measurements recognized in other comprehensive income

Experience losses	$(193)	$58
	$(193)	**$58**

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

NOTE 18 – PENSIONS AND POST-EMPLOYMENT OBLIGATIONS*...continued*

(c) **Post-Retirement Medical Plan***...continued*

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

	Post-employment medical obligation	
	2014	**2013**
Opening defined benefit liability	$2,872	$2,453
Net pension cost	66	420
Re-measurements recognized in other comprehensive income	(193)	58
Premiums paid by the Bank	(68)	(59)
	$2,677	**$2,872**

Movement in the post-retirement medical obligation over the year was as follows:

	Post-employment medical obligation	
	2014	**Restated 2013**
Balance at January 1	$2,872	$2,453
Current service costs	122	104
Net interest cost	212	182
Past service cost	(268)	134
Re-measurements		
Experience adjustments	(193)	58
Benefits paid	(68)	(59)
	$2,677	**$2,872**

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

NOTE 18 – PENSIONS AND POST-EMPLOYMENT OBLIGATIONS*...continued*

(c) **Post-Retirement Medical Plan***...continued*

The principal actuarial assumptions used for accounting purposes are:

	Post-employment medical obligation 2014 %	Post-employment medical obligation 2013 %
Discount rate	7.75	7.75
Annual increase in benefit	7.25	7.25

Sensitivity analysis

A quantitative sensitivity analysis for significant assumptions as at December 31, 2014 is as shown below:

	Discount rate		Medical cost increases	
	1% p.a. increase	1% p.a. decrease	1% p.a. increase	1% p.a. decrease
Impact on defined benefit obligation	$(370)	$465	$463	$(375)

The following payments are expected contributions to be made in the future years to the post-retirement medical obligation:

	2014	2013
Within the next 12 months	$69	$68

Liability profile

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

Active members………………..54%
Pensioners……………………... 46%

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

NOTE 19 – 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 paid in capital and retained earnings less receivables from members (cash reserves). At December 31, 2014, total borrowings amounted to $530,301 (2013: $675,377).

The short term borrowing of $30,000 represents the partial drawdown on a $50,000 line of credit from a commercial bank, and is repayable in three months.

At December 31, 2014, the ratio of total outstanding borrowings and undrawn commitments of $604,566 (2013: $754,697) to the borrowing limit of $1,273,629 (2013: $1,157,818) was 47.5% (2013: 65.2%).

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

NOTE 19 – BORROWINGS*...continued*

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

	2014						
	Original amounts[1/]	Translation adjustments	Repayments to date	Currency swap[2/]	Undrawn	Outstanding	Due dates
Short term Borrowing							
Floating Rate Note - US$	30,000	$-	$-	$-	$-	$30,000	2015
	30,000	$-	$-	$-	$-	$30,000	
CDB Market Borrowings							
4.35% Notes – Yen	60,000	(5,820)	-	-	-	54,180	2030
2.75% Notes – Yen	100,000	(2,389)	-	7,000	-	104,611	2022
Floating Rate Note – US$	150,000	-	(150,000)	-	-	-	2014
4.375% Bonds – US$	300,000	-	-	-	-	300,000	2027
Unamortized transaction costs	(1,908)	-		-	-	(1,908)	
	608,092	(8,208)	(150,000)	7,000	-	456,884	
European Investment Bank							
Global Loan 11I - US$	51,157	-	(21,280)	-	-	29,877	2023
Climate Action Credit – US$	65,320	-	-	-	(65,320)	-	
	116,477	-	(21,280)	-	(65,320)	29,877	
Inter-American Development Bank							
Loan 926/OC-RG-US$	22,539	-	(15,306)	-	-	7,233	2021
Loan 2798/BL-RG	14,000	-	-	-	(8,945)	5,055	2043
	36,539	-	(15,306)	-	(8,945)	12,288	
Sub-total	**791,108**	**(8,208)**	**(186,586)**	**7,000**	**(72,265)**	**529,049**	
Accrued interest[3]	1,252	-	-	-	-	1,252	
Total – December 31	**$792,360**	**$(8,208)**	**$(186,586)**	**$7,000**	**$(74,265)**	**$530,301**	

1/ Net of cancellations and borrowings fully paid.
2/ Unwinding of fair value hedge.
3/ Relates to amounts withdrawn and outstanding.

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

NOTE 19 – BORROWINGS*…continued*

	2013						
	Original amounts[1/]	**Translation adjustments**	**Repayments to date**	**Currency swap[2/]**	**Undrawn**	**Outstanding**	**Due dates**
CDB Market Borrowings							
4.35% Notes – Yen	$60,000	$1,692	$-	$-	$-	$61,692	2030
2.75% Notes – Yen	100,000	11,147	-	7,969	-	119,116	2022
Floating Rate Note – US$	175,000	-	(175,000)	-	-	-	2013
Floating Rate Note – US$	150,000	-	-	-	-	150,000	2014
4.375% Bonds – US$	300,000	-	-	-	-	300,000	2027
Unamortized transaction costs	(2,037)	-	-	-	-	(2,037)	
	782,963	12,839	(175,000)	7,969	-	628,771	
European Investment Bank							
Global Loan 11I - US$	51,157	-	(14,700)	-	-	36,457	2014/2023
Climate Action Credit – US$	65,320	-	-	-	(65,320)	-	
	116,477	-	(14,700)	-	(65,320)	36,457	
Inter-American Development Bank							
Loan 926/OC-RG-US$	22,539	-	(14,194)	-	-	8,345	2021
Loan 2798/BL-RG	14,000	-	-	-	(14,000)	-	2043
	36,539	-	(14,194)	-	(14,000)	8,345	
Sub-total	**935,979**	**12,839**	**(203,894)**	**7,969**	**(79,320)**	**673,573**	
Accrued interest[3]	1,804	-	-	-	-	1,804	
Total – December 31	**$937,783**	**$12,839**	**$(203,894)**	**$7,969**	**$(79,320)**	**$675,377**	

1/Net of cancellations and borrowings fully paid.

2/Unwinding of fair value hedge.

3/ Relates to amounts withdrawn and outstanding.

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

NOTE 19 – BORROWINGS...*continued*

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

2014

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

2013

Currencies Repayable	**Outstanding at December 2011**	**Translation adjustment**	**Net interest expense/ paid**	**Draw-downs**	**Currency swap amortisation**	**Repayments**	**Outstanding at December 2012**
United States Dollars	$698,314	$-	$-	$-	$-	$(204,290)	$494,024
Japanese Yen	218,984	(38,467)	-	-	(968)	-	179,549
Sub-total	**917,298**	**(38,467)**	**-**	**-**	**(968)**	**(204,290)**	**673,573**
Accrued interest[2]	2,948	-	(1,144)	-	-	-	1,804
Total – December 31	**$920,246**	**$(38,467)**	**$(1,144)**	**$-**	**$(968)**	**$(204,290)**	**$675,377**

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

	2014	**2013**
Current	$35,684	$159,496
Non-current	494,617	515,881
	$530,301	**$675,377**

[1/] Unwinding of fair value hedge.
[2/] Relates to amounts withdrawn and outstanding.

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

NOTE 19 – BORROWINGS*…continued*

On November 19, 2013 Moody's Investors Service affirmed the Bank's long term issuer rating at Aa1 and changed the outlook from Negative to Stable.

On May 16, 2014 Standard & Poor's affirmed its 'AA' long-term issuer credit rating and 'A-1+' short-term credit rating and changed the outlook from Negative to Stable.

NOTE 20 – EQUITY

Equity is comprised of capital, retained earnings and reserves and is detailed below:

(a) **Capital stock**

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:

		2014	**2013**
Authorized capital:	312,971 shares(2013: 312,971) shares		
Subscribed capital:	270,292 shares (2013: 259,650) shares	$1,699,323	$1,635,133
Less callable capital:	210,943 shares (2013: 202,643) shares	(1,324,925)	(1,274,862)
Paid-up capital:	59,349 shares (2013: 57,007) shares	$374,398	$360,271

Movements in the Bank's paid-up capital during the year were as follows:

	2014	**2013**
	No. of shares	**No. of shares**
Balance at January 1	57,007	54,330
Regional States and Territories		
Subscribed capital	1,289	7,518
Callable capital	(1,005)	(5,870)
	284	1,648
Non-Regional States and Territories		
Subscribed capital	9,353	4,677
Callable capital	(7295)	(3,648)
	2,058	1,029
Balance at December 31	**59,349**	**57,007**

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

NOTE 20 – EQUITY... *continued*

(b) **Paid-in capital**

Movements in subscriptions matured during the year were as follows:

		2014	2013
Balance at January 1		$256,374	$218,745
Regional States and Territories			
Subscriptions maturing during the year		21,791	22,454
Non-Regional States and Territories			
Subscriptions maturing during the year		21,388	15,175
		299,553	256,374
Less: Discount on prepayment of subscriptions	**20 (e)**	(85)	-
Balance at December 31		**$299,468**	**$256,374**

The determination of the par value of the Bank's shares is disclosed in Note 2 - "Summary of Significant Accounting Policies – Valuation of capital stock".

