Export-Import Bank Of Trinidad And Tobago Limited

Financial Statements

31 December 2018

(Expressed in Trinidad and Tobago Dollars)

Export-Import Bank Of Trinidad And Tobago Limited

Contents

Export-Import Bank Of Trinidad And Tobago Limited

Statement of Management's Responsibilities

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Export-Import Bank of Trinidad and Tobago Limited (the Bank), which comprise the statement of financial position as at 31 December 2018, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising of significant accounting policies and other explanatory information;

- Ensuring that the Bank keeps proper accounting records;

- Selecting appropriate accounting policies and applying them in a consistent manner;

- Implementing, monitoring and evaluating the system of internal control that assures security of the Bank's assets, detection/prevention of fraud, and the achievement of the Bank's operational efficiencies;

- Ensuring that the system of internal control operated effectively during the reporting period;

- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and

- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Bank will not remain a going concern for the next twelve months from the reporting date, or up to the date the accompanying financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Navin Dookeran	Carol Austin
Chief Executive Officer	Chief Financial Officer
22 July 2019	22 July 2019

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Independent Auditor's Report

To the shareholder of Export-Import Bank Of Trinidad and Tobago Limited

Report on the audit of the Bank's financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Export-Import Bank Of Trinidad and Tobago Limited (the Bank) as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises the Bank's annual report but does not include the financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the 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.

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

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's responsibilities for the audit of the financial statements

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers

Port of Spain,
Trinidad,
West Indies
8 August 2019

Export-Import Bank Of Trinidad And Tobago Limited

Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

	Notes	As at 31 December 2018 $	2017 $
Assets			
Cash and cash equivalents	4	57,885,985	77,071,652
Loans and receivables	5	301,988,519	376,538,260
Other assets	6	1,344,079	2,748,719
Investments	7	16,346,454	17,272,072
Property and equipment	8	7,711,259	12,040,872
Intangible asset	9	194,621	--
Total assets		385,470,917	485,671,575
Liabilities and shareholder's equity			
Accounts payable and accruals	11	5,024,015	12,599,978
Lines of credit	12	232,031,250	272,375,000
Forex facility	13	35,000,000	--
Provision for unexpired risk		6,092	74,692
Deferred taxation	14	11,894	628,300
Total liabilities		272,073,251	285,677,970
Shareholder's equity			
Stated capital	15	194,934,000	194,934,000
Special reserve	16	441,375	441,375
Statutory surplus reserve		615,612	615,612
Retained (deficit)/earnings		(82,593,321)	4,002,618
Total shareholder's equity		113,397,666	199,993,605
Total liabilities and shareholder's equity		385,470,917	485,671,575

The notes on pages 9 to 51 are an integral part of these financial statements.

On 22 July 2019, the Board of Directors of Export-Import Bank of Trinidad And Tobago Limited authorised these financial statements for issue.

_______________ Director _______________ Director

Export-Import Bank Of Trinidad And Tobago Limited

Statement of Comprehensive Income

(Expressed in Trinidad and Tobago Dollars)

	Notes	Year ended 31 December 2018 $	2017 $
Interest income	17	16,725,303	19,191,737
Interest expense		(12,398,900)	(9,253,765)
Net interest income		4,326,403	9,937,972
Other income	19	6,497,681	6,540,569
Total net income		10,824,084	16,478,541
Impairment expense	10	(12,717,202)	(10,949,219)
General and administrative expenses	20	(16,372,015)	(11,828,928)
Total expenses		(29,089,217)	(22,778,147)
Loss before taxation		(18,265,133)	(6,299,606)
Taxation	21	305,596	(222,517)
Net loss for the year		(17,959,537)	(6,522,123)

The notes on pages 9 to 51 are an integral part of these financial statements.

Export-Import Bank Of Trinidad And Tobago Limited

Statement of Changes in Equity

(Expressed in Trinidad and Tobago Dollars)

	Note	Stated capital $	Special reserve $	Statutory surplus reserve $	Retained earnings $	Total $
Balance as at 1 January 2018		194,934,000	441,375	615,612	4,002,618	199,993,605
Effect of adopting IFRS 9	2	--	--	--	(68,636,403)	(68,636,403)
Net loss for the year		--	--	--	(17,959,536)	(17,959,536)
Balance as at 31 December 2018		194,934,000	441,375	615,612	(82,593,321)	113,397,666
Balance as at 1 January 2017		194,934,000	441,375	615,612	10,524,741	206,515,728
Net loss for the year		--	--	--	(6,522,123)	(6,522,123)
Balance as at 31 December 2017		194,934,000	441,375	615,612	4,002,618	199,993,605

The notes on pages 9 to 51 are an integral part of these financial statements.

Export-Import Bank Of Trinidad And Tobago Limited

Statement of Cash Flows

(Expressed in Trinidad and Tobago Dollars)

	Notes	Year ended 31 December 2018 $	2017 $
Operating activities			
Loss before taxation		(18,265,133)	(6,299,606)
Non-cash items			
Depreciation	8	1,437,727	1,583,678
Deferred taxation	21	(616,406)	--
Amortisation of intangible asset	9	687,355	--
Amortisation of discounts on investments		739,192	--
Impairment of intangible assets	9	2,801,534	--
Impairment losses on financial assets		5,550,412	--
ECL on loans	5	10,054,728	10,949,219
IFRS 9 – change in accounting policy for year 2017	2	(68,636,403)	--
Reversal of bad debt provision	5	(86,405)	--
Gain on foreign exchange translation		1,885,687	1,908,155
Loss on disposal of assets		(5,425)	(1,704)
		(64,453,136)	8,139,742
Changes in non-cash working capital amounts:			
Purchase of property and equipment	8	(793,675)	(1,180,484)
Proceeds from disposal of property and equipment (net)		7,476	290,919
Net change in accounts receivable and prepayments		75,429,502	49,699,233
Net change in accounts payable and accruals		(24,782,910)	(10,819,914)
Taxation paid		(174,792)	(222,517)
Cash used in operating activities		(14,767,535)	45,906,979
Investing activities			
Proceeds from disposal of investments	7	925,618	878,527
Cash used in investing activities		925,618	878,527
Financing activities			
Net change in lines of credit	12	(40,343,750)	(10,299,400)
Net change forex advance GOTT	13	35,000,000	--
Cash used in financing activities		(5,343,750)	(10,299,400)
Net change in cash and cash equivalents		(19,185,667)	36,486,106
Cash and cash equivalents, beginning of year		77,071,652	40,585,546
Cash and cash equivalents, end of year		57,885,985	77,071,652

The notes on pages 9 to 51 are an integral part of these financial statements.

1 Incorporation and principal activities

Export Import Bank of Trinidad and Tobago (EXIMBANK or the Bank) was incorporated on 31 December 1973 in the Republic of Trinidad and Tobago as Trinidad and Tobago Export Credit Insurance Company Limited (EXCICO). The Bank's registered office and principal place of business are located at EXIM House, 30 Queen Park West, Port-of-Spain.

