



STATEMENT OF INTERIM FINANCIAL POSITION
(UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF FINANCIAL POSITION
As of September 30, 2018
(expressed in thousands of United States dollars)

| | <u>2018</u> | <u>December 31, 2017</u> |
|--|--------------------|------------------------------|
| Assets | | |
| Cash Resources | | |
| Cash and cash equivalents | \$135,113 | \$85,961 |
| Investments | | |
| Debt securities at fair value through profit or loss | 351,271 | 353,491 |
| Receivables | | |
| Receivables and prepaid assets | 10,026 | 14,248 |
| Cash collateral on derivatives | 8,400 | 6,675 |
| | <u>18,426</u> | <u>20,923</u> |
| Loans | | |
| Loans outstanding | 1,092,185 | 1,060,082 |
| Receivable from members | | |
| Non-negotiable demand notes | 46,291 | 46,088 |
| Maintenance of value on currency holdings | 4,414 | 4,250 |
| Subscriptions in arrears | 661 | 2,310 |
| | <u>51,366</u> | <u>52,648</u> |
| Derivative financial instruments | 40,621 | 55,584 |
| Other assets | | |
| Property and equipment | 13,042 | 12,325 |
| Total Assets | <u>\$1,702,024</u> | <u>\$1,641,014</u> |

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF FINANCIAL POSITION
As of September 30, 2018
(expressed in thousands of United States dollars)

| | 2018 | December 31, 2017 |
|--|--------------------|----------------------|
| Liabilities and Equity | | |
| Liabilities | | |
| Accounts payable and accrued liabilities | \$7,412 | \$4,810 |
| Deferred income | 875 | 875 |
| Post-employment obligations | 25,772 | 25,772 |
| Borrowings | 753,921 | 691,549 |
| Derivative financial instrument | 29,530 | 18,258 |
| Total Liabilities | \$817,510 | \$741,264 |
| Equity | | |
| Subscriptions matured (net) | 383,889 | 383,889 |
| Retained earnings and reserves | 500,625 | 515,861 |
| Total Equity | 884,514 | 899,750 |
| Total Liabilities and Equity | \$1,702,024 | \$1,641,014 |

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF CHANGES IN EQUITY
As of September 30, 2018
(expressed in thousands of United States dollars)

| | Capital Stock | Retained Earnings | Post Employment Obligations | Other Reserves | Total |
|---|--------------------------|------------------------------|--|---------------------------|------------------|
| Balance as of January 1, 2017 | \$381,580 | \$517,875 | (\$16,213) | \$13,260 | \$896,502 |
| Net income for the period | - | \$3,353 | - | - | 3,353 |
| Balance as of September 30, 2017 | \$381,580 | \$521,228 | (\$16,213) | \$13,260 | \$899,855 |
| Balance as of January 1, 2018 | \$383,889 | \$514,641 | (\$12,040) | \$13,260 | \$899,750 |
| Net loss for the period | - | (15,236) | - | - | (15,236) |
| Balance as of September 30, 2018 | \$383,889 | \$499,405 | (\$12,040) | \$13,260 | \$884,514 |

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF COMPREHENSIVE INCOME
For the nine months ended September 30, 2018
(expressed in thousands of United States dollars)

| | <u>2018</u> | <u>2017</u> |
|---|--------------------------|----------------|
| Interest and similar income | | |
| Loans | \$34,838 | \$27,940 |
| Investments and cash balances | 5,062 | 4,156 |
| | <u>39,900</u> | <u>32,096</u> |
| Interest expense and similar charges | | |
| Borrowings | 16,619 | 15,355 |
| Other financial expenses/(income) | 2,342 | (1,583) |
| | <u>18,961</u> | <u>13,772</u> |
| Net interest income | <u>20,939</u> | <u>18,324</u> |
| Other (income)/expenses | | |
| Other income | (829) | (555) |
| Realised and unrealised fair value losses/(gains) | 3,102 | (1,944) |
| Administrative expenses | 9,903 | 9,375 |
| Foreign exchange translation | (72) | (90) |
| | <u>12,104</u> | <u>6,786</u> |
| Operating income | <u>8,835</u> | <u>11,538</u> |
| Net income before derivative and foreign denominated borrowing adjustments | <u>8,835</u> | <u>11,538</u> |
| Derivative fair value adjustment | (25,508) | 5,535 |
| Foreign exchange gain/(loss) in translation on borrowings | 1,437 | (13,720) |
| | <u>(24,071)</u> | <u>(8,185)</u> |
| Total comprehensive (loss)/ income for the period | <u>\$(15,236)</u> | <u>\$3,353</u> |