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

NOTE 20 – EQUITY*…continued*

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

2014

							Voting Power		
Member	**No. of Shares**	**% of Total**	**Total subscribed capital**	**Callable capital**	**Paid-up capital**	**Subscriptions Matured**	**No. of votes**	**% of total votes**	**Receivable from members. Non-negotiable Demand Notes**
Regional States and Territories:									
Jamaica	48,354	17.89	$291,659	$227,614	$64,045	$51,212	48,504	17.72	$13,060
Trinidad and Tobago	48,354	17.89	291,659	227,614	64,045	51,212	48,504	17.72	10,924
Bahamas	14,258	5.28	86,001	67,115	18,886	15,102	14,408	5.26	1,612
Guyana	10,417	3.85	62,833	49,038	13,795	11,030	10,567	3.86	3,155
Colombia	7,795	2.85	47,047	36,691	10,326	8,257	7,945	2.90	627
Mexico	3,118	1.15	18,807	14,687	4,120	4,120	3,268	1.19	-
Venezuela	7,795	2.88	47,017	36,691	10,326	8,257	7,945	2.90	3,203
Barbados	9,074	3.36	54,732	42,717	12,015	9,612	9,224	3.37	1,070
Suriname	4,166	1.54	25,128	19,627	5,501	1,981	4,316	1.58	1,485
Belize	2,148	0.79	12,956	10,109	2,847	2,276	2,298	0.84	-
Dominica	2,148	0.79	12,956	10,109	2,847	2,276	2,298	0.84	286
Grenada	1,839	0.68	11,093	8,661	2,432	1,944	1,989	0.73	213
St. Lucia	2,148	0.79	12,956	10,109	2,847	2,276	2,298	0.84	360
St. Vincent and the Grenadines	2,148	0.79	12,956	10,109	2,847	2,276	2,298	0.84	97
Antigua and Barbuda	2,148	0.79	12,956	10,109	2,847	2,276	2,298	0.84	296
St. Kitts and Nevis	2,148	0.79	12,956	10,109	2,847	2,276	2,298	0.84	255
Anguilla /1	455	0.17	2,744	2,141	603	483			14
Montserrat /1	533	0.20	3,215	2,509	706	565			-
British Virgin Islands /1	533	0.20	3,215	2,509	706	565	2,737	1.00	-
Cayman Islands /1	533	0.20	3,215	2,509	706	565			8
Turks and Caicos Islands /1	533	0.20	3,215	2,509	706	565			-
Haiti	875	0.32	5,278	4,120	1,158	1,158	1,025	0.37	-
	171,520	63.46	1,034,564	807,406	227,158	180,284	174,220	63.64	36,665

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

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

NOTE 20 – EQUITY *…continued*

					2014				
							Voting Power		
Member	**No. of Shares**	**% of Total**	**Total subscribed capital**	**Callable capital**	**Paid-up capital**	**Subscriptions Matured**	**No. of votes**	**% of total votes**	**Receivable from members. Non-negotiable Demand Notes**
Non-Regional States:									
Canada	26,004	9.62	156,849	122,408	34,441	27,541	26,154	9.55	-
United Kingdom	26,004	9.62	156,849	122,408	34,441	27,5471	26,154	9.55	2,150
Italy	15,588	5.77	94,023	73,376	20,647	16,510	15,738	5.75	668
Germany	15,588	5.77	94,023	73,376	20,647	16,510	15,738	5.75	5,549
China	15,588	5.77	94,023	73,376	20,647	16,510	15,738	5.75	-
	98,772	36.54	595,767	464,944	130,823	104,612	99,522	36.36	8,367
Sub-total	**270,292**	**100.00**	**1,630,331**	**1,272,350**	**357,981**	**284,896**	**273,742**	**100.00**	**45,032**
Additional subscriptions									
China	-	-	18,804	14,688	4,116	4,116	-	-	-
Colombia	-	-	1,810	905	905	905	-	-	-
Germany	-	-	12,546	9,681	2,865	2,865	-	-	-
Italy	-	-	12,546	9,681	2,865	2,865	-	-	-
Mexico	-	-	6,273	4,841	1,432	1,432	-	-	-
Venezuela	-	-	1,810	905	905	905	-	-	-
Haiti	-	-	2,639	2,060	579	579	-	-	-
Suriname	-	-	12,564	9,814	2,750	990	-	-	-
Sub-total	**-**	**-**	**68,992**	**52,575**	**16,417**	**14,657**	**-**	**-**	**-**
Total - December 31	**270,292**	**100.00**	**$1,699,323**	**$1,324,925**	**$374,398**	**$299,553**	**273,742**	**100.00**	**$45,032**

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

NOTE 20 – EQUITY*…continued*

2013

Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions Matured	Voting Power: No. of votes	Voting Power: % of total votes	Receivable from members. Non-negotiable Demand Notes
Regional States and Territories:									
Jamaica	48,354	18.62	$291,659	$227,614	$64,045	$44,795	48,504	18.44	$12,627
Trinidad and Tobago	48,354	18.62	291,659	227,614	64,045	44,795	48,504	18.44	10,904
Bahamas	14,258	5.49	86,001	67,115	18,886	13,210	14,408	5.48	1,612
Guyana	10,417	4.01	62,833	49,038	13,795	9,648	10,567	4.02	3,157
Colombia	7,795	3.00	47,017	36,691	10,326	7,223	7,945	3.02	627
Mexico	3,118	1.20	18,807	14,687	4,120	4,120	3,268	1.24	-
Venezuela	7,795	3.00	47,017	36,691	10,326	7,223	7,945	3.02	3,203
Barbados	9,074	3.49	54,732	42,717	12,015	8,404	9,224	3.51	1,070
Suriname	4,166	1.60	25,128	19,627	5,501	1,100	4,316	1.64	825
Belize	2,148	0.83	12,956	10,109	2,847	1,990	2,298	0.87	-
Dominica	2,148	0.83	12,956	10,109	2,847	1,990	2,298	0.87	286
Grenada	1,839	0.70	11,093	8,661	2,432	1,701	1,989	0.76	213
St. Lucia	2,148	0.83	12,956	10,109	2,847	1,990	2,298	0.87	360
St. Vincent and the Grenadines	2,148	0.83	12,956	10,109	2,847	1,990	2,298	0.87	97
Antigua and Barbuda	2,148	0.83	12,956	10,109	2,847	1,990	2,298	0.87	296
St. Kitts and Nevis	859	0.33	5,181	4,047	1,134	1,134	1,009	0.38	255
Anguilla /1	455	0.17	2,744	2,141	603	422			14
Montserrat /1	533	0.21	3,215	2,509	706	495			-
British Virgin Islands /1	533	0.21	3,215	2,509	706	495	2,737	1.04	-
Cayman Islands /1	533	0.21	3,215	2,509	706	495			8
Turks and Caicos Islands /1	533	0.21	3,215	2,509	706	495			-
Haiti	875	0.34	5,278	4,120	1,158	1,158	1,025	0.39	-
	170,231	65.56	1,026,789	801,344	225,445	156,863	172,931	65.73	35,554

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

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

NOTE 20 – EQUITY *...continued*

2013

Member	No. of Shares	% of Total	Total subscribed capital	Callable capital	Paid-up capital	Subscriptions Matured	Voting Power: No. of votes	Voting Power: % of total votes	Receivable from members. Non-negotiable Demand Notes
Non-Regional States:									
Canada	26,004	10.02	156,849	122,408	34,441	24,090	26,154	9.94	-
United Kingdom	26,004	10.02	156,849	122,408	34,441	24,090	26,154	9.94	2,150
Italy	6,235	2.40	37,608	29,375	8,233	8,234	6,385	2.43	758
Germany	15,588	6.00	94,023	73,376	20,647	14,440	15,738	5.98	5,550
China	15,588	6.00	94,023	73,376	20,647	14,440	15,738	5.98	-
	89,419	34.44	539,352	420,943	118,409	85,294	90,169	34.27	8,458
Sub-total	**259,650**	**100.0**	**1,566,141**	**1,222,287**	**343,854**	**242,157**	**263,100**	**100.0**	**44,012**
Additional subscriptions									
China			18,804	14,688	4,116	4,116			
Colombia			1,810	905	905	905			
Germany			12,546	9,681	2,865	2,865			
Italy			12,546	9,681	2,865	2,865			
Mexico			6,273	4,841	1,432	1,432			
Venezuela			1,810	905	905	905			
Haiti			2,639	2,060	579	579			
Suriname			12,564	9,814	2,750	550			
Sub-total	**-**	**-**	**68,992**	**52,575**	**16,417**	**14,217**	**-**	**-**	**-**
Total - December 31	**259,650**	**100.0**	**$1,635,133**	**$1,274,862**	**$360,271**	**$256,374**	**263,100**	**100.0**	**$44,012**

NOTE 20 – EQUITY*…continued*

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

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

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

NOTE 20 – EQUITY*…continued*

(e) **Discounts for prepayment of subscriptions**

At its meeting held in May, 2014 the Board of Governors of the Bank approved a "Variation of Conditions of Subscription of Shares to Permit a Discount for Prepayment" policy. The provision of this policy is that members are entitled to a discount from the Bank for prepayment of an instalment or part thereof (including those members which have already made prepayments) only if the prepayment is received more than three months prior to the date of the scheduled General Capital Increase (GCI) payments. The discount is computed based on a present value methodology. In accordance with IAS 32 *Financial Instruments: Presentation*, the discounts are disclosed as a charge against equity.

(f) **Retained earnings**

The elements comprising Retained earnings are shown in the Statements of Changes in Equity.

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

(g) **Allocation from net income**

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

(h) **Reserves**

Special reserve

In accordance with Article 18 of the Charter, 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.

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

NOTE 20 – EQUITY*...continued*

(h) **Reserves***...continued*

General banking reserve

The General banking reserve has been deemed a reserve for asset impairments. An amount of $ (2013: $850) was transferred to retained earnings in relation to the recognition of a collective impairment provision in respect of non-sovereign loans. As at December 31, 2013, the amount of the general banking reserve was $7,006 (2013: $7,006).

Post employment obligations reserve

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

	2014	**2013**
Experience losses	$(11,777)	$(4,007)
	$(11,777)	**$(4,007)**

NOTE 21 – INCOME FROM LOANS, INVESTMENTS AND CASH BALANCES

(a) **Income from loans**

Income from financial assets classified as loans and receivables was as follows:

	2014	**2013**
Interest income	$37,857	$36,074
Other fees and charges	$2,647	3,033
	$40,504	**$39,107**

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

NOTE 21 – INCOME FROM LOANS, INVESTMENTS AND CASH BALANCES

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

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

	2014	2013
Bonds	$2,557	$3,450
Cash and cash equivalents	10	17
US Treasuries	99	244
Time deposits	129	178
Euro commercial paper	-	15
Treasury Bills	-	5
	$2,795	**$3,909**

(c) **Interest expense and similar charges from financial assets and liabilities was as follows:**

		2014	2013
Financial liabilities carried at amortised cost			
Gross interest expense		$20,108	$21,119
Other finance charges		277	332
Financial assets at fair value through profit and loss			
Income from cross currency interest rate swaps & interest rate swaps	(13,953)	-	(8,251)
Expenses incurred from cross currency interest rate swaps	4,340	-	2,385
		(9,613)	5,866
		$10,772	**$15,585**

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

NOTE 22 – ADMINISTRATIVE EXPENSES

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

Administrative expenses allocated to the OCR were as follows:

	2014	2013
Employee related	$7,067	$7,251
Professional fees and consultancies	844	516
Travel	642	493
Depreciation	613	526
Other expenses	374	362
Utilities and maintenance	437	446
Training and seminars	288	330
Supplies and printing	95	85
Board of Governors and Directors	181	125
Computer services	390	307
Communications	224	219
Bank charges	69	58
Insurance	29	31
	$11,252	**$10,749**

Employee costs charged to the OCR were as follows:

	2014	2013
Salaries and allowances	$5,578	$4,886
Pension costs – hybrid scheme[1/]	(130)	165
Pension costs – defined benefit plan[1/]	321	1,419
Medical costs	169	301
Other benefits	869	480
	$6,807	**$7,251**

[1/]This represents the allocation of the net pension costs to the OCR. The full pension expense for the hybrid scheme amounted to $(322) (2013: $414) and $796 (2013: $3,513) for the defined benefit plan.