EXCICO was converted to EXIMBANK following an Order by the Ministry of Finance on 4 November 1997 cited as the "Financial Institution (Amendment to the Third Schedule) Order 1997".

This Amendment to the Financial Institution Act 1993 granted EXIMBANK the ability to conduct the following types of business:

1. Confirming House or Acceptance House
2. Finance House or Finance Company
3. Financial Services

EXIMBANK is engaged in providing export credit insurance to exporters against losses resulting from commercial and/or political risks, and the discounting of bills in respect of goods exported from Trinidad and Tobago on credit terms. Other banking facilities include raw material and asset financing and other trade related services to exporters.

These financial statements have been approved for issue by the Board of Directors on 7 August 2019

2 Summary of significant accounting policies

a. *Basis of preparation*

These financial statements comply with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and IFRS Interpretation Committee (IFRS IC) applicable to companies reporting under IFRS and are stated in Trinidad and Tobago dollars, rounded to the nearest dollar.

These financial statements are prepared under the historical cost convention.

b. *New, revised and amended standards and interpretations that became effective during the year*
Certain new, revised and amended standards and interpretations came into effect during the current financial year. The Bank has assessed them and has adopted those which are relevant to its financial statements:

- Amendments to IAS 7, *Statement of Cash Flows*, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

2 **Summary of significant accounting policies (continued)**

b. *New, revised and amended standards and interpretations that became effective during the year (continued)*

- *Financial instruments*

IFRS *9 "Financial Instruments* part 1: Classification and measurement" (effective 1 January 2018). IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. The completed standard was issued in July 2014, with an effective date of 1 January 2018.

As permitted by the transitional provisions of IFRS 9, the Bank elected not to restate comparative figures. Any adjustments to the carrying amounts of the financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

Consequently, the notes disclosure, the consequential amendments to IFRS 7 disclosures have also been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 "Financial Instruments: Disclosures".

The impact of the adoption of IFRS 9 on the Bank is as follows: -

(i) *Classification and measurement of financial instruments in accordance with IAS 39 & IFRS 9*

	IAS 39		**IFRS 9**	
	Measurement	**Carrying amount $**	**Measurement**	**Carrying amount $**
Financial Assets				
Hold to collect and sell – Investments	Amortised Cost	17,272,072	Amortised Cost	17,217,955
Loans to customers	Amortised Cost	376,538,260	Amortised Cost	307,955,974

There were no changes in the measurement and classification of financial liabilities.

(ii) *Reconciliation of statement of financial position from IAS 39 to IFRS 9*

The Bank performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics in line with the criteria outlined in note 2.e) below.

2 Summary of significant accounting policies (continued)

b. *New, revised and amended standards and interpretations that became effective during the year (continued)*

The following table reconciles the carrying amount of the financial assets from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018: -

	IAS 39 carrying amount 31 December 2017 $	Remeasurements $	IFRS 9 Carrying amount 1 January 2018 $
Financial assets			
Amortised cost			
Hold to collect and sell - Investments		--	
Opening balance	17,272,072		17,272,072
Provision for impairment	-	(54,117)	(54,117)
Closing balance	17,272,072	(54,117)	17,217,955
Loans to customers			
Opening balance	417,112,323	-	417,112,323
Provision for impairment	(40,574,063)	(68,582,286)	(109,156,349)
Closing balance	376,538,260	(68,582,286)	307,955,974
Total amortised cost	393,810,332	(68,636,403)	325,173,929

The following table analyses the impact, net of tax, of transition to IFRS 9 on retained earnings. The impact relates to retained earnings. There is no impact on other component of equity.

	$
Retained earnings	
Closing Balance under IAS 39 as at 31 December 2017	4,002,618
Recognition of expected credit losses under IFRS 9 (including loan commitments and financial guarantee contracts)	(68,636,403)
Opening Balance under IFRS 9 (1 January 2018)	(64,633,785)

The following table reconciles the closing impairment allowance for financial assets in accordance with IAS39 and provision for loan commitments and financial guarantees contracts in accordance with IAS 37 as at 31 December 2017, to the opening ECL allowances determined in accordance with IFRS 9 as at 1 January 2018.

2 Summary of significant accounting policies (continued)

b. *New, revised and amended standards and interpretations that became effective during the year (continued)*

Impairment allowance	**IAS 39 carrying amount 31 December 2017**	**Remeasurements**	**IFRS 9 Carrying amount 1 January 2018**
Measurement category			
Loans and advances to customers	(40,574,063)	(68,582,286)	(109,156,349)
Investments-hold to collect and sell	--	(54,117)	(54,117)
Total	(40,574,063)	(68,636,403)	(109,210,466)

Under IAS 39 – Policies applicable for year ended 31 December 2017

Financial instruments

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date on which the Bank commits itself to purchase or sell an asset.

A regular way purchase and sale of financial assets is a purchase or sale of an asset under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

When financial assets are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the asset.

Financial assets are derecognised when the contractual rights to receive the cash flows expire or where the risks and rewards of ownership of the assets have been transferred. The Bank classifies, at the time of initial recognition, financial assets into the following categories depending on the nature and purpose of the assets: available-for-sale financial assets, held-to-maturity investments and loans and receivables. Management re-evaluates these classifications al each Statement of Financial Position date.

2 **Summary of significant accounting policies (continued)**

b. *New, revised and amended standards and interpretations that became effective during the year (continued)*

Financial assets (continued)

(i) *Investments*

The Bank's investments are classified as held-to-maturity investments. Investments with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity are classified as "held-to-maturity" in accordance with IAS 39 and are stated at amortised cost.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These comprise of Raw Material and Asset Financing and Trade Discounting.

Loans are stated at amortised principal less the related provision for loan losses. Specific provisions are made for potential losses on non-performing loans on the basis of net realisable value. Periodic portfolio reviews are conducted during the course of each year to determine the adequacy of provisions.

The Bank assesses at each Statement of Financial Position date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or group of financial assets is impaired and impairment lasses 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 event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2 Summary of significant accounting policies (continued)

b. *New, revised and amended standards and interpretations that became effective during the year (continued)*

Impairment of financial assets

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

(i) Significant financial difficulty of the issuer or obligor.

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

(iii) It is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation.

(iv) The disappearance of an active market for that financial asset because of financial difficulties.

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

(vi) For investments in equity instruments, information about significant changes with an adverse effect, that have taken place in the technological, market, economic or legal environment in which the issuer operates which indicates that the cost of the investment may not be recovered, as well as a significant and prolonged decline in the fair value of an investment in an equity instrument below its cost.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, 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.