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF CASH FLOWS
For the nine months ended September 30, 2018
(expressed in thousands of United States dollars)

| | <u>2018</u> | <u>2017</u> |
|---|-------------------------|-------------------------|
| Operating activities: | | |
| Net (loss)/income for the period | \$ (15,236) | \$3,353 |
| Adjustments: | | |
| Unrealised losses/(gains) on debt securities | 3,120 | (1,944) |
| Depreciation | 1,174 | 1,145 |
| Derivative fair value adjustment | 25,508 | (5,535) |
| Interest income | (39,900) | (32,096) |
| Interest expense | 18,961 | 13,772 |
| Foreign exchange (gain)/loss in translation | (1,437) | 13,720 |
| (Increase)/decrease in maintenance of value on currency holdings | (164) | 927 |
| Gain on disposal of asset | - | (237) |
| <i>Total cash flows used in operating activities before changes in operating assets and liabilities</i> | <u>(7,974)</u> | <u>(6,895)</u> |
| Changes in operating assets and liabilities | | |
| Decrease/(increase) in receivables and prepaid assets | 4,222 | (565) |
| (Increase)/decrease in cash collateral on derivatives | (1,725) | 6,805 |
| Increase/(decrease) in accounts payable and accrued liabilities | 2,602 | (1,214) |
| Net increase in debt securities at fair value through profit and loss | (1,193) | (62,267) |
| <i>Cash used in operating activities</i> | <u>(4,068)</u> | <u>(64,136)</u> |
| Disbursements on loans | (103,993) | (36,433) |
| Principal repayments on loans | 75,188 | 76,306 |
| Interest received | 36,895 | 29,825 |
| <i>Net cash provided by operating activities</i> | <u>4,022</u> | <u>5,562</u> |
| Investing activities: | | |
| Purchase of property and equipment | (1,890) | (1,122) |
| Proceeds from sale of property and equipment | - | 809 |
| <i>Net cash used in investing activities</i> | <u>(1,890)</u> | <u>(313)</u> |
| Financing activities: | | |
| Borrowings: | | |
| New borrowings | 134,730 | 28,759 |
| Repayments on borrowings | (72,773) | (2,773) |
| Interest paid on borrowings | (16,383) | (12,638) |
| Decrease in receivables from members | 1,446 | 3,317 |
| <i>Net cash provided by financing activities</i> | <u>47,020</u> | <u>16,665</u> |
| Net increase in cash and cash equivalents | 49,152 | 21,914 |
| Cash and cash equivalents at beginning of year | 85,961 | 94,207 |
| Cash and cash equivalents at end of period | <u><u>\$135,113</u></u> | <u><u>\$116,121</u></u> |

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
SUMMARY STATEMENT OF INVESTMENTS
As of September 30, 2018
(expressed in thousands of United States dollars)

Schedule 1

| | 2018 | | | | |
|----------------------------|------------------|-----|----------------|------------------|------------------|
| | USD | EUR | CAD | Other Currencies | All Currencies |
| Obligations guaranteed by | | | | | |
| Governments | \$242,841 | \$- | \$3,825 | \$- | \$246,666 |
| Multilateral organisations | 101,699 | - | 1,059 | - | 102,758 |
| Time deposits | - | - | - | 756 | 756 |
| Sub-total | 344,540 | - | 4,884 | 756 | 350,180 |
| Accrued interest | 1,061 | - | 29 | 1 | 1,091 |
| Total | \$345,601 | \$- | \$4,913 | \$757 | \$351,271 |

| | December 31, 2017 | | | | |
|----------------------------|-------------------|-----|---------|------------------|----------------|
| | USD | EUR | CAD | Other Currencies | All Currencies |
| Obligations guaranteed by | | | | | |
| Governments | \$233,929 | \$- | \$3,982 | \$- | \$237,911 |
| Multilateral organisations | 112,333 | - | 1,097 | - | 113,430 |
| Time deposits | - | - | - | 766 | 766 |
| Sub-total | 346,262 | - | 5,079 | 766 | 352,107 |
| Accrued interest | 1,367 | - | 16 | 1 | 1,384 |
| Total | \$347,629 | \$- | \$5,095 | \$767 | \$353,491 |

RESIDUAL TERM TO CONTRACTUAL MATURITY

| | 2018 | 2017 |
|-------------------------------|------------------|------------------|
| One month to three months | \$25,001 | \$22,818 |
| Over three months to one year | 59,218 | 27,792 |
| Over one year to five years | 261,422 | 295,468 |
| Over five years to ten years | 5,630 | 7,413 |
| Total | \$351,271 | \$353,491 |