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

NOTE 23 – DERIVATIVE FAIR VALUE ADJUSTMENT

The derivative fair value adjustment of $6,182 [2013: ($47,156)] included in the statement of comprehensive income is derived as a result of the revaluation of the cross currency interest rate swaps and the interest rate swaps.

NOTE 24 – RELATED PARTY TRANSACTIONS

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

	2014	**2013**
Balance at January 1	$8,407	$(553)
Advances	45,032	76,945
Allocation of administrative expenses	15,652	15,934
Repayments	(64,313)	(83,919)
Due to OCR December 31	**$4,778**	**$8,407**

The receivable account represents net amounts due from/ (payable to) the SDF and OSF as a result of payments by OCR on their behalf as well as the allocation of administrative expenditure in accordance with Bank policy. Interfund balances are settled in cash on a quarterly basis and the balances are not subject to impairment evaluation due to their nature.

The composition of the balances as at December 31, 2014 and 2013 was as follows:

	2014	**2013**
Due from SDF	$4,541	$3,363
Due from OSF	4,597	5,148
Due from Pension schemes	648	519
Due from Others	8	3
Due to SDF	(5,013)	-
Due to OSF	-	(536)
Due to Others	(3)	(90)
	$4,778	**$8,407**

The net balance at December 31, 2014 is included in Receivables and prepayments in the statement of financial position.

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

NOTE 24 – RELATED PARTY TRANSACTIONS

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

	2014	2012
Salaries and allowances	$2,160	$2,003
Post-employment benefits	699	316
	$2,859	**$2,319**

(c) **Interest subsidy fund**

In 2008, the interest subsidy fund was established by the Board of Directors of the Bank to subsidize part of the interest payments for which certain borrowers are liable on loans from the OCR. During the reporting period, $551 (2013: $586) was received from the OSF in interest on behalf of the borrowers. The fund balance is included in Receivable and prepayments in the statement of financial position.

NOTE 25 – COMMITMENTS AND GUARANTEES

Commitments
At December 31, 2014, the Bank's undisbursed loan balances amounted to $307,137 (2013: $289,814).

Capital expenditure commitments for the 2014 financial year were $1, 214 (2013: Nil).

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

Under the terms of this guarantee payments by the Bank under the Guarantee Agreement are reimbursable by GOSKN together with interest and other charges at a rate to be specified by the Bank. In the event that such reimbursement has not been made within a period of 90 days after the date of such payment by the Bank the amount shall be converted into a loan from the Bank's OCR.

NOTE 26 – SUBSEQUENT EVENTS

In July, 2014 the Bank approved a Policy Based Guarantee ("PBG") in an amount not exceeding $4.5 million with respect to Eastern Caribbean Currency denominated New Notes to be issued by the Government of Grenada (GOGR). This provides for CDB's guarantee of scheduled debt payments by GOGR up to the limit of the guarantee on a rolling, reinstatable and non-accelerable basis and will provide coverage for an aggregate of two debt service payments up to a maximum of the stated amount of the guarantee. In the event that the Bank is called upon for payment under the guarantee and is not fully reimbursed by GOGR within 90 days after the payment date, the amount disbursed will be converted into a loan the repayment period of which shall not exceed the maturity dates of the New Notes.

The formal execution of the guarantee was not completed as at the reporting date. This is expected to be completed in 2015.

Caribbean Development Bank
Special Funds Resources – Special Development Fund

Financial Statements

For the year ended December 31, 2014
(Expressed in thousands of United States dollars unless otherwise stated)

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

INDEX TO THE FINANCIAL STATEMENTS

Independent Auditors' Report

To the Board of Governors of Caribbean Development Bank

We have audited the accompanying financial statements of the **Special Development Fund** of the **Caribbean Development Bank** (the Bank) which comprise the statement of financial position as at December 31, 2014, statement of comprehensive income and accumulated net income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared using the basis of accounting described in Note 1.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements using the basis of accounting described in Note 1, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements of the Special Development Fund for the year ended December 31, 2014 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1.

Basis of accounting

Without modifying our opinion, we draw attention to Note 1 of the financial statements which describes the basis of accounting. The financial statements are prepared for the specific purpose of reflecting the sources and applications of member subscriptions and contributions and other development resources and as a result, may not be suitable for any other purpose.

Chartered Accountants
Barbados

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF FINANCIAL POSITION
As of December 31, 2014

(expressed in thousands of United States dollars)

	2014			2013		
	Unified	**Other**	**Total**	**Unified**	**Other**	**Total**
Assets						
Cash and cash equivalents – Note 2	**$12,700**	**$9,076**	**$21,776**	$22,878	$2,163	$25,041
Debt securities at fair value through profit or loss (Schedule 1)	**260,581**	**50,145**	**310,726**	255,396	55,376	310,772
Loans outstanding Note 7 & (Schedule 2)	**529,875**	**16,959**	**546,834**	503,518	18,117	521,635
Receivables						
Accounts receivable – Note 8	**5,041**	**-**	**5,041**	1	-	1
	$808,197	**$76,180**	**$884,377**	$781,793	$75,656	$857,449
Receivable from contributors						
Non-negotiable demand notes (Schedule 3)	**64,361**	**-**	**64,361**	60,044	-	60,044
Contribution in arrears	**5,793**	**-**	**5,793**	6,797	-	6,797
	70,424	**-**	**70,424**	66,841	-	66,841
Total assets	**$878,621**	**$76,180**	**$954,801**	$848,634	$75,656	$924,290
Liabilities and Funds						
Liabilities						
Accounts payable – Note 9	**60,360**	**4,508**	**64,868**	67,349	1,327	68,676
Subscriptions in advance	**1,762**	**-**	**1,762**	2,643	-	2,643
Accrued charges on contributions	**-**	**-**	**-**	-	2	2
	62,122	**4,508**	**66,630**	69,992	1,329	71,321

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF FINANCIAL POSITION... *continued*
As of December 31, 2014

(expressed in thousands of United States dollars)

	2014			2013		
	Unified	**Other**	**Total**	**Unified**	**Other**	**Total**
Funds – Note 3						
Contributed resources (Schedule 3)						
Contributions	**1,149,467**	**41,174**	**1,190,791**	$1,128,440	$42,434	1,170,874
Less amounts not yet made available	**(85,853)**	**-**	**(85,853)**	(113,429)	-	(113,429)
Amounts made available	**1,063,764**	**41,174**	**1,104,938**	1,015,011	42,434	1,057,445
Allocation to technical assistance and grant resources	**(405,600)**	**(2,266)**	**(407,866)**	(349,897)	(2,266)	(352,163)
	658,164	**38,908**	**697,072**	665,114	40,168	705,282
Accumulated net income Note 5 & (Schedule 4)	**61,374**	**31,838**	**93,212**	54,978	33,253	88,231
Technical assistance and grant resources – Note 6	**96,961**	**926**	**97,887**	58,550	906	59,456
	$816,499	**$71,672**	**$888,171**	$778,642	$74,327	$852,969
Total liabilities and funds	**$878,621**	**$76,180**	**$954,801**	$848,634	$75,656	$924,290

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF COMPREHENSIVE INCOME AND ACCUMULATED NET INCOME
For the year ended December 31, 2014

(expressed in thousands of United States dollars)

	2014			2013		
	Unified	**Other**	**Total**	**Unified**	**Other**	**Total**
Interest and similar income						
Loans	**$11,601**	**$406**	**$12,007**	$11,631	$434	$12,065
Investments and cash balances	**1,512**	**548**	**2,060**	534	69	603
	13,113	**954**	**14,067**	12,165	503	12,668
Expenses						
Administrative expenses	**13,602**	**894**	**14,496**	13,696	950	14,646
Charges on contributions	**-**	**11**	**11**	-	28	28
Foreign exchange translation	**(885)**	**429**	**(456)**	221	(30)	191
	12,717	**1,334**	**14,051**	13,917	948	14,865
Total comprehensive (loss)/income for the year	**$396**	**$(380)**	**$16**	$(1,752)	$(445)	$(2,197

	2014			2013		
	Unified	**Other**	**Total**	**Unified**	**Other**	**Total**
Accumulated net income						
Accumulated net income – beginning of year	**$54,978**	**$33,253**	**$88,231**	$56,730	$36,801	$93,531
Appropriations for technical assistance	**-**	**(1,035)**	**(1,035)**	-	(3,103)	(3,103)
Total comprehensive (loss)/income for the year	**396**	**(380)**	**16**	(1,752)	(445)	(2,197)
Appropriation from OCR retained earnings	**6,000**	**-**	**6,000**	-	-	-
Accumulated net income – end of year	**$61,374**	**$31,838**	**$93,212**	$54,978	$33,253	$88,231

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

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

STATEMENT OF CASH FLOWS
For the year ended December 31, 2014

(expressed in thousands of United States dollars)

		2014	2013
Operating activities			
Total comprehensive income/ (loss)		**$396**	$(1,752)
Adjustments for non-cash items			
Unrealized loss on debt securities at fair value through profit or loss	(336)		1,692
Interest income	(13,449)		(13,833)
Net foreign exchange (gains)/ losses	(1,955)		564
Total cash flows used in operating activities before changes in operating assets and liabilities		**(15,344)**	(13,329)
Changes in operating assets and liabilities			
(Increase)/ decrease in accounts receivable	(5,040)		7,853
Decrease in accounts payable	(6,989)		(3,353)
Cash used in operating activities		**(27,373)**	(8,829)
Disbursements on loans		**(49,026)**	(62,581)
Principal repayments to the Bank on loans		**22,701**	22,164
Interest received		**13,414**	14,657
Net (increase)/ decrease in debt securities at fair value through profit or loss		**(4,846)**	17,296
Technical assistance disbursements		**(14,805)**	(25,664)
Net cash used in operating activities		**(59,935)**	(42,957)
Financing activities			
(Decrease)/ increase in contributions for loans	(4,995)		26,024
(Increase)/ decrease in receivables from contributors	(3,583)		3,969
(decrease)/ increase in Subscriptions in advance	(881)		2,643
Technical assistance allocation	53,216		21,500
Allocation from OCR net income	6,000		-
Net cash provided by financing activities		**49,757**	54,136
Net (decrease)/ increase in cash and cash equivalents		**(10,178)**	11,179
Cash and cash equivalents - beginning of year		**$22,878**	11,699
Cash and cash equivalents - end of year		**$12,700**	$22,878