2 **Summary of significant accounting policies (continued)**

b. *New, revised and amended standards and interpretations that became effective during the year (continued)*

Impairment of financial assets (continued)

Impairment losses are recorded in an allowance account and are measured and recognised as follows:

(i) *Financial assets measured at amortised cost*

The difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rate is recognised in the Statement of Comprehensive Income.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to even occurring after the impairment was recognised (such as improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in the Statement of Comprehensive Income.

(ii) *Financial assets measured at cost*

The difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognised in the Statement of Comprehensive Income. These losses are not reversed.

Financial liabilities

When financial liabilities are recognised initially, they are measured at fair value of the consideration given plus transaction costs directly attributable to the acquisition of the liability.
Financial liabilities are re-measured at amortised cost.

Financial liabilities are derecognised when they are extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability extinguished and the consideration paid is recognised in the Statement of Comprehensive Income.

2 Summary of significant accounting policies (continued)

c. *New, revised and amended standards and interpretations not yet effective*

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the Company has not early adopted. The Company has assessed the relevance of all such new standards, amendments and interpretations with respect to the Company's operations and has determined that the following are likely to have an effect on the financial statements.

- IFRS 16, *Leases,* which is effective for annual reporting periods beginning on or after 1 January 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

The Company is assessing the impact that this amendment will have on its 2019 financial statements.

2 **Summary of significant accounting policies (continued)**

d. *Property and equipment*

Property and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided using the straight-line method.

The following rates are considered appropriate to depreciate the assets over their estimated useful lives are applied:

Leasehold improvements	-	5%
Computer software	-	12.50%
Office furniture	-	12.50%
Office equipment	-	20%
Computer hardware	-	25%
Motor vehicles	-	25%

No depreciation is provided on capital work-in-progress.

The assets' residual values and useful lives are reviewed at each reporting date and adjusted as appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

e. *Intangible assets*

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use
- Management intends to complete the software and use or sell it
- There is an ability to use or sell the software
- It can be demonstrated how the software will generate future economic benefits
- Adequate technical, financial and other resources to complete the development and use or sell the software are available
- The expenditure attributable to the software during its development can be reliably measured

The asset is amortised over its useful economic life and is reassessed at the end of each financial period.

2 **Summary of significant accounting policies (continued)**

f. *Financial instruments*

Financial instruments are contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised when the Bank becomes a party to the contractual provisions of the instrument.

a. *Financial assets*

The Bank classifies its financial assets based on the 'Hold to collect" model using the following measurement category:

- *Amortised cost*

  Assets that are held for collection of contractual cash flows where those cash flows represent solely principal and interest (SPPI) and that are not designated at fair value to profit and loss (FVTPL) are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized and measured as described in Note 5. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

  (i) *Investments*

  The Bank's investments comprise of bonds with fixed determinable payments of principal and interest and a fixed maturity date. The Bank has both the intent and ability to hold these bonds to maturity i.e. "hold-to-collect" and states the portfolio at amortised cost.

  (ii) *Loans and receivables*

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These comprise of Raw Material and Asset Financing and Trade Discounting that have all passed the SPPI test and are therefore stated at amortised cost.

g *Impairment of financial assets*

The Bank assesses on a forward-looking basis the expected credit losses (ECL) associated with its assets carried at amortised cost. The Bank recognises a loss allowance for such losses at each reporting date.

2 **Summary of significant accounting policies (continued)**

g. *Impairment of financial assets (continued)*

Test for impairment

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Bank about the following loss events:

i. Significant financial difficulty of the issuer or obligor.

ii. A Breach of Contract such as:

  - A Default
  - A Past Due Event - when a borrower has failed to repay the principal and interest elements of a loan as they come due according to the terms of the agreement.

    The following past due dates connote defaults:

    - Stage 1 – Loans that are Past Due over zero and under thirty-one (31) days
    - Stage 2 – Loans that are Past Due more than thirty-one (31) days and less than ninety (90) days
    - Stage 3 – Loans that are Past Due more than ninety (90) days

iii. It becomes probable that the borrower will enter into bankruptcy or other financial reorganisation.

iv. The disappearance of an active market for that financial asset because of financial difficulties.

v. Observable data indicating that there is a measurable decrease in the estimated cash-flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with individual financial assets in the group, including adverse changes in the payment status of borrowers in the group or national or economic conditions that correlate with defaults on assets in the group.

vi. For investments in equity instruments, information about significant changes with an adverse effect, that have taken place in the technological, market, economic or legal environment in which the issuer operates which indicates that the cost of the investment may not be recovered, as well as a significant and prolonged decline in the fair value of an investment in an equity instrument below its cost.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, 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.

2 **Summary of significant accounting policies (continued)**

g. *Impairment of financial assets (continued)*

The measurement of ECL reflects:

a. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
   The time value of money
b. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.
c. Note 23.a. (i) provides more detail of how the expected credit loss allowance is measured.

Record of impairment losses

Impairment losses are recorded in an allowance account and are measured and recognised as follows:

(i) *Financial assets measured at amortised cost*

The difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rate is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improvement in the debtor's credit rating), the previously recognised loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date that the impairment is reversed. The amount of the reversal is recognised in the statement of comprehensive income.

(ii) *Financial assets measured at cost*

The difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the current market's rate of return for similar financial assets is recognised in the Statement of. These losses are not reversed.

h. *Loan commitments*

Loan commitments provided by the Bank are measured at the amount of the loss allowance (calculated as described in note 23 a.(i). The bank has not provided any commitment to provide loans that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments, the loss allowance is recognised as a provision.

2 Summary of significant accounting policies (continued)

i. *De-recognition of financial instruments*

Financial assets are derecognised when the contractual right to receive cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred.

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

j. *Policyholders' reserves*

Unexpired risks

Unexpired risks represent an amount set aside by the Bank at the end of the financial year in respect of risks to be borne by the Bank after the end of its financial year under contracts of insurance entered into before the year-end. The Bank provides for unexpired risks on the invoiced values of insurance contracts entered into during the year whose insurable risk extends into the following financial year.

k. *Foreign currency*

Monetary assets and liabilities recorded in foreign currencies have been translated at the exchange rates prevailing at the Statement of Financial Position date. Transactions recorded during the year in foreign currencies have been converted at the rates prevailing on the dates of the transaction. Exchange gains or losses arising are reflected in the Statement of Comprehensive Income.

l. *Interest Income and expense*

Interest income and interest expense are recognised on an accrual basis using the effective interest method based on the initial carrying amount. When a loan is impaired the Bank reduces the carrying amount to its recoverable amount (i.e. net of the expected credit loss provision), being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset (i.e. its amortised cost before any impairment allowance). The calculation does not consider expected credit losses and include transaction costs, premium, discounts and fees paid or received that are integral to the effective interest rate, such as commitment fees.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cashflows for the purpose of measuring the impairment loss.

For financial assets that are credit impaired (stage 3), interest income is calculated by applying the effective interest rate to the carrying value net of the expected credit loss provision.