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
SUMMARY STATEMENT OF LOANS
As of September 30, 2018
(expressed in thousands of United States dollars)

| Member countries in which loans have been made | Total loans approved ^{1/} | Undisbursed | Schedule 2 | |
|---|---------------------------------------|------------------|----------------------|---------------------------------------|
| | | | Loans outstanding | Percentage of loans outstanding |
| ANGUILLA | \$129,694 | \$19,248 | \$72,375 | 6.7 |
| ANTIGUA AND BARBUDA | 232,311 | 70,921 | 118,340 | 10.9 |
| BAHAMAS | 91,353 | 15,431 | 18,338 | 1.7 |
| BARBADOS | 363,320 | 40,075 | 115,908 | 10.7 |
| BELIZE | 269,592 | 61,314 | 105,632 | 9.7 |
| BRITISH VIRGIN ISLANDS | 179,077 | 50,386 | 79,472 | 7.3 |
| CAYMAN ISLANDS | 43,057 | - | - | - |
| DOMINICA | 62,034 | 10,734 | 17,754 | 1.7 |
| GRENADA | 94,664 | 16,194 | 38,706 | 3.6 |
| GUYANA | 66,766 | 2,555 | 29,213 | 2.7 |
| JAMAICA | 467,659 | 7,016 | 181,270 | 16.7 |
| MONTSERRAT | 485 | - | - | - |
| ST. KITTS AND NEVIS | 88,528 | 6,213 | 29,412 | 2.7 |
| ST. LUCIA | 230,186 | 32,593 | 56,357 | 5.2 |
| ST. VINCENT AND THE GRENADINES | 182,644 | 10,782 | 78,159 | 7.2 |
| SURINAME | 139,841 | 83,307 | 55,284 | 5.1 |
| TRINIDAD AND TOBAGO | 168,654 | - | 36,266 | 3.4 |
| TURKS AND CAICOS ISLANDS | 15,542 | 441 | 2,703 | 0.2 |
| REGIONAL | 20,725 | 5,593 | 6,873 | 0.6 |
| PRIVATE SECTOR | 181,249 | 21,466 | 42,630 | 3.9 |
| Sub-total | 3,027,383 | 454,268 | 1,084,690 | 100.0 |
| Loan impairment provision | - | - | (6,309) | |
| Accrued Interest | - | - | 13,804 | |
| Total - September 30, 2018 | \$3,027,383 | \$454,268 | \$1,092,185 | |
| Total - December 31, 2017 | \$2,960,676 | \$463,981 | \$1,060,082 | |

^{1/} Net of lapses and cancellations.

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
SUMMARY STATEMENT OF LOANS (continued)
As of September 30, 2018
(expressed in thousands of United States dollars)

| | | | | | | | Schedule 2 (continued) |
|-----------------------------------|-----------------------------------|---------------------------|--------------------|--------------------|-------------------|--------------------------------|-----------------------------------|
| Currencies Receivable | Loans Out- standing 2017 | Net Interest Earned | Disburse- ments | Sub- Total | Repay- ments | Provision for Impairment | Loans Out- standing 2018 |
| United States dollars | \$1,055,885 | \$- | \$103,993 | \$1,159,878 | \$(75,188) | \$- | \$1,084,690 |
| Sub-Total | 1,055,885 | - | 103,993 | 1,159,878 | (75,188) | - | 1,084,690 |
| Provision for impairment | (6,309) | - | - | (6,309) | - | - | (6,309) |
| Accrued interest | 10,506 | 3,298 | - | 13,804 | - | - | 13,804 |
| Total - September 30, 2018 | \$1,060,082 | \$3,298 | \$103,993 | \$1,167,373 | \$(75,188) | - | \$1,092,185 |
| Total - December 31, 2017 | \$1,016,926 | \$1,983 | \$143,196 | \$1,162,105 | \$(102,023) | \$- | \$1,060,082 |

MATURITY STRUCTURE OF LOANS OUTSTANDING

| | |
|--------------------------------------|--------------------|
| October 1, 2018 to December 31, 2018 | \$44,367 |
| January 1, 2019 to December 31, 2019 | 101,793 |
| January 1, 2020 to December 31, 2020 | 101,446 |
| January 1, 2021 to December 31, 2021 | 104,679 |
| January 1, 2022 to December 31, 2022 | 103,875 |
| January 1, 2023 to December 31, 2027 | 444,887 |
| January 1, 2028 to December 31, 2032 | 171,972 |
| January 1, 2033 to December 31, 2037 | 22,317 |
| January 1, 2038 to December 31, 2041 | 3,158 |
| Total | 1,098,494 |
| Less impairment provision | (6,309) |
| Total loans outstanding | \$1,092,185 |