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

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

STATEMENT OF CASH FLOWS
For the year ended December 31, 2014

(expressed in thousands of United States dollars)

	2014		2013
Operating activities			
Total comprehensive loss for the year		**$(380)**	$(445)
Adjustments for non-cash items			
Unrealized (gain)/ loss on debt securities at fair value through profit or Loss	(122)		540
Interest income	(1,076)		(1,046)
Interest expense	11		28
Net foreign exchange difference	(670)		46
Total cash flows used in operating activities before changes in operating assets and liabilities		**(2,237)**	(877)
Changes in operating assets and liabilities			
Increase in accounts payable	3,181	**3,181**	142
Cash provided by/ (used in)operating activities		**944**	(735)
Disbursements on loans		**-**	
Principal repayments to the Bank on loans		**1,153**	1,311
Interest received		**1,105**	1,108
Interest paid		**(13)**	(31)
Net decrease in debt securities at fair value through profit and loss		**5,330**	1,948
Net cash provided by operating activities		**8,519**	3,601
Financing activities:			
Repayments of contributions	(590)		(574)
Technical assistance allocation	19		-
Appropriations of accumulated net income	(1,035)		(3,103)
Net cash used in financing activities		**(1,606)**	(3,677)
Net increase/ (decrease) in cash and cash equivalents		**6,913**	(76)
Cash and cash equivalents – beginning of year		**2,163**	2,239
Cash and cash equivalents - end of year		**$9,076**	$2,163

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUND RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF INVESTMENTS
As of December 31, 2014

(expressed in thousands of United States dollars)

SCHEDULE 1

	2014			2013		
	Market value			Market value		
Debt securities at fair value through Profit or Loss – Note 2	**Unified**	**Other**	**Total**	**Unified**	**Other**	**Total**
Government and Agency Obligations	**$189,862**	**$38,130**	**$277,812**	$195,435	$44,472	$239,907
Supranationals	**60,169**	**9,974**	**70,143**	42,357	10,727	53,084
Time Deposits	**10,112**	**1,887**	**11,999**	7,500	-	7,500
Euro Commercial Paper	**-**	**-**	**-**	9,489	-	9,489
Sub-total	**259,963**	**49,991**	**309,954**	254,781	55,199	309,980
Accrued interest	**618**	**154**	**772**	615	177	792
	$260,581	**$50,145**	**$310,726**	$255,396	$55,376	$310,772

Residual term to contractual maturity

	2014	**2013**
One month to three months	**$86,573**	$43,837
Over three months to one year	**93,555**	76,627
From one year to five years	**127,264**	174,894
From five years to ten years	**3,334**	15,414
Total	**$310,726**	$310,772

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

SUMMARY STATEMENT OF LOANS
As of December 31, 2014
(expressed in thousands of United States dollars)

SCHEDULE 2

	2014			
Member countries in which loans have been made	**Loans approved but not yet effective**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Anguilla	$425	$112	$2,603	0.5
Antigua and Barbuda	-	-	2,274	0.5
Bahamas	-	90	660	0.1
Barbados	-	-	344	0.1
Belize	2,581	17,952	41,584	7.9-
British Virgin Islands	-	300	1,362	0.3
Dominica	-	16,082	55,457	10.5
Grenada	10,700	12,009	74,085	14.0
Guyana	28,938	20,950	110,153	20.9
Jamaica	-	26,113	112,054	21.3
Montserrat	`	2,500	2,320	0.4
St. Kitts and Nevis	-	548	47,218	9.0
St. Lucia	6,000	35,581	40,392	7.7
St. Vincent and the Grenadines	-	25,492	28,472	5.4
Suriname	3,370	-	-	0.0
Trinidad and Tobago	1,000	-	-	0.0
Turks and Caicos Islands	-	-	4,620	0.9
Regional	6,375	-	3,381	0.6
Sub-total	$59,389	$157,729	$526,979	100.0
Accrued interest	-	-	2,896	
Total	**$59,389**	**$157,729**	**$529,875**	

1/ There are no overdue installments of principal (2012 - nil).

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

SUMMARY STATEMENT OF LOANS…*continued*
As of December 31, 2014

(Expressed in thousands of United States dollars)

SCHEDULE 2

2013				
Member countries in which loans have been made	**Loans approved but not yet effective**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Anguilla	$425	$112	$2,874	0.6
Antigua and Barbuda	-	-	2,539	0.5
Bahamas	-	750	-	-
Barbados	-	-	406	0.1
Belize	-	17,736	40,556	8.1
British Virgin Islands	-	300	1,508	0.3
Dominica	-	17,665	55,150	11.0
Grenada	-	13,393	70,607	14.1
Guyana	22,100	27,878	107,218	21.4
Jamaica	-	24,406	93,187	18.6
Montserrat	-	2,500	2,505	0.5
St. Kitts and Nevis	-	1,289	49,389	9.9
St. Lucia	-	41,014	37,203	7.5
St. Vincent and the Grenadines	-	23,239	28,710	5.7
Trinidad and Tobago	1,000	-	-	-
Turks and Caicos Islands	-	-	5,239	1.0
Regional	6,375	-	3,563	0.7
Sub-total	$29,900	$170,282	$500,654	100.0
Accrued interest	-	-	2,864	
Total	**$29,900**	**$170,282**	**$503,518**	

1/ There are no overdue installments of principal (2011 - nil).

.

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

SUMMARY STATEMENT OF LOANS…*continued*
As of December 31, 2014

(expressed in thousands of United States dollars)

SCHEDULE 2

2014

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

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

2013

Member countries in which loans have been made	Undisbursed	Outstanding[1/]	% of Total Loans Outstanding
Antigua and Barbuda	$-	$438	2.4
Belize	-	7,180	39.9
Dominica	-	1,934	10.7
Grenada	-	166	0.9
Jamaica	-	1,551	8.6
St. Kitts and Nevis	-	5,079	28.2
St. Lucia	437	488	2.7
St. Vincent and the Grenadines	-	1,176	6.6
Sub-total	$437	$18,012	100.0
Accrued interest	-	105	
Total	**$437**	**$18,117**	

1/ There were no overdue installments of principal (2012 – nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS*…continued*
As of December 31, 2014

(expressed in thousands of United States dollars)

SCHEDULE 2

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

1/There were no overdue installments of principal (2012- nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS…*continued*
As of December 31, 2014

(expressed in thousands of United States dollars)

SCHEDULE 2

	2013			
Analysis by Contributor	**Loans approved but not yet effective**	**Undisbursed**	**Outstanding[1/]**	**% of total loans outstanding**
Special Development Fund (Unified)				
Members/Contributors	$29,900	$170,282	$500,654	100.0
Accrued interest	-	-	2,864	
Total Special Development Fund (Unified)	**$29,900**	**$170,282**	**$503,518**	
Special Development Fund (Other)				
Members				
Colombia	-	-	132	0.7
Germany	-	-	122	0.7
Mexico	-	-	1,990	11.0
Venezuela	-	437	15,736	87.4
	-	437	17,980	99.8
Other contributors				
Sweden	-	-	32	0.2
	-	-	32	0.2
Sub-total	-	$437	$18,012	100.0
Accrued interest	-	-	105	
Total – Special Development Fund (Other)	**$-**	**$437**	**$18,117**	
Total Special Development Fund	**$29,900**	**$170,719**	**$521,635**	

1/There were no overdue installments of principal (2011- nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS…*continued*
As of December 31, 2014

(expressed in thousands of United States dollars)

SCHEDULE 2

	2014					
Currencies Receivable	**Loans out-standing 2013**	**Net interest earned**	**Disburse-ments**	**Sub-total**	**Repay-ments**	**Loans out-standing 2014**
(a) Special Development Fund (Unified)						
United States dollars	$500,654	$-	$49,026	$549,680	$(22,701)	$526,979
Accrued interest	2,864	32	-	2,896	-	2,896
Total – December 31	**$503,518**	**$32**	**$49,026**	**$552,576**	**$(22,701)**	**$529,875**
(b) Special Development Fund (Other)						
United States dollars	18,012	$-	$-	$18,013	$(1,153)	$16,860
Accrued interest[1]	105	(6)	-	99	-	99
Total	**$18,117**	**$(6)**	**$-**	**$18,112**	**$(1,153)**	**$16,959**

Maturity structure of loans outstanding

January 1, 2015 to December 31, 2015	$30,256
January 1, 2016 to December 31, 2016	28,140
January 1, 2017 to December 31, 2017	29,348
January 1, 2018 to December 31, 2018	29,340
January 1, 2019 to December 31, 2019	29,312
January 1, 2020 to December 31, 2024	144,960
January 1, 2025 to December 31, 2029	127,134
January 1, 2030 to December 31, 2034	86,046
January 1, 2035 to December 31, 2039	36,199
January 1, 2040 to December 31, 2044	6,099
Total	**$456,834**

1/Relates to amounts disbursed and outstanding.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

SUMMARY STATEMENT OF LOANS...*continued*
As of December 31, 2014

(expressed in thousands of United States dollars)

SCHEDULE 2

	2013					
Currencies Receivable	**Loans out-standing 2012**	**Net interest earned**	**Disburse-ments**	**Sub-total**	**Repay-ments**	**Loans out-standing 2013**
(c) Special Development Fund (Unified)						
United States dollars	$460,237	$-	$62,581	$522,818	$(22,164)	$500,654
Accrued interest	3,281	(417)	-	2,864	-	2,864
Total	**$463,518**	**$(417)**	**$62,581**	**$525,682**	**$(22,164)**	**$503,518**
(d) Special Development Fund (Other)						
United States dollars	19,323	-	-	19,323	(1,311)	18,012
Accrued interest[1]	126	(21)	-	105	-	105
Total	**$19,449**	**$(21)**	**$-**	**$19,428**	**$(1,311)**	**$18,117**

Maturity structure of loans outstanding

January 1, 2014 to December 31, 2014	$26,783
January 1, 2015 to December 31, 2015	26,759
January 1, 2016 to December 31, 2016	27,698
January 1, 2017 to December 31, 2017	28,850
January 1, 2018 to December 31, 2022	140,822
January 1, 2023 to December 31, 2027	122,485
January 1, 2028 to December 31, 2032	94,242
January 1, 2033 to December 31, 2037	42,291
January 1, 2038 to December 31, 2042	11,705
Total	**$521,635**