2 Summary of significant accounting policies (continued)

m. *Fee and commission income*

Fees and commission are recognised on an accrual basis, when the service has been provided.

n. *Statutory reserve*

Under the provisions of the Insurance Act 1980, the Bank is required to appropriate at least 25% of its profits for the year until the surplus equates or exceeds the liabilities of the Bank with respect to its unexpired policies.

o. *Taxation*

Taxation comprises Corporation Tax or Business Levy, Green Fund Levy and the net movement in Deferred Taxation. These amounts are calculated as follows:

(i) Corporation tax - 30% of the Bank's chargeable profits.
(ii) Business Levy – 0.6% of the Bank's gross receipts.
(iii) Green Fund Levy – 0.3% of the Bank's gross receipts.

p. *Deferred taxation*

Deferred taxation is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Currently enacted tax rates are used to determine Deferred Taxation. The principal temporary differences arise from depreciation of Property and equipment and unused taxable losses.

3 Critical judgments in applying accounting policies and key sources of estimation uncertainty

a. The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make judgements, estimates and assumptions about the future in the process of applying the Bank's accounting policies. The resulting accounting estimates will, by definition, rarely equal the related actual results.

These are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are reviewed on an ongoing basis. Actual results could differ from those estimates.

Changes in accounting estimates are recognised in the Statement of Comprehensive Income in the period in which the estimate is changed, if the change affects that period only, or in the period of the change and future periods if the change affects both current and future periods.

b. *Critical judgements*

The critical judgements apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements are as follows:

(i) Whether leases are classified as operating leases or finance leases.
(ii) Which depreciation method for property and equipment is used.

c. *Key assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date (requiring management's most difficult, subjective or complex judgements) that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) *Measurement of the expected credit loss*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 23.a.(i), which also sets out key sensitivities of the ECL to changes in these elements.

3 Critical judgments in applying accounting policies and key sources of estimation uncertainty (continued)

c. *Key assumptions (continued)*

(i) *Measurement of the expected credit loss (continued)*

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determination of macroeconomic drivers and forecasting macroeconomic scenarios; and
- Recovery rates on unsecured exposures.

(ii) *Property and equipment and intangible assets*

Management exercises judgement in determining whether future economic benefits can be derived from expenditures to be capitalised and the useful lives and residual values of these assets.

4 Cash and cash equivalents

	2018 $	2017 $
Cash	3,000	3,000
Republic Bank Limited	7,880,761	5,169,112
RBC Royal Bank (Trinidad and Tobago) Limited	2,427,831	2,781,010
Scotiabank (Trinidad and Tobago) Limited	4,896,389	5,334,640
FCIB Bank Limited	4,708,576	--
Cash in hand and at bank	19,916,557	13,287,762
Guardian Asset Management Limited	136,223	27,065
Trinidad and Tobago Unit Trust Corporation	37,833,205	63,756,825
Money market funds	37,969,428	63,783,890
	57,885,985	77,071,652

5 Loans and receivables

	2018 $	2017 $
The loan notes due to the Bank comprise the following:		
Raw materials and asset financing (See (i) below)	393,200,801	382,221,645
Trade discounting (See (ii) below)	7,355,217	5,757,655
SWAP receivable (See (iii) below)	--	7,450,682
Interest receivable	20,517,243	21,682,341
	421,073,261	417,112,323
Less provisions for impairment:		
Raw Materials and Asset Financing	(119,084,742)	(40,574,063)
	301,998,519	376,538,260

(i) This amount represents raw material and asset financing advances made to exporters from US$ and TT$ lines of credit at varying rates of interest.

(ii) This amount represents trade discounting advances to exporters both in US$ and TT$ at varying rates of interest.

(iii) This amount represents repayments made by clients on USD facilities. This amount is offset by the corresponding payable (Note 11).

Allowance for loan losses

	2018	2017
Allowance at beginning of the year	40,574,063	29,624,844
Effect of adopting IFRS 9	68,582,286	--
Revised opening balance	109,156,349	29,624,844
Charge for the year	10,054,728	10,949,219
Reversal of bad debt provision	(86,405)	--
Write Off	(39,930)	--
Allowance at the end of year	119,084,742	40,574,063

	2018	2017
Performing loans	284,771,591	290,920,575
Non-performing loans	136,301,670	126,191,748
	421,073,261	417,112,323

Loans analysed by sector

	2018	2017
Food and beverage	74,756,125	65,846,466
Consumer goods	75,536,228	141,030,785
Pulp, paper, plastics and packaging	123,068,709	123,089,679
Fuel and oils	351,896	977,057
Services	28,275,561	45,594,273
	301,988,519	376,538,260

	2018	2017
Current portion	148,740,995	139,971,412
Non-current portion	153,247,524	236,566,848
	301,988,519	376,538,260

6 Other assets

	2018 $	2017 $
Insurance premium receivable	77,730	244,179
Interest receivable – investments	10,167	7,498
Other receivables	1,012,572	1,985,082
Prepaid expenses	243,610	511,960
	1,344,079	2,748,719

7 Investments

	2018 $	2017 $
Securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago	16,328,148	17,272,072
Impairment allowance (at end of year)	18,306	--
	16,346,454	17,272,072
Current portion	1,580,943	1,550,600
Non-current portion	14,765,511	15,721,472
	16,346,454	17,272,072
Balance at beginning of the year	17,272,072	18,150,600
Effect of adopting IFRS 9	(54,117)	--
Revised opening balance	17,217,955	18,150,600
Disposals	(889,807)	(878,528)
Charge/Write back for the year	18,306	--
Balance at end of year	16,346,454	17,272,072
Colonial Life Insurance Company Limited (current)	1,580,943	1,550,600

7 Investments (continued)

	2018 $	2017 $
Colonial Life Insurance Company Limited (non-current)	13,214,911	14,170,872
Government of the Republic of Trinidad and Tobago 7.75% bonds (2024)	1,550,600	1,550,600
	14,765,511	15,721,472
Total	16,346,454	17,272,072

On 30 January 2009 the Minister of Finance (MOF) and the Central Bank of Trinidad and Tobago announced that the Government of the Republic of Trinidad and Tobago (GORTT) had reached an agreement with the CL Financial Group for the provision of a package of financial support for the Group's financial services companies. These companies included Colonial Life Insurance Company limited (CLICO), Caribbean Money Market Brokers Limited (CMMB) and British American Insurance Company (Trinidad) Limited (BAT).

Subsequent to this the Minister of Finance stated that GORTT would repay local investors of Short Term Investment Products (STIPS) in CLICO and BAT their principal balances that is, the capital sum as at the issue date or last renewal date, minus any capital withdrawals or loans made prior to 8 September 2010.