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
STATEMENT OF SUBSCRIPTION TO CAPITAL STOCK AND VOTING POWER
September 30, 2018
(expressed in thousands of United States dollars)

Schedule 3

| Member | No. of Shares | % of Total | Total subscribed capital | Callable capital | Paid-up capital | Subscriptions Matured | Voting Power | | Receivable from members, Non-negotiable Demand Notes |
|---|----------------|---------------|--------------------------|--------------------|------------------|-----------------------|----------------|------------------|--|
| | | | | | | | No. of votes | % of total votes | |
| Regional States and Territories: | | | | | | | | | |
| Jamaica | 48,354 | 17.31 | \$291,659 | \$227,614 | \$64,045 | \$64,045 | 48,504 | 17.14 | 13,591 |
| Trinidad and Tobago | 48,354 | 17.31 | 291,659 | 227,614 | 64,045 | 64,045 | 48,504 | 17.14 | 10,699 |
| Bahamas | 14,258 | 5.10 | 86,001 | 67,115 | 18,886 | 18,885 | 14,408 | 5.09 | 1,612 |
| Guyana | 10,417 | 3.73 | 62,833 | 49,038 | 13,795 | 13,795 | 10,567 | 3.73 | 3,125 |
| Barbados | 9,074 | 3.25 | 54,732 | 42,717 | 12,015 | 12,015 | 9,224 | 3.26 | 1,070 |
| Colombia | 7,795 | 2.79 | 47,017 | 36,691 | 10,326 | 10,326 | 7,945 | 2.81 | 627 |
| Mexico | 7,795 | 2.79 | 47,017 | 36,691 | 10,326 | 10,326 | 7,945 | 2.81 | - |
| Venezuela | 7,795 | 2.79 | 47,017 | 36,691 | 10,326 | 10,326 | 7,945 | 2.81 | 3,203 |
| Suriname | 4,166 | 1.49 | 25,128 | 19,627 | 5,501 | 5,061 | 4,316 | 1.53 | 2,805 |
| Brazil | 3,118 | 1.12 | 18,807 | 14,687 | 4,120 | 2,472 | 3,268 | 1.15 | - |
| Haiti | 2,187 | 0.78 | 13,191 | 10,296 | 2,895 | 2,895 | 2,337 | 0.83 | - |
| Belize | 2,148 | 0.77 | 12,956 | 10,109 | 2,847 | 2,847 | 2,298 | 0.81 | - |
| Dominica | 2,148 | 0.77 | 12,956 | 10,109 | 2,847 | 2,847 | 2,298 | 0.81 | 286 |
| St. Lucia | 2,148 | 0.77 | 12,956 | 10,109 | 2,847 | 2,847 | 2,298 | 0.81 | 360 |
| St. Vincent and the Grenadines | 2,148 | 0.77 | 12,956 | 10,109 | 2,847 | 2,847 | 2,298 | 0.81 | 97 |
| Antigua and Barbuda | 2,148 | 0.77 | 12,956 | 10,109 | 2,847 | 2,847 | 2,298 | 0.81 | 296 |
| St. Kitts and Nevis | 2,148 | 0.77 | 12,956 | 10,109 | 2,847 | 2,847 | 2,298 | 0.81 | 255 |
| Grenada | 1,839 | 0.66 | 11,093 | 8,661 | 2,432 | 2,431 | 1,989 | 0.70 | 213 |
| Anguilla /1 | 455 | 0.16 | 2,744 | 2,141 | 603 | 603 | | | 14 |
| Montserrat /1 | 533 | 0.19 | 3,215 | 2,509 | 706 | 706 | | | - |
| British Virgin Islands /1 | 533 | 0.19 | 3,215 | 2,509 | 706 | 706 | 2,737 | 0.97 | - |
| Cayman Islands /1 | 533 | 0.19 | 3,215 | 2,509 | 706 | 706 | | | 8 |
| Turks and Caicos Islands /1 | 533 | 0.19 | 3,215 | 2,509 | 706 | 706 | | | - |
| | <u>180,627</u> | <u>64.65</u> | <u>1,089,494</u> | <u>850,273</u> | <u>239,221</u> | <u>237,131</u> | <u>183,477</u> | <u>64.83</u> | <u>38,263</u> |
| Non-Regional States: | | | | | | | | | |
| Canada | 26,004 | 9.31 | 156,849 | 122,408 | 34,441 | 34,441 | 26,154 | 9.24 | - |
| United Kingdom | 26,004 | 9.31 | 156,849 | 122,408 | 34,441 | 34,441 | 26,154 | 9.24 | 2,150 |
| Italy | 15,588 | 5.58 | 94,023 | 73,376 | 20,647 | 20,647 | 15,738 | 5.56 | 641 |
| Germany | 15,588 | 5.58 | 94,023 | 73,376 | 20,647 | 20,647 | 15,738 | 5.56 | 5,549 |
| China | 15,588 | 5.58 | 94,023 | 73,376 | 20,647 | 20,647 | 15,738 | 5.56 | - |
| | <u>98,772</u> | <u>35.35</u> | <u>595,767</u> | <u>464,944</u> | <u>130,823</u> | <u>130,822</u> | <u>99,522</u> | <u>35.17</u> | <u>8,340</u> |
| Sub-total | <u>279,399</u> | <u>100.00</u> | <u>1,685,261</u> | <u>1,315,217</u> | <u>370,044</u> | <u>367,953</u> | <u>282,999</u> | <u>100.00</u> | <u>46,603</u> |
| Additional subscriptions | | | | | | | | | |
| China | | | 18,804 | 14,688 | 4,116 | 4,116 | | | |
| Colombia | | | 1,810 | 905 | 905 | 905 | | | |
| Germany | | | 12,546 | 9,681 | 2,865 | 2,865 | | | |
| Italy | | | 12,546 | 9,681 | 2,865 | 2,865 | | | |
| Mexico | | | 6,273 | 4,841 | 1,432 | 1,431 | | | |
| Venezuela | | | 1,810 | 905 | 905 | 905 | | | |
| Haiti | | | 2,639 | 2,060 | 579 | 579 | | | |
| Suriname | | | 12,564 | 9,814 | 2,750 | 1,870 | | | |
| Brazil | | | 9,403 | 7,343 | 2,060 | 741 | | | |
| Sub-total | <u>-</u> | <u>-</u> | <u>78,395</u> | <u>59,918</u> | <u>18,477</u> | <u>16,277</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Gross Subscriptions - September 30, 2018 | <u>279,399</u> | <u>100.00</u> | <u>\$1,763,656</u> | <u>\$1,375,135</u> | <u>\$388,521</u> | <u>\$384,230</u> | <u>282,999</u> | <u>100.00</u> | <u>\$46,603</u> |
| Subscriptions Prepayment Discount | | | | | | (341) | | | |
| Net Subscriptions - September 30, 2018 | | | | | | <u>383,889</u> | | | |
| Total - December 31, 2017 | <u>279,399</u> | <u>100.00</u> | <u>\$1,763,656</u> | <u>\$1,375,135</u> | <u>\$388,521</u> | <u>\$383,889</u> | <u>282,999</u> | <u>100.00</u> | <u>\$46,603</u> |