1/Relates to amounts disbursed and outstanding.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES
As of December 31, 2014

(expressed in thousands of United States dollars)

SCHEDULE 3

	2014					
Contributors	**Total approved** [1/]	**Approved but not yet effective** [2/]	**Total contribution agreed**	**Amounts not yet made available**	**Amounts made available**	**Receivable from members non-negotiable demand notes**
Special Development Fund (Unified)						
Members						
Trinidad and Tobago	$45,935	$10,551	$35,384	$-	$35,384	$7,784
Bahamas	25,685	-	25,685	2,938	22,747	11,764
Barbados	25,681	-	25,681	2,938	22,743	2,832
Jamaica	43,755	-	43,765	5,275	38,480	11,595
Guyana	25,686	5,876	19,810	-	19,810	-
Antigua and Barbuda	2,889	632	2,257	-	2,257	777
Belize	6,575	-	6,575	721	5,854	2,029
Dominica	6,315	-	6,315	721	5,595	2,549
St. Kitts and Nevis	6,575	4,441	5,134	-	5,134	2,494
St. Lucia	6,575	-	6,575	721	5,854	2,390
St. Vincent and the Grenadines	6,588	-	6,588	721	5,867	2,304
Grenada	3,977	-	3,977	304	3,674	2,687
Montserrat	2,677	632	2,045	-	2,045	-
British Virgin Islands	2,677	-	2,677	316	2,361	-
Turks and Caicos Islands	2,677	1,237	1,440	-	1,440	-
Cayman Islands	2,577	1,237	1,340	-	1,340	-
Anguilla	2,677	632	2,045	-	2,045	946
Colombia	30,657	-	30,657	1,762	28,895	-
Venezuela	25,506	3,524	21,982	-	21,982	-
Canada	329,324	-	329,324	33,217	296,106	-
United Kingdom	260,352	-	260,352	23,659	236,692	10,910
Germany	98,197	-	98,197	7,980	90,217	2,490
Italy	65,882	3,244	62,638	-	62,638	-
China	48,298	-	48,298	3,500	44,798	-
Haiti	2,505	945	1,560	-	1,560	-
Suriname	2,160	-	2,160	1,080	1,080	1,080
Mexico	20,524	6,524	14,000	-	14,000	-
	1,102,926	36,475	1,066,451	85,853	980,598	64,631
Other contributors						
France	58,254	-	58,254	-	58,254	-
Chile	10	-	10	-	10	-
Netherlands	24,902	-	24,902	-	24,902	-
	1,186,092	36,475	1,149,617	85,853	1,063,764	64,631
Technical assistance allocation	(349,897)	-	(349,897)	-	(349,897)	-
	$836,195	$36,475	$799,720	$85,853	$713,867	$64,631

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES…*continued*
As of December 31, 2014

(expressed in thousands of United States dollars)

SCHEDULE 3

	2014					
Contributors	**Total approved** [1/]	**Approved but not yet effective** [2/]	**Total contribution agreed**	**Amounts not yet made available**	**Amounts made available**	**Receivable from members non-negotiable demand notes**
Sub-total b/fwd	$836,195	$36,475	$799,720	$85,853	$713,867	$64,631
Special Development Fund – Other						
Members						
Colombia	5,000	-	5,000	-	5,000	-
Mexico [3/]	13,067	-	13,067	-	13,067	-
Venezuela	17,473	-	17,473	-	17,473	-
	35,540	-	35,540	-	35,540	-
Other contributors						
Sweden	3,368	-	3,368	-	3,368	-
	3,368	-	3,368	-	3,368	-
Sub-total	38,908	-	38,908	-	38,908	-
Total SDF	**$875,103**	$36,475	**$838,628**	$85,853	**$752,775**	$64,631
Summary						
Members	$813,471	$36,475	$776,996	$85,853	$691,143	$64,631
Other contributors	61,632	-	61,632	-	61,632	-
	$875,103	**$36,475**	**$838,628**	**$85,853**	**$752,775**	**$64,631**

1/Net of repayments

2/Contributions not yet firmly pledged by Governments

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

4/Contribution with fixed repayment dates

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES…*continued*
As of December 31, 2014

(expressed in thousands of United States dollars)

SCHEDULE 3

2013

Contributors	Total approved 1/	Approved but not yet effective 2/	Total contribution agreed	Amounts not yet made available	Amounts made available	Receivable from members non-negotiable demand notes
Special Development Fund (Unified)						
Members						
Trinidad and Tobago	$45,935	$10,551	$35,384	-	$35,384	$9,057
Bahamas	25,685	5,876	19,809	-	19,809	8,826
Barbados	25,681	-	25,681	4,407	21,274	2,832
Jamaica	43,755	10,551	33,204	-	33,204	7,638
Guyana	25,686	5,876	19,810	-	19,810	-
Antigua and Barbuda	2,889	632	2,257	-	2,257	777
Belize	6,575	-	6,575	1,081	5,494	2,166
Dominica	6,315	1,441	4,874	-	4,874	2,327
St. Kitts and Nevis	6,575	1,441	5,134	-	5,134	2,494
St. Lucia	6,575	-	6,575	1,081	5,494	2,167
St. Vincent and the Grenadines	6,588	-	6,588	1,081	5,507	2,579
Grenada	3,977	632	3,345	-	3,345	2,712
Montserrat	2,677	632	2,045	-	2,045	-
British Virgin Islands	2,677	632	2,045	-	2,045	-
Turks and Caicos Islands	2,677	1,237	1,440	-	1,440	-
Cayman Islands	2,577	1,237	1,340	-	1,340	-
Anguilla	2,677	632	2,045	-	2,045	1,051
Colombia	28,014	-	28,014	-	28,014	-
Venezuela	25,506	3,524	21,982	-	21,982	-
Canada	330,489	-	330,489	49,826	280,663	-
United Kingdom	258,657	-	258,657	33,123	225,534	14,878
Germany	98,574	-	98,574	15,960	82,614	-
Italy	66,633	3,244	63,389	-	63,389	-
China	48,298	-	48,298	5,250	43,048	-
Haiti	2,505	945	1,560	-	1,560	-
Suriname	2,160	-	2,160	1,620	540	540
Mexico	20,524	6,524	14,000	-	14,000	-
	1,100,881	55,607	1,045,274	113,429	931,845	60,044
Other contributors						
France	58,254	-	58,254	-	58,254	-
Chile	10	-	10	-	10	
Netherlands	24,902	-	24,902	-	24,902	
	1,184,047	55,607	1,128,440	113,429	1,015,011	60,044
Technical assistance allocation	(349,897)	-	(349,897)	-	(349,897)	-
Sub-total c/fwd	$834,150	$55,607	$778,543	$113,429	$665,114	$60,044

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES…*continued*
As of December 31, 2014

(expressed in thousands of United States dollars)

SCHEDULE 3

	2013					
Contributors	**Total approved** [1/]	**Approved but not yet effective** [2/]	**Total contribution agreed**	**Amounts not yet made available**	**Amounts made available**	**Receivable from members non-negotiable demand notes**
Sub-total b/fwd	$834,150	$55,607	$778,543	$113,429	$665,114	$60,044
Special Development Fund – Other						
Members						
Colombia	5,000	-	5,000	-	5,000	-
Mexico [3/]	13,067	-	13,067	-	13,067	-
Venezuela	17,474	-	17,474	-	17,474	-
	35,541	-	35,541	-	35,541	-
Other contributors						
Sweden	4,037	-	4,037	-	4,037	-
United States of America[4/]	590	-	590	-	590	-
	4,627	-	4,627	-	4,627	-
Sub-total	40,168	-	40,168	-	40,168	-
Total SDF	**$874,318**	**$55,607**	**$818,711**	**$113,429**	**$705,282**	**$60,044**
Summary						
Members	$786,524	$55,607	$730,917	$113,429	$617,488	$60,044
Other contributors	87,794	-	87,794	-	87,794	-
	$874,318	**$55,607**	**$818,711**	**$113,429**	**705,282**	**$60,044**

1/Net of repayments

2/Contributions not yet firmly pledged by Governments

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

4/Contribution with fixed repayment dates

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES*...continued*
As of December 31, 2014

(expressed in thousands of United States dollars)

SCHEDULE 3

	2014					
Currencies	**Amounts made available 2013**	**Trans-lation adjust-ment**	**Draw-downs/ appro-priations from capital 1/**	**Sub-total**	**Repay-ments**	**Amounts made available 2014**
(a) Special Development Fund (Unified)						
Euros	$6,370	$(1,104)	$(2,490)	$8,110	$-,	$8,110
Pounds sterling	14,878	(851)	(3,117)	10,910	-	10,910
United States dollars	643,866	-	612	639,144	-	639,144
	$665,114	**$(1,955)**	**$(4,995)**	**$658,164**	**$-**	**$658,164**
(b) Special Development Fund (Other)						
Swedish kroners	$4,038	$(670)	$-	$3,368	$-	$3,368
United States dollars	36,130	-	-	36,130	(590)	35,540
	$40,168	**$(670)**	$-	**$39,498**	**$(590)**	**$38,908**

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, 2015 to December 31, 2015	$
Total	$

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF CONTRIBUTED RESOURCES…*continued*
As of December 31, 2014

(expressed in thousands of United States dollars)

SCHEDULE 3

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Currencies	2013 Amounts made available 2012	Translation adjustment	Drawdowns/ appropriations from capital 1/	Sub-total	Repayments	Amounts made available 2013
(c) Special Development Fund (Unified)						
Euros	$5,407	$239	$724	$6,370	$-	$6,370
Pounds sterling	14,287	325	266	14,878	-	14,878
United States dollars	618,832	-	25,034	643,866	-	643,866
	$638,526	$564	$26,024	$665,114	$-	$665,114
(d) Special Development Fund (Other)						
Swedish kroners	$3,992	$46	$-	$4,038	$-	$4,038
United States dollars	36,704	-	-	36,704	(574)	36,130
	$40,696	**$46**	$-	**$40,742**	**$(574)**	**$40,168**

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, 2014 to December 31, 2014	$590
Total	$590

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF ACCUMULATED NET INCOME
As of December 31, 2014

(expressed in thousands of United States dollars)