On 9 February 2012 the GORTT made an offer to the Bank to repay the principal balances, plus interest up to the maturity date, on all policies held up to 8 September 2010. The total amount due from CLICO amounted to $32,869,200 inclusive of $128,000 in interest. The Bank has accepted the offer made by the GORTT for initial payments of approximately $75,000 on each policy and with the remaining balance to be settled by the issuance of 20 Year Zero Coupon Bonds.

Four (4) contracts were issued by the GORTT and during the year ended 31 December 2012 the initial payments of $300,200 together with the first annual bond repayment of $1,631,000 were received. Annual bond repayments of $1.6M have been received in accordance with the agreed terms.

8 Property and equipment

	Leasehold property $	Office furniture and equipment $	Computer equipment and software $	Motor vehicles $	Work-in progress $	Total $
Cost						
At 1 January 2018	6,144,402	2,130,004	10,912,299	1,666,889	3,494,638	24,348,232
Additions	317,274	93,249	194,152	--	189,000	793,675
Transfers (Note 9)	--	--	--	--	(3,683,509)	(3,683,509)
Reallocations	--	129	--	--	(129)	--
Disposals	--	(38,657)	(142,484)	--	--	(181,141)
At 31 December 2018	6,461,676	2,184,725	10,963,967	1,666,889	--	21,277,257
Accumulated depreciation						
At 1 January 2018	2,144,321	1,182,057	8,091,234	889,748	--	12,307,360
Charge for the year	308,889	191,788	594,077	342,973	--	1,437,727
Disposals	--	(36,605)	(142,484)	--	--	(179,089)
At 31 December 2018	2,453,210	1,337,240	8,542,827	1,232,721	--	13,565,998
Net book value						
At 31 December 2018	4,008,466	847,485	2,421,140	434,168	--	7,711,259
At 31 December 2017	4,000,081	947,947	2,821,065	777,141	3,494,638	12,040,872

8 Property and equipment (continued)

	Leasehold property $	Office furniture and equipment $	Computer equipment and software $	Motor vehicles $	Work-in progress $	Total $
Cost						
At 1 January 2017	6,144,402	2,128,295	10,505,664	2,241,889	2,779,200	23,799,450
Additions	--	7,008	458,038	--	715,438	1,180,484
Disposals	--	(5,299)	(51,403)	(575,000)	--	(631,702)
At 31 December 2017	6,144,402	2,130,004	10,912,299	1,666,889	3,494,638	24,348,232
Accumulated depreciation						
At 1 January 2017	1,837,257	971,803	7,555,229	701,881	--	11,066,170
Charge for the year	307,064	215,553	585,694	475,367	--	1,583,678
Disposals	--	(5,299)	(49,689)	(287,500)	--	(342,488)
At 31 December 2017	2,144,321	1,182,057	8,091,234	889,748	--	12,307,360
Net book value						
At 31 December 2017	4,000,081	947,947	2,821,065	777,141	3,494,638	12,040,872
At 31 December 2016	4,307,145	1,156,492	2,950,435	1,540,008	2,779,200	12,733,280

9 Intangible asset

Development of the Made in TNT website commenced in October 2014. The costs incurred from commencement to 31st December 2017 were classified as Work in Progress under Property Plant and Equipment. At the start of the financial year the Bank received a letter of commitment for TT$6 million from the Ministry of Finance to support the website. With funding secured, it was determined that the website would now be classified as an intangible asset. Management performed an assessment of the costs to date and expensed non-development expenditure and calculated the current year amortisation.

The portal was determined to have a definite useful life of 5 years and was amortised effective October 2014 using the straight-line method at a rate of 20%.

Year to date 31 December 2018

	2018 $
Opening net book value 1/1/2018	--
Transfer from WIP	3,683,510
WIP costs expensed (Note 20)	(2,801,534)
	881,976
Current year amortisation (Note 20)	(687,355)
Closing net book value	194,621
Year to Date 31 December 2018	
Cost or valuation	881,976
Accumulated amortisation (Note 20)	(687,355)
Closing net book value	194,621

10 Impairment expense

	2018 $	2017 $
Loan loss expense (Note 5)	9,968,323	10,949,219
Impairment on other receivables (See below)	2,558,620	--
Expected credit loss – investments (Note 7)	(18,306)	--
Bad debt expense – website	208,565	--
	12,717,202	10,949,219

The Bank invested in a Greenfield project with a customer, Tigerwood Guyana Inc. (TGI) in 2007. Subsequent to this, the Bank entered into a Joint Venture Agreement (JVA) with Iwokrama and TGI. for a period of ten (10) years.

TGI subsequently ceased operation in 2012 and the Bank placed the company into receivership. During 2013, the Bank incurred costs to rehabilitate the operations in an effort to generate revenue. The full amount of this investment has been provided for as at 31 December 2018.

11 Accounts payable and accruals

	2018 $	2017 $
Accrued income	94,436	87,745
Audit fee	275,686	252,456
Amounts due to exporters	--	59,840
Interest payable	1,944,999	1,593,255
Deferred income – Forex	(121,421)	--
Deferred income - Portal	--	729,265
Marine insurance	16,286	15,380
SWAP receivable	--	7,450,682
Other payables	2,814,029	2,411,356
	5,024,015	12,599,979

Swap receivable

Prior to the implementation of the US Dollar Forex Facility, a temporary SWAP facility was established at the Bank. Customers who encountered difficulty in securing US dollars to settle US denominated loans were allowed to temporarily pay in TT dollars until the Forex facility was in place.

12 Lines of credit

	2018	2017
Banco Latinamericano de Exportaciones (Bladex)	94,500,000	132,000,000
Scotiabank Trinidad and Tobago Limited	70,031,250	74,375,000
First Caribbean International Bank Limited	67,500,000	66,000,000
	232,031,250	272,375,000

Banco Latinamericano de Exportaciones (Bladex)

This is a US $14M loan and matures on 6th November 2020.
Collateral: Government guarantee.
Repayment: quarterly.

Scotiabank (Trinidad and Tobago Limited)

The balance represents two (2) facilities:

- US$ 7.375M which can be utilized in TT or US dollars.
  Collateral: Unsecured.
  Repayment: 30 to 180 days.

- A $ 3M US denominated loan.
  Collateral: Government guarantee.
  Repayment: 30 to 180 days.

First Caribbean International Bank Limited

This is a US $10M loan and matures on 26 July 2019.
Collateral: Government guarantee.
Repayment: 30 to 180 days.

13 Forex facility

The Government of the Republic of Trinidad and Tobago (GORTT) has agreed to the introduction of a US Dollar Foreign Exchange Facility to the Bank to facilitate allocation to local manufacturing and exporting companies in Trinidad and Tobago.

The initial ceiling for this facility is set at US$10million in the first instance with the equivalent of TT$35 million provided by the GORTT as at 31 December 2018.