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

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CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
SUMMARY STATEMENT OF BORROWINGS
As of September 30, 2018
(expressed in thousands of United States dollars)

Schedule 4

| | Original amounts 1/ | Trans- lation adjust- ments | Repay- ments to date | Currency swap agreements | Undrawn | Out- stand- ing | Due Dates |
|--|---------------------------|--------------------------------------|----------------------------|--------------------------------|--------------------|-----------------------|-----------|
| Short term borrowing: | | | | | | | |
| Royal Bank of Credit Line of Credit - US | \$40,000 | \$- | \$- | \$- | (40,000) | - | 2018 |
| | 40,000 | - | - | - | (40,000) | - | |
| CDB Market Borrowings: | | | | | | | |
| 4.35% Loan - Yen | 60,000 | (2,890) | - | - | - | 57,110 | 2030 |
| 2.75% Notes - Yen | 100,000 | 10,268 | - | - | - | 110,268 | 2022 |
| 4.375% Bonds - US\$ | 300,000 | - | - | - | - | 300,000 | 2027 |
| 0.297% Bonds - CHF | 151,341 | (2,912) | - | - | - | 148,429 | 2028 |
| Unamortized transaction costs | (2,077) | 1 | - | - | - | (2,076) | |
| Unamortized currency swap | 4,095 | - | - | (727) | - | 3,368 | |
| | 613,359 | 4,467 | - | (727) | - | 617,099 | |
| European Investment Bank | | | | | | | |
| Global Loan III - US\$ | 19,918 | - | (1,660) | - | - | 18,258 | 2023 |
| Climate Action Credit - US\$ | 65,320 | - | - | - | (9,178) | 56,142 | 2032 |
| Climate Action Credit 2 - US\$ | 115,821 | - | - | - | (86,791) | 29,030 | 2033 |
| Unamortized transaction costs | (292) | - | - | - | - | (292) | |
| | 200,768 | - | (1,660) | - | (95,969) | 103,138 | |
| Inter-American Development Bank: | | | | | | | |
| Loan 926/OC-RG - US\$ | 19,347 | - | (16,565) | - | - | 2,782 | 2021 |
| Loan 2798/BL-RG - US\$ | 14,000 | - | - | - | (5,078) | 8,922 | 2043 |
| Loan 3561/OC - RG | 20,000 | - | - | - | (15,279) | 4,721 | 2037 |
| | 53,347 | - | (16,565) | - | (20,357) | 16,425 | |
| Agence Francaise de Developpment | | | | | | | |
| | 33,000 | - | - | - | (23,000) | 10,000 | 2028 |
| | 33,000 | - | - | - | (23,000) | 10,000 | |
| Sub-total | 940,474 | 4,467 | (18,225) | (727) | (179,326) | 746,663 | |
| Accrued interest | 7,258 | - | - | - | - | 7,258 | |
| Total - September 30, 2018 | \$947,732 | \$4,467 | \$(18,225) | \$(727) | \$(179,326) | \$753,921 | |
| Total - December 31, 2017 | \$963,274 | \$6,125 | \$(30,391) | \$(968) | \$(246,491) | \$691,549 | |