SCHEDULE 4

	2014			
Contributors	**Brought forward 2013**	**Net income 2013**	**Allocation/ (Appro- priations)**	**Carried forward 2014**
Special Development Fund (Unified)	$60,978	$396	$-	$61,374
Special Development Fund (Other)				
Members				
Colombia	2,223	(98)	-	2,125
Germany	(983)	(105)	-	(1,088)
Mexico	7,210	2	-	7,212
Venezuela	10,879	74	(1,035)	9,918
	19,329	(127)	(1,035)	18,167
Other contributors				
Sweden	2,814	(361)	-	2,453
United States of America	11,110	108	-	11,218
	13,924	(253)	-	13,671
	33,253	(380)	(1,035)	31,838
Total Special Development Fund	$94,231	$16	$(1,035)	$93,212
Summary				
Members	$80,307	$269	$-	$79,541
Other contributors	13,924	(253)	-	13,671
Total SDF	**$94,231**	**$16**	**$-**	**$93,212**

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – SPECIAL DEVELOPMENT FUND

STATEMENT OF ACCUMULATED NET INCOME…*continued*
As of December 31, 2014

(expressed in thousands of United States dollars)

SCHEDULE 4

	2013			
Contributors	**Brought forward 2012**	**Net income 2013**	**Allocation/ (Appro-priations)**	**Carried forward 2013**
Special Development Fund (Unified)	$56,730	$(1,752)	$-	$54,978
Special Development Fund (Other)				
Members				
Colombia	2,304	(81)	-	2,223
Germany	(884)	(99)	-	(983)
Mexico	7,232	(22)	-	7,210
Venezuela	14,134	(152)	(3,103)	10,879
	22,786	(354)	(3,103)	19,329
Other contributors				
Sweden	2,816	(2)	-	2,814
United States of America	11,199	(89)	-	11,110
	14,015	(91)	-	13,924
	36,801	(445)	(3,103)	33,253
Total Special Development Fund	$93,531	$(2,197)	$(3,103)	$88,231
Summary				
Members	$79,516	$(2,106)	$(3,103)	$74,307
Other contributors	14,015	(91)	-	13,924
Total SDF	**$93,531**	**$(2,197)**	**$(3,103)**	**$88,231**

1. 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 presented in accordance with International Financial Reporting Standards (IFRS). These financial statements have been prepared in accordance with the accounting policies outlined below.

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

Foreign currency translation

Functional and presentation currency

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

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

Debt securities at fair value through profit or loss

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

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

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

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

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

Determination of fair value

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

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

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

Loans

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

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

Loans*...continued*

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

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

Cash and cash equivalents

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

Technical assistance and grants

Technical assistance and grants for capital projects to borrowing member countries are provided either from grants received from contributors or from other resources specifically allocated for this purpose. The contributions from donors are included in the financial statements from the date of the contribution agreement. Technical assistance is 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 comprehensive income and accumulated net 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 (“OCR), the Other Special Funds (“OSF”) and the SDF in accordance with a method of allocation approved by the Board of Directors.

(expressed in thousands of United States dollars)

2. Cash and cash equivalents

Cash and cash equivalents comprise:

	SDF Unified		SDF Other	
	2014	**2013**	**2014**	**2013**
Due from banks	**$(10,811)**	$7,570	**$5,075**	$281
Time deposits	**23,511**	15,308	**4,001**	1,882
	$12,700	$22,878	**$9,076**	$2,163

3. Debt securities at fair value through profit or loss

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

The annualized rate of return on the average investments held during the year, including realized and unrealized gains and losses was 0.61% (2013: 0.18%). Net realized gains on investments traded during 2014 for the Unified and Other funds amounted to **$40** (2013: $22) and net unrealized losses were $213 (2013: $2,232).

4. Funds

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

4. Funds...*continued*

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

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

	2014	2013
Contributions (as per Schedule 3)	**$658,164**	$665,114

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

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

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

	2014	2013
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 (2013: $39) has been incurred on technical assistance and has been charged against the income from the contribution.

(expressed in thousands of United States dollars)

4. Funds*...continued*

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

	2014	2013
Mexico		
First contribution	$7,000	$7,000
Less technical assistance	(2,266)	(2,266)
	4,734	4,734
Second contribution	5,000	5,000
Third contribution	3,333	3,333
	$13,067	$13,067
Technical assistance resources	$2,266	$2,266

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

	2014	2013
Venezuela		
First contribution	**$10,000**	$10,000
Less technical assistance	**(177)**	(177)
	9,823	9,823
Second contribution	**7,650**	7,650
	$17,473	$17,473

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

(expressed in thousands of United States dollars)

4. Funds...*continued*

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

	2014	**2013**
Sweden	$3,368	$4,037

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

	2014	**2013**
United States of America		
First contribution	$10,000	$10,000
Less repayments	(10,000)	(10,000)
	-	-
Second contribution	12,000	12,000
Less repayments	(12,000)	(11,410)
	$-	$590

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

5. Accumulated net income and total comprehensive income for the year

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

(expressed in thousands of United States dollars)

6. Technical assistance and grant resources – Unified and Other

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

Balance at December 31, 2013	$63,620
Allocations for the year	21,500
Expenditure for the year	(25,664)
Balance at December 31, 2013	$59,456
Allocations for the year	53,236
Expenditure for the year	(14,805)
Balance at December 31, 2014	**$97,887**

7. Loans outstanding – Unified and Other

The average interest rate earned on loans outstanding was 2.32% (2013: 2.44 %). There were no impaired loans at or during the financial years ended December 31, 2014 and 2013.

8. Accounts receivable – Unified and Other

	2014	**2013**
Inter-fund receivable	**$5,041**	**$1**

9. Accounts payable - Unified and Other

	2014	**2013**
Accounts payable - general	**$60,360**	$65,360
Interfund payables	**4,508**	3,316
	$64,868	$68,676

Caribbean Development Bank
Special Funds Resources - Other Special Funds

Financial Statements

For the year ended December 31, 2014
(Expressed in thousands of United States Dollars
unless otherwise stated)

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

INDEX TO THE FINANCIAL STATEMENTS

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

Independent Auditors' Report

To the Board of Governors of Caribbean Development Bank

We have audited the accompanying financial statements of the **Other Special Funds** of the **Caribbean Development Bank** (the Bank) which comprise the statement of financial position as of December 31, 2014, statement of comprehensive income and accumulated net income and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. These financial statements have been prepared using the basis of accounting described in Note 1.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements using the basis of accounting described in Note 1, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements of the Other Special Funds for the year ended December 31, 2014 are prepared, in all material respects, in accordance with the basis of accounting described in Note 1.

Basis of accounting

Without modifying our opinion, we draw attention to Note 1 of the financial statements which describes the basis of accounting. The financial statements are prepared for the specific purpose of reflecting the sources and applications of member subscriptions and contributions and other development resources and as a result, may not be suitable for any other purpose.

Chartered Accountants
Barbados

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF FINANCIAL POSITION
As of December 31, 2014

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

		2014	**2013**
Assets			
Cash and cash equivalents – Note 2		**$31,013**	$17,491
Investments at fair value through profit or loss (Schedule 1)		**71,713**	70,775
Loans outstanding (Schedule 2)		**116,449**	119,494
Accounts receivable – Note 7		**60,361**	65,455
Total assets		**$279,536**	$273,215
Liabilities and Funds			
Liabilities			
Accounts payable – Note 8		**$7,301**	$6,575
Accrued charges on contributions repayable		**234**	249
		7,535	6,824
Funds			
Contributed resources - (Schedule 3)	70,229		72,923
Amounts made available	70,229		72,923
Accumulated net income (Schedule 4)	55,163		52,323
		125,392	125,246
Technical assistance and other grant resources (Schedule 5)		**146,609**	141,145
Total liabilities and funds		**$279,536**	$273,215

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES – OTHER SPECIAL FUNDS

STATEMENT OF COMPREHENSIVE INCOME AND ACCUMULATED NET INCOME
For the year ended December 31, 2014

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

	2014	2013
Interest and similar income		
Loans	**$2,563**	$2,682
Investments and cash balances	**1,880**	623
	4,443	3,305
Expenses		
Administrative expenses	**1,189**	1,329
Charges on contributions repayable	**931**	1,039
Foreign exchange translation	**(517)**	21
Total expenses	**1,603**	2,389
Total comprehensive income for the year	**$2,840**	$916

Accumulated net income		
Accumulated net income– beginning of year	**$52,323**	$51,407
Total comprehensive income for the year	**2,840**	916
Accumulated net income– end of year	**$55,163**	$52,323

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF CASH FLOWS
For the year ended December 31, 2014

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

	2014		2013
Operating activities			
Total comprehensive income for the year	**$2,840**		$916
Adjustments for non-cash items			
Net unrealized loss on investments	**344**		963
Interest income	**(5,328)**		(3,099)
Interest expense	**931**		1,039
Net foreign exchange gains	**(573)**		(35)
Total cash flow used in operating activities before changes in operating assets and liabilities		**(1,786)**	(216)
Changes in operating assets and liabilities			
Decrease in accounts receivable	**5,094**		4,757
Increase/ (decrease) in accounts payable	**726**		(503)
Cash provided by operating activities		**4,034**	4,038
Disbursements on loans		**(3,474)**	(89)
Principal repayment to the Bank on loans		**5,369**	4,643
Technical assistance disbursements		**(12,754)**	(19,049)
Interest received		**5,375**	3,379
Interest paid		**(946)**	(1,004)
Net (increase)/ decrease in investments		**(1,305)**	4,187
Net cash used in operating activities		**(3,701)**	(3,895)
Financing activities			
Contributions:			
Increase in contributions for loans	**2,166**		-
Repayments of contributions	**(3,161)**		(3,991)
Technical assistance contributions	**18,218**		15,847
Net cash provided by financing activities		**17,223**	11,856
Net increase in cash and cash equivalents		**13,521**	7,961
Cash and cash equivalents at beginning of year		**17,491**	9,530
Cash and cash equivalents at end of year		**$31,013**	$17,491

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

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF INVESTMENTS
As of December 31, 2014

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

SCHEDULE 1

	2014 Market value	2013 Market value
Investments		
Debt securities at fair value through profit or loss – Note 3		
Government and Agency obligations	**$37,171**	$36,844
Supranationals	**3,858**	4,119
Other securities at fair value through profit and loss		
Mutual Funds	**9,024**	8,776
Managed Funds	**11,184**	11,153
Equity investments	**10,386**	9,769
Sub-total	**71,623**	70,661
Accrued interest	**90**	114
	$71,713	$70,775

Residual Term to Contractual Maturity

	2014	2013
1 – 3 months	**$33,210**	$29,812
3 months - 1 year	**12,878**	7,078
1 year - 5 years	**25,625**	29,899
5 years - 10 years	**-**	3,986
	$71,713	$70,775