14 Deferred taxation

The movement in the deferred taxation account is as follows:	2018 $	2017 $
Balance at beginning of year – liability	628,300	628,300
Credit for the year	(616,406)	--
Balance at end of year – liability	11,894	628,300
Deferred taxation is attributable to:		
Excess of net book value over written down tax value	11,894	628,300

15 Stated capital

	2018 $	2017 $
Authorised		
Unlimited ordinary shares of no par value		
12,600,000 cumulative convertible preference shares of no par value		
Issued and fully paid		
1,949,340 Cumulative convertible preference shares of no par value	194,934,000	194,934,000

16 Special reserve

An amount of $450,000 was allocated to the Bank by the Ministry of Finance to assist with the cost of broker fees and other pre-incorporation expenses associated with the partial divestment of the Bank. This initiative was discontinued after an initial expense of $8,625.

No related expenses were incurred during the years ended 31 December 2018.

17 Interest income

	2018 $	2017 $
Income from raw material and asset financing	16,227,179	18,600,260
Income from trade discounting	498,124	591,477
	16,725,303	19,191,737

18 Results on insurance operations

	2018 $	2017 $
Insurance premium written	983,549	2,009,538
Unexpired risk adjustments	68,599	37,403
	1,052,148	2,046,941

19 Other income

	2018 $	2017 $
Fees and commissions	1,088,055	936,367
Foreign currency dealership	221,623	--
Results on insurance operations (Note 18)	1,052,148	2,046,941
Investment income	1,427,457	988,295
Miscellaneous income (see below)	2,708,398	2,568,966
	6,497,681	6,540,569
Miscellaneous income		
Bad debts recovery	31,000	275,000
Gain on foreign exchange translation	1,500,834	2,006,112
Staff loan interest	3,012	1,007
Gain on disposal of property and equipment	5,424	1,706
Agency fees - TTTBDL (net)	123,000	123,000
Listing and Advertising Fees - Made in T&T	729,265	--
Other Income	315,863	162,141
	2,708,398	2,568,966

20 General and administrative expenses

	2018 $	2017 $
Building occupancy and equipment	2,549,205	2,613,106
Communications	262,423	222,899
General administrative expenses	8,931,074	8,357,652
Other business expenses	1,140,424	635,271
WIP costs expensed (Note 9)	2,801,534	--
Amortisation of intangible assets (Note 9)	687,355	--
	16,372,015	11,828,928

21 Taxation

	2018 $	2017 $
Corporation tax - current year	--	(148,315)
- prior year adjustment	(106,784)	--
Business levy	(136,017)	--
Green fund levy	(68,009)	(74,202)
Deferred taxation	616,406	--
	305,596	(222,517)

The tax on the Bank's net income before taxation differs from the theoretical amount that would arise using the basic rate of tax as follows:

	2018 $	2017 $
Loss before taxation	(18,265,132)	(6,299,606)
Tax calculated at 30% - Yr 2018/ 25%: Yr 2017	(5,479,540)	(1,574,902)
Exempt income	628,363	--
Expenses not deductible for tax purposes	5,224,782	1,426,587
Green fund levy	(68,009)	(74,202)
	305,596	(222,517)

22 Related party transactions

Parties are considered to be related if one has the ability to control or exercise significant influence over the other in making financial and operational decisions.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Bank.

A number of transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions at market rates.

Balances and transactions with related parties during the year were as follows:

	2018 $	2017 $
a. *Income*		
Agency Fees - TTTBDL (net)	123,000	123,000
b. *Expenses*		
Directors fees and travelling	378,000	378,000
c. *Key management compensation*		
Short term benefits	3,396,574	3,221,106
Post-employment benefits	240,090	292,290
	3,636,664	3,513,396

23 Financial risk management

The Bank has established a framework for managing financial risks and aims to achieve a balance between risk and return so as to minimize negative effects on the Bank's financial performance.

Financial risk management is carried out by an organizational structure which comprises the Board of Directors, the Board Credit Committee, the Management Credit Committee, and the Board Audit and Compliance Committee. The risk management system is so designed to analyse risks through an up to date information system and in close co-operation with the Bank's Credit and Internal Audit Departments.

The Bank invests in financial instruments and maintains a balance between investments whilst maintaining sufficient liquidity to service the loan portfolio. The main risks arising from the Bank's financial instruments are credit risk, market risk, liquidity risk and operational risk. The Bank's policies for managing risks are as follows:

a. *Credit risk*

Credit risk arises in lending and investing activities and it relates to the possibility that a counter party may fail to fulfil its contractual obligations and thereby cause a financial loss to the Bank. The principal business of the bank is loans and advances and as such these significant assets are responsible for a large percent of the revenue generated.

Exposure to credit risk is managed through credit policies, procedures and audit functions together with approved limits and also by obtaining collateral and corporate and personal guarantees.

(i) *Credit risk management*

The Board of directors maintains general oversight ensuring the strategic direction and credit philosophy is maintained and vests responsibility in the sub committees for the day to day decisions. The Credit Department is responsible for the management and administration of the credit portfolio whilst the Treasury Department oversees the Investment and Borrowing Portfolios. These two (2) departments ensure that current legislation, best practice and the credit and borrowing policies of the Bank are maintained.

Loans and advances

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Bank measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is similar to the approach used for the purposes of measuring Expected Credit Loss (ECL) under IFRS 9.

Investments

A Probability of default is established for each investment grade based on realised default rates for the Caribbean as observed over the prior 12 months.

Expected credit loss measurement

IFRS 9 outlines a 'three stage' model; for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Bank.

23 Financial risk management (continued)

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

Expected credit loss measurement (continued)

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired. Please refer to note below for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to note for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to note for a description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward- looking information. Note 2 (g) includes an explanation of how the Bank has incorporated this in its ECL model.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit - impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	**Stage 2**	**Stage 3**
(initial Recognition)	**(Significant increase in credit risk)**	**(Credit - impaired assets)**
12 month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

Significant increase in credit risk (SICR)

The Bank considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following criteria have been met:

Loans

Increase in risk rating by two (2) points as per internal risk rating system
Increase in two classes as per internal risk rating system
Movement into class four (4) or five (5) as per internal risk rating system

Investments

A downgrade in the overall credit rating for the Caribbean from rating agencies such as Moody's or Standard and Poor's.

23 Financial risk management (continued)

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

Significant decrease in credit risk (SDCR)

With respect to the cure for SDCR, the Bank considers a significant decrease in credit risk has occurred when the following happens:

Loans

Decrease in risk rating by two (2) points as per internal risk rating system
Decrease in two classes as per internal risk rating system.
Movements from class (4) or (5) to class (1) or (3).

Investments

An upgrade in the overall credit rating for the Caribbean from the rating agencies such as Moody's or Standard and Poor's.

➢ *Definition of default and credit-impaired assets*

The Bank defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

When a borrower has failed to repay a loan according to the terms of the agreement with the bank via payments on either the principal loan amount or the interest that the loan has accrued after 90 days from the loan's maturity date/installment.