1/ Net of cancellations and borrowings fully repaid.

CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES
SUMMARY STATEMENT OF BORROWINGS (continued)
As of September 30, 2018
(expressed in thousands of United States dollars)

| | | | | | | | Schedule 4 |
|-----------------------------------|--|--------------------------------------|-------------------------|------------------|-------------------|-------------------|---|
| | Out- standing borrow- ings December 31 2017 | Trans- lation adjust- ments | Net Interest Paid | Draw- downs | Amorti- sation | Repay- ments | Out- standing borrow- ings Mar 31 2018 |
| Currencies repayable | | | | | | | |
| United States dollars | \$367,775 | \$- | \$- | \$134,899 | \$- | \$(72,773) | \$429,901 |
| Swiss Franc | 148,657 | (228) | - | - | - | - | 148,429 |
| Yen | 172,678 | (1,205) | - | - | (726) | - | 170,747 |
| Sub-total | 689,110 | (1,433) | - | 134,899 | (726) | (72,773) | \$749,077 |
| Amortised borrowing cost | (2,241) | (4) | - | (169) | - | - | (2,414) |
| Accrued interest | 4,680 | - | 2,578 | - | - | - | 7,258 |
| Total - September 30, 2018 | \$691,549 | \$(1,437) | \$2,578 | \$134,730 | \$(726) | \$(72,773) | \$753,921 |
| Total - December 31, 2017 | \$654,530 | \$12,730 | \$631 | \$29,058 | \$(968) | \$(4,432) | \$691,549 |

MATURITY STRUCTURE OF BORROWINGS OUTSTANDING

| | |
|--------------------------------------|------------------|
| October 1, 2018 to December 31, 2018 | \$8,918 |
| January 1, 2019 to December 31, 2019 | 5,369 |
| January 1, 2020 to December 31, 2020 | 6,635 |
| January 1, 2021 to December 31, 2021 | 10,207 |
| January 1, 2022 to December 31, 2022 | 125,524 |
| January 1, 2023 to December 31, 2027 | 346,053 |
| January 1, 2028 to December 31, 2032 | 242,319 |
| January 1, 2033 to December 31, 2043 | 8,896 |
| Total | \$753,921 |

CARIBBEAN DEVELOPMENT BANK ORDINARY CAPITAL RESOURCES

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2018

[Expressed in Thousands of United States Dollars (US\$) unless otherwise stated]

NOTE 1 – NATURE OF OPERATIONS

Corporate structure

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

Purpose and objectives

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

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

Membership

The membership of the Bank is open to:

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

The current membership of the Bank is comprised of twenty-three (23) regional states and territories and five (5) non-regional states (2017: 23 regional states and territories and 5 non-regional states).

NOTE 2 – KEY EVENTS

For the three month period commencing July 1, 2018, the Bank’s interest rate on its variable rate loans was set at 4.50% (2017: 3.80%). This was approved at the 281st Meeting of the Board of Directors (BOD) held on May 28, 2018 and is in accordance with the new policy of setting interest rates on the basis of the weighted average cost of borrowings for the previous three months plus an adjustable spread.