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS
As of December 31, 2014

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

SCHEDULE 2

	2014			
Member countries in which loans have been made	**Principal repaid to Bank**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Anguilla	$469	$-	$31	0.0
Antigua and Barbuda	4,197	-	4,209	3.6
Barbados	19,411	-	6,553	5.7
Belize	8,953	-	-	0.0
British Virgin Islands	1,893	-	-	0.0
Cayman Islands	2,817	-	-	0.0
Dominica	16,192	1,420	18,541	16.0
Grenada	8,950	4	22,934	19.8
Guyana	17,216	-	3,459	3.0
Jamaica	39,052	-	29,770	25.7
Montserrat	1,218	-	-	0.0
St. Kitts and Nevis	5,158	-	2,824	2.4
St. Lucia	17,331	1,087	18,776	16.2
St. Vincent and the Grenadines	14,059	862	7,855	6.8
Trinidad and Tobago	2,321	-	857	0.7
Regional	2,225	-	-	0.0
Sub-total	161,462	3,373	115,809	100.0
Accrued interest	-	-	640	
	$161,462	**$3,373**	**$116,449**	

1/There were no overdue installments of principal at December, 2014 (2013 -nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS…*continued*
As of December 31, 2014

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

SCHEDULE 2

2013				
Member countries in which loans have been made	**Principal repaid to Bank**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Anguilla	$444	$-	$56	0.1
Antigua and Barbuda	3,982	-	4,555	3.8
Barbados	19,034	-	7,098	6.0
Belize	9,335	-	-	-
British Virgin Islands	1,920	-	-	-
Cayman Islands	2,989	-	-	-
Dominica	15,958	1,420	19,160	16.1
Grenada	8,553	4	21,968	18.5
Guyana	17,055	-	3,737	3.1
Jamaica	38,018	-	31,095	26.2
Montserrat	1,252	-	-	-
St. Kitts and Nevis	5,246	-	3,219	2.7
St. Lucia	16,853	2,299	18,980	16.0
St. Vincent and the Grenadines	13,911	1,482	7,875	6.6
Trinidad and Tobago	2,515	-	1,088	0.9
Regional	2,232	-	-	-
Sub-total	159,297	5,205	118,831	100.0
Accrued interest	-	-	663	
	$159,297	**$5,205**	**$119,494**	

1/There were overdue installments of principal of $540 at December 31, 2013 (2012 - nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS*...continued*
As of December 31, 2014

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

SCHEDULE 2

	2014			
Analysis by Contributor	**Principal repaid to Bank**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Members				
Trinidad and Tobago	$1,311	$-	$3	0.0
Other contributors				
Caribbean Development Bank	17,718	1,087	56,154	48.5
Nigeria	6,138	-	3,497	3.0
United States of America	92,976	-	31	0.0
Inter-American Development Bank	20,106	2,286	38,865	33.6
European Union	7,920	-	1,997	1.7
International Development Association	15,293	-	15,262	13.2
Sub-total	161,462	3,373	115,809	100.0
Accrued interest	-	-	640	
	$161,462	**$3,373**	**$116,449**	

1/ There were no overdue installments of principal at December 31, 2014 (2013 – nil).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS*...continued*
As of December 31, 2014

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

SCHEDULE 2

2013

Analysis by Contributor	**Principal repaid to Bank**	**Undisbursed**	**Outstanding[1/]**	**% of Total Loans Outstanding**
Members				
Trinidad and Tobago	$1,306	$-	$3	0.0
Other contributors				
Caribbean Development Bank	16,072	2,137	57,470	48.4
Nigeria	5,891	-	3,744	3.1
United States of America	92,951	-	56	0.1
Inter-American Development Bank	19,381	3,068	37,926	31.9
European Union	8,707	-	2,535	2.1
International Development Association	14,989	-	17,097	14.4
Sub-total	159,297	5,205	118,831	100.0
Accrued interest	-	-	663	
	$159,297	**$5,205**	**$119,494**	

1/ There were no overdue installments of principal at December 31, 2013 (2013-$540).

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS*...continued*
As of December 31, 2014

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

SCHEDULE 2

	2014						
Currencies receivable	**Loans out-standing 2013**	**Trans-lation adjust-ment**	**Net interest earned**	**Disburse-ments**	**Sub-total**	**Repay-ments**	**Loans out-standing 2014**
Euros	$2,535	$(299)	$-	$-	$2,236	$(239)	$1,997
Special Drawing Rights	13,948	(828)	-	-	13,120	(809)	12,311
United States dollars	102,348	-	-	3,474	105,822	(4,321)	101,501
Sub-total	118,831	(1,127)	-	3,3474	121,178	(5,369)	115,809
Accrued interest[1]	663	-	(23)	-	640	-	640
	$119,494	**$(1,127)**	**$(23)**	**$3,474**	**$121,818**	**$(5,369)**	**$116,449**

Maturity structure of loans outstanding

January 1, 2015 to December 31, 2015	$7,112
January 1, 2016 to December 31, 2016	6,645
January 1, 2017 to December 31, 2017	6,882
January 1, 2018 to December 31, 2018	6,884
January 1, 2019 to December 31, 2019	6,887
January 1, 2020 to December 31, 2024	33,927
January 1, 2025 to December 31, 2029	26,231
January 1, 2030 to December 31, 2034	16,572
January 1, 2035 to December 31, 2039	2,087
January 1, 2040 to December 31,2044	654
January 1, 2045 to December 31, 2052	2,568
	$116,449

1/ Relates to amounts disbursed and outstanding.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF LOANS*...continued*
As of December 31, 2014

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

SCHEDULE 2

2013

Currencies receivable	Loans outstanding 2012	Translation adjustment	Net interest earned	Disbursements	Sub-total	Repayments	Loans outstanding 2013
Euros	$2,686	$119	$-	$-	$2,805	$(270)	$2,535
Special Drawing Rights	15,040	30	-	-	15,070	(1,122)	13,948
United States dollars	105,510	-	-	89	105,599	(3,251)	102,348
Sub-total	123,236	149	-	89	123,474	(4,643)	118,831
Accrued interest[1]	859		(196)		663		663
	$124,095	**$149**	**$(196)**	**$89**	**$124,137**	**$(4,643)**	**$119,494**

Maturity structure of loans outstanding

January 1, 2014 to December 31, 2014	$6,105
January 1, 2015 to December 31, 2015	6,512
January 1, 2016 to December 31, 2016	6,686
January 1, 2017 to December 31, 2017	6,923
January 1, 2018 to December 31, 2018	6,926
January 1, 2019 to December 31, 2023	34,377
January 1, 2024 to December 31, 2028	28,471
January 1, 2029 to December 31, 2033	18,904
January 1, 2034 to December 31, 2038	3,646
January 1, 2039 to December 31, 2047	944
	$119,494

1/ Relates to amounts disbursed and outstanding.

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF CONTRIBUTIONS
As of December 31, 2014

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

SCHEDULE 3

	2014	
	Contributions	
Contributors	**Total** 1/	**Amounts made available**
Members		
Canada	$6,726	$6,726
Other contributors		
Inter-American Development Bank	148	148
Contributed resources	6,874	6,874
Other contributors		
Inter-American Development Bank 1/	39,550	39,550
European Investment Bank 1/	1,215	1,215
United States of America	2,874	2,874
European Union	2,907	2,907
International Development Association	16,809	16,809
Repayable contributions	63,355	63,355
	$70,229	**$70,229**

1/Net of cancellations and repayments

Maturity structure of repayable contributions outstanding

January 1, 2015 to December 31, 2015	$4,308
January 1, 2016 to December 31, 2016	3,282
January 1, 2017 to December 31, 2017	3,381
January 1, 2018 to December 31, 2018	3,228
January 1, 2019 to December 31, 2019	3,067
January 1, 2020 to December 31, 2024	13,033
January 1, 2025 to December 31, 2029	11,811
January 1, 2030 to December 31, 2034	9,034
January 1, 2035 to December 31, 2039	6,077
January 1, 2040 to December 31, 2053	6,134
	$63,355

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF CONTRIBUTIONS*...continued*
As of December 31, 2014

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

	2013	
	Contributions	
Contributors	**Total** [1/]	**Amounts made available**
Members		
Canada	$6,880	$6,880
Other contributors		
Inter-American Development Bank	148	148
Contributed resources	7,028	7,028
Other contributors		
Inter-American Development Bank [1/]	38,659	38,659
European Investment Bank [1/]	1,377	1,377
United States of America	3,467	3,467
European Union	3,703	3,703
International Development Association	18,689	18,689
Repayable contributions	65,895	65,895
	$72,923	**$72,923**

1/Net of cancellations and repayments.

Maturity structure of repayable contributions outstanding

January 1, 2014 to December 31, 2014	$3,272
January 1, 2015 to December 31, 2015	3,197
January 1, 2016 to December 31, 2016	3,379
January 1, 2017 to December 31, 2017	3,479
January 1, 2018 to December 31, 2018	3,326
January 1, 2019 to December 31, 2023	14,103
January 1, 2024 to December 31, 2028	12,117
January 1, 2029 to December 31, 2033	9,948
January 1, 2034 to December 31, 2038	6,742
January 1, 2039 to December 31, 2045	6,332
	$65,895

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

SUMMARY STATEMENT OF CONTRIBUTIONS*...continued*
As of December 31, 2014

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

SCHEDULE 3

	2014					
Currencies Repayable	**Contri-butions made available 2013**	**Trans-lation adjust-ment**	**Draw-downs/ appro-priations from capital**	**Sub-total**	**Repay-ments**	**Contri-butions made available 2014**
Canadian dollars	$1,952	$(160)	$-	$1,792	$(44)	$1,748
Euros	5,080	(590)	-	4,481	(359)	4,122
Pounds sterling	79	(5)	-	74	(49)	25
Special Drawing Rights	15,578	(925)	-	14,653	(760)	13,893
Swedish kroners	32	(5)	-	27	(18)	9
United States dollars	50,151	-	2,166	52,317	(1,901)	50,416
	$72,924	**$(1,700)**	**$2,166**	**$73,390**	**$(3,161)**	**$70,229**

	2013					
Currencies Repayable	**Contri-butions made available 2012**	**Trans-lation adjust-ment**	**Draw-downs/ appro-priations from capital**	**Sub-total**	**Repay-ments**	**Contri-butions made available 2013**
Canadian dollars	$2,139	$(139)	$-	$2,000	$(48)	$1,952
Euros	5,251	233	-	5,484	(404)	5,080
Japanese yen	105	(19)	-	86	(34)	52
Pounds sterling	128	3	-	131	(52)	79
Special Drawing Rights	16,353	33	-	16,386	(808)	15,578
Swedish kroners	52	-	-	52	(21)	31
United States dollars	52,775	-	-	52,775	(2,624)	50,151
	$76,803	**$111**	**$-**	**$76,914**	**$(3,991)**	**$72,923**