The criteria above have been applied to all financial instruments held by the Bank and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), throughout the Bank's expected loss calculations.

➢ *Measuring ECL - Explanation of inputs, assumptions and estimation techniques*

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). These terms were all previously mentioned at Note 23 a. (i) defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- Loss Given Default (LGD) represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by product type, while the availability of collateral is factored before LGD is considered. A robust system for recovering on all delinquent facilities managed by the recoveries department ensures that measures are taken to contain loss.

23 Financial risk management (continued)

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

Investments (continued)

- *Measuring ECL - Explanation of inputs, assumptions and estimation techniques (continued)*

The recovery on the various products managed by the Bank are recorded and this historical information is used to determine LGD. LGD is expressed as the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by multiplying the PD, LGD and EAD after taking into consideration the discounted present value of the EAD and collateral enhancements. The EAD is determined by reducing the outstanding balance from the discounted collateral value. The cost of disposal of the collateral item is factored together with the time frame for disposal before discounting to present values. The discount rate used in the ECL calculation is the estimated average effective interest rate of 8%.

- *Forward-looking information incorporated in the ECL models*

The calculation of ECL incorporates forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

Loan portfolio

The weighting assigned to each economic scenario as at December 31, 2018 were as follows: -

	Base	Upside	Downside
Loans	75%	15%	10%

The weighting assigned to each economic scenario as at January 1, 2018 were as follows:

	Base	Upside	Downside
Loans	75%	15%	10%

The Bank also made the following key assumptions in its assessment: -

Recovery rates

Recovery rates used on loans represent the actual historical experience of repayments on each loan type.

- *Determination of macroeconomic scenarios and probabilities*

The macroeconomic factors and the weights were chosen based on a review of the 5-year trend (Year 2012 to 2017) of the Bank's Loan Portfolio to determine which factors would have a higher impact on the portfolio as compared to others. Different weights were assigned to component indicators of the scorecard in order to reflect their economic significance on the particular portfolio assessed, based on management's judgement and experience.

23 Financial risk management (continued)

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

Recovery rates (continued)

➤ *Maximum exposure to credit risk before collateral held or other credit enhancement*

	Gross maximum exposure 2018 $	Gross maximum exposure 2017 $
Credit risk exposures relating to financial assets carried on the Bank's statement of financial position are as follows:		
Cash and bank balances	57,885,985	77,071,652
Loans and receivables	301,988,520	376,538,260
Other assets	1,344,079	194,606
Investments	16,346,454	17,272,072
Total credit risk exposure	377,565,038	471,076,590

The above table represents a worst-case scenario of credit risk exposure to the Bank without taking account of any collateral held or other credit enhancements attached

➤ *Loans to customers and other financial assets*

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Bank's maximum exposure to credit risk on these assets.

	Loans and receivables				
	Stage 1 Lifetime ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $	Dec 17 Total $
Raw material and asset financing	189,911,315	88,742,513	134,926,756	413,580,584	115,281,350
Trade discounting	5,815,995	301,767	1,374,915	7,492,677	5,158,905
Sub-total	195,727,310	89,044,280	136,301,671	421,073,261	120,440,255
Loss allowance	(1,220,932)	(2,074,725)	(115,789,085)	(119,084,742)	(40,574,063)
Carrying balance	194,506,378	86,969,555	20,512,586	301,988,519	79,866,192

	Investments 31 Dec 2018				
	Stage 1 Lifetime ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $	Dec 17 Total $
Investment grade	16,382,264	--	--	16,382,264	17,272,072
Loss allowance	(35,810)	--	--	(35,810)	--
Carrying balance	16,346,454	--	--	16,346,454	17,272,072

23 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

Maximum exposure to credit risk

The Bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Bank will take possession of collateral to mitigate potential credit losses. Financial assets that are credit-impaired and related collateral held in order to mitigate potential losses are shown below:

Loans

Credit impaired assets

31 December 2018	Gross exposure	Impairment allowance	Carrying amount	Fair value collateral held
	$	$	$	$
Raw Material & Asset Financing	25,746,325	(22,439,478)	3,306,847	11,945,500
Demand loans	109,180,431	(92,024,333)	17,156,098	23,197,640
Trade Discounting	1,374,915	(1,325,274)	49,641	-
Sub-total	136,301,671	(115,789,085)	20,512,586	35,143,140

1 January 2018	Gross exposure	Impairment allowance	Carrying amount	Fair value collateral held
	$	$	$	$
Raw Material & Asset Financing	17,996,371	(15,206,925)	2,789,446	12,901,140
Demand loans	131,785,282	(91,006,719)	40,778,563	46,983,464
Trade Discounting	230,526	(214,674)	15,852	-
Sub-total	150,012,179	(106,428,318)	43,583,861	59,884,604

23 Financial risk management (continued)

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

➢ *Loss allowance*

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent step up (or step down) between 12 month and lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models; currently nine years of data for PDs are being used, however it is management's intention to have a ten year rolling average for the PDs.
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets that were written off during the period

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

Loans	**Stage 1 12-month ECL $**	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Loss allowance as at 1 January 2018	884,606	1,843,424	106,428,319	109,156,349
Movement with P&L Impact				
Transfer from stage 1 to stage 2	(22,167)	20,955	--	(1,212)
Transfer from stage 1 to stage 3	--	--	--	--
Transfer from stage 2 to stage 1	--	(446)	--	(446)
Transfer from stage 2 to stage 3	--	(644,987)	644,987	--
Transfer from stage 3 to stage 1	--	--	--	--
Transfer from stage 3 to stage 2	--	77,917	(3,158,089)	(3,080,172)
New financial assets originated	1,220,033	1,891,852	534,485	3,646,370
Change in PDs/LGDs/EADs	(1,208)	(28,813)	13,168,240	13,138,219
Repayments	(860,332)	(1,085,176)	(1,828,858)	(3,774,366)
Unwind of discounts	--	--	--	--
Total net P&L charge during the period	**336,326**	**231,302**	**9,360,765**	**9,928,393**
Other movement with no P&L impact	--	--	--	--
Write-offs	--	--	--	--
Loss allowance as at 31 December 2018	**1,220,932**	**2,074,726**	**115,789,084**	**119,084,742**

23 Financial risk management (continued)

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

➢ *Maximum exposure to credit risk*

Investments	Stage 1 12-month ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Loss allowance as at 1 January 2018	**54,117**	**--**	**--**	**54,141**
Movement with P&L Impact				
Transfer from stage 1 to stage 2	--	--	--	--
Transfer from stage 2 to stage 1	--	--	--	--
Transfer from stage 2 to stage 3	--	--	--	--
Change in PDS/LGDs/EADs	(15,102)	--	--	(15,102)
Repayment	(3,204)	--	--	(3,204)
Total net P&L charge during the period	**(18,306)**			**(18,306)**
Other movement with no P&L impact				
Loss allowance as at 31 December 2018	**35,810**	**--**	**--**	**35,810**

(ii) *Credit risk measurement*

(a) *Single and group borrower limits*

The Bank on a regular basis rates the credit facilities and concentrates attention on the loan portfolio as the need arises. A risk limit control policy is in effect in relation to one borrower or groups of borrowers so that no single borrower default will have a material impact on the Bank.