For the period under review, the Bank recorded net interest income of \$20.9mn (2017: \$18.3mn), an increase of \$2.6mn (14.2%) due to the net effect of increases in interest income of \$7.8mn and interest expenses of \$5.2mn. In addition, the increase in administrative and other expenditures of \$5.3mn resulted in operating income of \$8.8mn, a decline of \$2.7mn (39.8%) compared to the previous period.

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2018

[Expressed in Thousands of United States Dollars (US\$) unless otherwise stated]

NOTE 2 – KEY EVENTS...continued

There was a total comprehensive loss of \$15.2mn (2017: income of \$3.4mn) driven by the negative effects of \$24.1mn relating to the total derivative fair value and foreign exchange impact adjustments compared to \$8.2mn in the previous period. These adjustments are volatile and are determined by external factors, however, derivatives are held to maturity in accordance with approved policy.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This condensed interim financial report for the nine months ended September 30, 2018 was prepared in accordance with IAS 34, 'Interim Financial Reporting' and does not include all of the information and disclosures required in the audited annual financial statements. This condensed interim financial report should be read in conjunction with the Bank's audited financial statements in respect of the year ended December 31, 2017.

Accounting policies

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

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

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

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

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

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

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

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2018

[Expressed in Thousands of United States Dollars (US\$) unless otherwise stated]

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES...continued

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

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

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

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

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

The Bank is currently evaluating the impact of IFRS 15.

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

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

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

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2018

[Expressed in Thousands of United States Dollars (US\$) unless otherwise stated]

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES ...continued

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

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

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

NOTE 4 – LOANS

The distribution of the Bank's loans by country and the analysis of interest and related income earned for the nine months ended September 30, 2018 are shown in Schedule 2.

NOTE 5 – SEGMENT ANALYSIS

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 of the Charter, the President is the Chief Executive Officer ("CEO") of the Bank, 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 as set out in this Article. The President has set up a number of management Committees to assist with the discharge of those responsibilities.

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

The Bank has determined that the Advisory Management Team ("AMT") is its chief operating decision maker.

The following table presents the outstanding balance of CDB's loans (net of provision for impairment) as of September 30, 2018 and associated interest income, by countries which generated in excess of 10% of the loan interest income for the nine months ended September 30, 2018.

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2018

[Expressed in Thousands of United States Dollars (US\$) unless otherwise stated]

NOTE 5 – SEGMENT ANALYSIS...continued

Segment reporting...continued

| Country | Interest income | | Loans outstanding | |
|---------------------|-----------------|-----------------|--------------------|--------------------|
| | 2018 | 2017 | September 30, 2018 | December 31, 2017 |
| Jamaica | \$5,659 | \$5,259 | \$198,621 | \$202,042 |
| Antigua and Barbuda | 4,028 | 2,516 | 119,824 | 87,719 |
| Barbados | 3,712 | 3,489 | 117,001 | 117,747 |
| Other | 21,439 | 16,676 | 656,739 | 652,574 |
| | \$21,825 | \$27,940 | \$1,092,185 | \$1,060,082 |

NOTE 6 – CASH AND CASH EQUIVALENTS

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

| | June 30, 2018 | December 31, 2017 |
|----------------|------------------|----------------------|
| Due from banks | \$68,044 | \$21,863 |
| Time deposits | 67,069 | 64,098 |
| | \$135,113 | \$85,961 |

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2018

[Expressed in Thousands of United States Dollars (US\$) unless otherwise stated]

NOTE 7 – RISK MANAGEMENT

The Bank's principal financial liabilities, other than derivatives, comprise borrowings and trade and other payables, the main purpose of which is to finance the Bank's operations. The Bank also provides guarantees to its borrowers under set terms and conditions. The Bank's principal financial assets are loans, receivables, cash and short-term deposits and debt securities at fair value through profit and loss that are all derived directly from its operations. The Bank also holds derivative contracts and enters into derivative transactions when deemed necessary by senior management. All derivative activities for risk management purposes are to be undertaken by senior management in accordance with approved Board of Directors (BOD) policy which includes the provision that no trading in derivatives for speculative purposes may be undertaken.

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

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

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

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

- (i) The Enterprise Risk Committee (ERC);
- (ii) The Loans Committee (LC);
- (iii) The Oversight and Assurance Committee (OAC) and
- (iv) The Advisory Management Team (AMT).

The Office of Institutional Integrity, Compliance and Accountability (ICA) was established to operationalise the strategic framework for integrity, compliance and accountability. ICA is responsible for managing institutional integrity, compliance, anti-money laundering (AML), countering the financing of terrorism (CFT) and financial sanctions, ethics, whistleblowing, and project accountability. ICA reports to the BOD through the OAC.