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF ACCUMULATED NET INCOME
As of December 31, 2014

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

SCHEDULE 4

2014

Contributors	Brought forward 2013	Net Income/(Loss) 2014	Carried forward 2014
General Funds	$42,518	$2,927	$45,445
European Investment Bank	(990)	123	(867)
European Union	2,557	(36)	2,521
Inter-American Development Bank	(43)	(148)	(191)
International Development Association	214	69	283
Nigeria	6,048	(16)	6,032
United States of America	2,019	(79)	1,940
	$52,323	**$2,840**	**$55,163**

2013

Contributors	Brought forward 2012	Net Income/(Loss) 2013	Carried forward 2013
General Funds	$40,783	$1,735	$42,518
European Investment Bank	(944)	(46)	(990)
European Union	2,578	(21)	2,557
Inter-American Development Bank	339	(382)	(43)
International Development Association	228	(14)	214
Nigeria	6,115	(67)	6,048
United States of America	2,308	(289)	2,019
	$51,407	**$916**	**$52,323**

CARIBBEAN DEVELOPMENT BANK
SPECIAL FUNDS RESOURCES - OTHER SPECIAL FUNDS

STATEMENT OF TECHNICAL ASSISTANCE AND OTHER GRANT RESOURCES
As of December 31, 2014

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

SCHEDULE 5

	2014			
	Contributors			
Contributors	**Total** 1/	**Amounts made available**	**Amounts utilized**	**Net Amounts available**
Members				
Canada	$59,032	$59,032	$40,754	$18,278
United Kingdom	27,314	27,314	16,666	10,648
Italy	522	522	252	270
	86,868	86,868	57,672	29,196
Other contributors				
Caribbean Development Bank	228,042	228,042	127,377	100,665
United States of America	1,407	1,407	1,407	-
Inter-American Development Bank	3,540	3,540	3,350	190
China	677	677	198	479
Venezuela	587	587	-	587
Nigeria	193	193	147	46
European Commission	16,586	16,586	3,464	13,122
Deutsche Gesellshaft für Internationale Zusammenarbeit (GIZ) GmbH	298	298	158	140
European Investment Bank Climate Action Support	2,184	2,184	-	2,184
Sub-total	253,514	253,514	136,101	117,413
Total – December 31	**$340,382**	**$340,382**	**$193,773**	**$146,609**
Summary				
Basic Needs Trust Fund	$152,250	$152,250	$85,402	$66,848
Other resources	169,914	169,914	95,617	74,297
	$322,164	**$322,164**	**$181,019**	**$141,145**

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
As of December 31, 2014

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

SCHEDULE 5

	2013			
	Contributors			
Contributors	**Total** 1/	**Amounts made available**	**Amounts utilized**	**Net Amounts available**
Members				
Canada	$54,500	$54,500	$40,348	$14,152
United Kingdom	30,485	30,485	14,471	16,014
Italy	522	522	252	270
	85,507	85,507	55,071	30,436
Other contributors				
Caribbean Development Bank	225,554	225,554	117,898	107,656
United States of America	1,407	1,407	1,407	-
Inter-American Development Bank	3,511	3,511	3,349	162
China	677	677	198	479
Venezuela	587	587	-	587
Nigeria	193	193	147	46
European Commission	4,534	4,534	2,795	1,739
Deutsche Gesellshaft für Internationale Zusammenarbeit (GIZ) GmbH	194	194	154	40
Sub-total	236,657	236,657	125,948	110,709
Total	**$322,164**	**$322,164**	**$181,019**	**$141,145**
Summary				
Basic Needs Trust Fund	$152,250	$152,250	$85,402	$66,848
Other resources	169,914	169,914	95,617	74,297
	$322,164	**$322,164**	**$181,019**	**$141,145**

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

1. Nature of operations and summary of significant accounting policies

Nature of operations

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

Summary of significant accounting policies

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

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

Foreign currency translation

Functional and presentation currency

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

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

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

Investments

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

Equity instruments are carried at cost where they do not have a quoted market price in an active market and their fair value cannot be reliably measured.

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

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

Equity investments are assessed for impairment annually. The impairment assessment is based on the net book value of the underlying asset and adjusted if the carrying value is less than the Fund's proportionate share of net assets. Impairment losses are recorded within income from investments and cash balances in the statement of comprehensive income and accumulated net income. Amounts distributed to the Fund are recorded as a return on investment until such investments are written off and are subsequently recorded as income.

Determination of fair value

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

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

1. Summary of significant accounting policies*…continued*

Investments…*continued*

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

Loans

Loans and receivables are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method 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 Fund does not make provisions for impairment on loans as any loss that may occur is taken into the statement of comprehensive income and accumulated net income in the year that the impairment occurred.

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

Cash and cash equivalents

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

Technical assistance and grants

Technical assistance and grants for capital projects to borrowing member countries are provided either from non-reimbursable grants received from contributors or from other resources specifically allocated for this purpose. The contributions from donors are included in the financial statements from the date of the contribution agreement. Technical assistance is 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 comprehensive income and accumulated net 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 OCR, the OSF and the SDF in accordance with a method of allocation which is approved by the Board of Directors.

2. Cash and cash equivalents

Cash and cash equivalents comprise:

	2014	**2013**
Due from banks	**$19,810**	$192
Time deposits	**11,203**	17,299
	$31,013	$17,491

3. Investments at fair value through profit and loss

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

The annualized rate of return on the average investments held during the year, including realized and unrealized gains and losses was 1.07% (2013: 0.19%). Net realized gains on investments traded during 2014 amounted to $541 (2013: losses of $1,169) and no net unrealized losses (2013: $963).

4. Funds

In accordance with the Agreement establishing the Bank (the Charter), Special Funds Resources comprise the SDF and OSF established or administered by the Bank, including technical assistance and other grant resources contributed on a non-reimbursable basis. For the purposes of these financial statements, the OSF have been presented separately from the SDF. The OSF are established in accordance with agreements between the Bank and the contributors and are for specific types of projects as agreed between the Bank and the contributors. In accordance with the Agreement, each Special Fund, its resources and accounts are kept entirely separate from other Special Funds, their resources and accounts.

For the purpose of presentation in these financial statements, the financial statements of each of the OSF 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.

4. Funds*...continued*

Details of contributions, loans and technical assistance resources of the OSF are stated at the equivalent in thousands of United States dollars where such contributions, loans and technical assistance grants have been made in currencies other than United States dollars and are as follows:

	2014	**2013**
Canada		
Agricultural[1] (Schedule 3)	6,726	$6,880
Technical assistance resources (Schedule 5)	59,032	54,500
Italy		
Technical assistance resources (Schedule 5)	522	$522
China		
Technical assistance resources (Schedule 5)	677	$677
Venezuela		
Technical assistance resources (Schedule 5)	587	$587
Nigeria		
Technical assistance resources (Schedule 5)	193	$193
United Kingdom		
Technical assistance resources	27,314	$30,485
Inter-American Development Bank		
975/SF-RG	14,212	$14,212
Less repayments	(5,203)	(4,784)
	9,009	9,428
Second Global Loan	4,583	4,887
Less repayments	(4,344)	(4,447)
	239	440
1108/SF-RG Global Credit	20,000	20,000
Less repayments	(1,639)	(984)
	18,361	19,016
1637/SF-RG Credit	9,923	9,923
2798/BL Regional Global Loan - OECS	2,166	-
Sub- total (Schedule 3)	39,698	$38,807
Technical assistance resources (Schedule 5)	**$3,540**	**$3,511**

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

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

4. Funds...*continued*

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

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

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

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

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

	2014	2013
European Investment Bank		
Global loan II – B	$1,215	$1,377

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

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

4. Funds*...continued*

	2014		2013		Due Dates
United States of America					
Contributions					
Agricultural	$7,052		$7,052		1988-2018
Less repayments	5,882	1,170	(5,570)	1,482	
Employment Investment Promotion	6,732		6,732		1990-2000
Less repayments	5,028	1,704	(4,747)	1,985	
Housing	8,400		8,400		1983-2012
Less repayments	8,400	-	(8,400)	-	
(Schedule 3)		2,874		$3,467	
Technical Assistance resources (Schedule 5)		**$1,407**		**$1,407**	

All contributions are subject to interest at the rate of 2% per annum on the amount outstanding for the first ten years after first disbursement and thereafter, at the rate of 3% per annum.

	2014		2013	
European Union				
First Contribution	$7,107		$8,056	
Less repayments	(5,253)	1,854	(5,667)	2,389
Second Contribution	3,012		3,415	
Less repayments	(1,959)	1,053	(2,101)	1,314
(Schedule 3)		**$2,907**		**$3,703**

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

SUMMARY STATEMENT OF CONTRIBUTIONS...*continued*
As of December 31, 2014

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

4. Funds...*continued*

International Development Association

	2014		2013		Due dates
Credit No. 960/CRG	$6,480		$6,480		1990-2029
Less repayments	(3,564)	2,916	(3,370)	3,110	
Credit No. 1364/CRG	7,858		8,354		
Less repayments	(3,497)	4,361	(3,467)	4,887	1993-2033
Credit No. 1785/CRG	6,711		7,135		
Less repayments	(2,181)	4,530	(2,105)	5,030	1997-2030
Credit No. 2135/CRG	8,068		8,578		2000-2030
Less repayments	(3,064)	5,002	(2,916)	5,662	
(Schedule 3)		**$16,809**		**$18,689**	

The credits are subject to a service charge of 0.75% per annum on amounts outstanding. In addition, the credits totaling (2013: $15,579) are subject to a commitment fee not exceeding 0.5% per annum on amounts eligible for withdrawal but remain undrawn.

	2014	2013
Caribbean Development Bank		
Technical assistance resources (Schedule 5)	**$228,042**	$225,554

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

5. Total accumulated income and total comprehensive income for the year

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

6. Loans

The average interest rate earned on loans outstanding was 2.20 % (2013: 2.23%). There were no impaired loans at December 31, 2014 and 2013.

7. Accounts receivable

	2014	**2013**
Institutional receivables	$60,361	$65,455

8. Accounts payable

	2014	**2013**
Accounts payable - general	$2,643	$1,917
Interfund payable	4,658	4,658
	$7,301	**$6,575**