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2018

[Expressed in Thousands of United States Dollars (US\$) unless otherwise stated]

NOTE 7 – RISK MANAGEMENT...continued

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

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

Fair value of financial assets and liabilities

Fair value hierarchy

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

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

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

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

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2018

[Expressed in Thousands of United States Dollars (US\$) unless otherwise stated]

NOTE 7 – RISK MANAGEMENT...continued

Fair value of financial assets and liabilities

Assets measured at fair value:

| September 30 | 2018 | | | |
|--|--|--|--|------------------|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| <i>Financial assets at fair value through profit and loss</i> | | | | |
| - Derivative financial instruments | \$- | \$40,621 | \$- | \$40,621 |
| <i>Financial assets designated at fair value</i> | | | | |
| - Debt securities | - | 351,271 | - | 351,271 |
| | \$- | \$391,892 | \$- | \$391,892 |
| <i>Financial liabilities designated at fair value through profit or loss</i> | | | | |
| - Derivative financial instruments | \$- | \$29,530 | \$- | \$29,530 |
| | \$- | \$29,530 | \$- | \$29,530 |

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2018

[Expressed in Thousands of United States Dollars (US\$) unless otherwise stated]

NOTE 7 – RISK MANAGEMENT...continued

Fair value of financial assets and liabilities...continued

| December 31 | 2017 | | | |
|--|---|--|--|------------------|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| <i>Financial assets at fair value through profit or loss</i> | | | | |
| - Derivative financial instruments | \$- | \$55,584 | \$- | \$55,584 |
| <i>Financial assets designated at fair value through profit or loss</i> | | | | |
| - Debt securities | - | 353,491 | | 353,491 |
| | \$- | \$409,075 | \$- | \$409,075 |
| <i>Financial liabilities designated at fair value through profit or loss</i> | | | | |
| - Derivative financial instruments | \$- | \$18,258 | \$- | \$18,258 |
| | \$- | \$18,258 | \$- | \$18,258 |

Commitments, guarantees and contingent liabilities

Commitments, guarantees and contingent liabilities

Loan commitments represent amounts undrawn against loans approved by the BOD.

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

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2018

[Expressed in Thousands of United States Dollars (US\$) unless otherwise stated]

NOTE 7 – RISK MANAGEMENT...continued

Commitments, guarantees and contingent liabilities...continued

| | 2018 | | |
|------------------------|------------------------|----------------------|------------------|
| | 0-12 months | 1-5 years | Total |
| At September 30 | | | |
| Loan commitments | \$170,000 | \$259,354 | \$454,268 |
| Other commitments | 5,000 | 10,000 | 15,000 |
| Guarantees | 12,000 | - | 12,000 |
| | \$187,000 | \$269,354 | \$481,268 |
| | | | |
| | 2017 | | |
| At December 31 | | | |
| Loan commitments | \$145,000 | \$327,892 | \$472,892 |
| Other commitments | - | 15,000 | 15,000 |
| Guarantees | 12,000 | - | 12,000 |
| | \$157,000 | \$342,892 | \$499,892 |

Borrowings

It is the Bank's policy to limit borrowing and guarantees chargeable to the Bank's OCR 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 and other non-cash resources, general banking reserve and the re-measurement reserve (cash reserves). As at September 30, 2018 total outstanding borrowings amounted to \$753.9mn (December 31, 2017: \$691.5mn).

The performance against this policy was as follows:-

| | September 30, 2018 | December 31, 2017 |
|---|-------------------------------|--------------------------|
| Borrowing Limit | \$1,409,678 | \$1,398,831 |
| Total outstanding and contracted borrowings | \$893,247 | \$938,040 |
| Ratio | 63.4% | 67.1% |

**CARIBBEAN DEVELOPMENT BANK
ORDINARY CAPITAL RESOURCES**

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2018

[Expressed in Thousands of United States Dollars (US\$) unless otherwise stated]

NOTE 7 – RISK MANAGEMENT...continued

Credit rating

On May 18, 2018 Standard & Poor's reaffirmed its long-term issuer credit rating at 'AA+' and its short-term credit rating at 'A-1+', both with a Stable outlook.

On May 21, 2018 Moody's Investors Service reaffirmed the Bank's long term issuer rating at 'Aa1' and maintained the Stable outlook.

On March 19, 2018 Fitch Ratings Limited reaffirmed the Bank's Long-Term Issuer Default Rating of 'AA+' with a Stable Outlook and a Short-Term Issuer Default Rating of 'F1+'.

NOTE 8 – GUARANTEES

Guarantees

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

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

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

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