For any exceptions, board or shareholder approval is secured.

This is implemented and monitored by the Credit Department.

(b) *Collateral*

The principal collateral types for loans and advances are letters of assignments of receivables, mortgage bills of sale and where possible mortgages and debentures and promissory notes.

(iii) *Provisioning policies*

Loan loss provisions are set aside to cover potential losses in respect of non-performing loans. These provisions are reviewed annually by the board credit committee or as the circumstance require and recommendations are made and submitted to the Board of Directors for approval. Non-performing loans recommended for write offs are also reviewed annually and action taken in accordance with set guidelines.

The Ministry of Finance has given its commitment to support the Bank in the event of default on certain loans.

23 **Financial risk management (continued)**

(b) *Market risk*

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market values. Market risk comprises currency risk, interest rate risk and other price risk.

(i) *Currency risk*

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of changes in exchange rates on its financial position and cash flows.

The Bank's policy is to match the loans granted in foreign currencies with funding in the same currency. The principal currencies of the Bank are Trinidad and Tobago (TTD) and United States of America (USD) dollars.

Balances as at 31 December 2018 and 31 December 2017, in their original currencies, were as follows:

Currency risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of changes in exchange rates on its financial position and cash flows.

The Bank's policy is to match the loans granted in foreign currencies with funding in the same currency. The principal currencies of the Bank are Trinidad and Tobago (TTD) and United States of America (USD) dollars.

Balances as at 31 December 2018 and 31 December 2017, in their original currencies, were as follows:

31 December 2018	**TTD**	**USD**	**Total**
	$	**$**	**$**
Assets			
Cash and cash equivalents	37,677,693	20,208,292	57,885,985
Loans and receivables	65,393,309	236,595,211	301,988,520
Investments	16,346,454	--	16,346,454
	119,417,456	256,803,503	376,220,959
Liabilities			
Accounts payable and accruals	5,024,015	--	5,024,015
Lines of credit	--	232,031,250	232,031,250
Forex Facility	35,000,000	--	35,000,000
	40,024,015	232,031,250	272,055,265

23 Financial risk management (continued)

(b) *Market risk (continued)*

(i) *Currency risk (continued)*

31 December 2017	TTD $	USD $	Total $
Assets			
Cash and cash equivalents	8,556,429	68,515,223	77,071,652
Loans and receivables	158,930,662	217,607,598	376,538,260
Investments	17,272,072	--	17,272,072
	184,759,163	286,122,821	470,881,984
Liabilities			
Accounts payable and accruals	12,599,978	--	12,599,978
Lines of credit	25,700,000	246,675,000	272,375,000
	38,299,978	246,675,000	284,974,978

The functional currency of the Bank is TT dollars since the currency of Trinidad is TT dollars; almost all contractual arrangements are with local companies and the day to day expenses are also in TT dollars.

Swap receivable

The SWAP receivable facility which was implemented in 2017 has been closed in 2018. The establishment of the US Dollar Forex Facility by the Ministry of Finance has greatly eased the burden on the exporters who were unable to secure US dollars. This has alleviated the currency risk to the Bank.

23 **Financial risk management (continued)**

(b) *Market risk (continued)*

(ii) *Interest rate risk*

Interest rate risk arises due to fluctuations in market interest rates and this in turn will affect the value of financial instruments as well as future cash flows. The Bank aims to manage this risk by reducing the sensitivity of its earnings and overall portfolio value to fluctuations in the interest rate. This objective is achieved by periodically reviewing the price of loan products, diversifying portfolios and by making timely adjustments to the overall term to maturity based on the relevant economic and financial market conditions.

The table below shows the Bank's exposure to interest rate risk:

31 December 2018	Up to 30 days $	1-3 Months $	3-12 Months $	1-5 Years $	Over 5 Years $	Total $
Assets						
Cash and cash equivalents	57,885,985	--	--	--	--	57,885,985
Loans to customers	41,147,042	31,981,575	121,116,887	69,125,088	38,617,927	301,988,519
Investments	--	--	1,580,943	5,653,260	9,112,251	16,346,454
Total Assets	99,033,027	31,981,575	122,697,830	74,778,348	47,730,178	376,220,958
Liabilities						
Lines of credit	--	70,031,250	67,500,000	94,500,000	--	232,031,250
Total Liabilities	--	70,031,250	67,500,000	94,500,000	--	232,031,250
Net Gap	99,033,027	(38,049,675)	55,197,830	(19,721,652)	47,730,178	144,189,708
Cumulative Gap	99,033,027	60,983,352	116,181,182	96,459,530	144,189,708	--

23 **Risk management (continued)**

(b) *Market risk (continued)*

(ii) *Interest rate risk*

31 December 2017	Up to 30 days	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
	$	$	$	$	$	$
Assets						
Cash and cash equivalents	77,071,652	--	--	--	--	77,071,652
Loans to customers	216,643,518	2,842,713	26,769,224	33,371,705	96,911,100	376,538,260
Investments	--	--	1,585,556	5,714,606	9,971,910	17,272,072
Total assets	293,715,170	2,842,713	28,354,780	39,086,311	106,883,010	470,881,984
Liabilities						
Lines of credit	--	--	74,375,000	198,000,000	--	272,375,000
Total liabilities	--	--	74,375,000	198,000,000	--	273,375,000
Net gap	293,715,170	2,842,713	(46,020,220)	(158,913,689)	106,883,010	198,506,984
Cumulative gap	293,715,170	296,557,883	250,537,663	91,623,974	198,506,984	--

23 **Risk management (continued)**

(c) *Liquidity risk*

Liquidity risk is the risk that the Bank does not have sufficient financial resources to meet its obligations and commitments as they fall due. The Bank's liquidity management system is so designed to ensure that the demands of customers for additional borrowings can be met, that the short term investments can be easily liquidated to meet day to day needs, and that there is a right mix of short term and long term debt portfolio. The Bank's Treasury Department manages the liquidity management process.

The table below shows the maturity profile of the liabilities of the Bank as at 31 December 2018 to the contractual maturity date. These balances include interest to be paid over the remaining term of the liabilities and are therefore greater than the Statement of Financial Position figures. The figures are also undiscounted cash flows.

31 December 2018	Up to 30 days	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
	$	$	$	$	$	$
Total assets	99,033,028	31,981,575	122,694,374	74,778,349	47,733,633	376,220,959
Total liabilities	--	70,031,250	67,500,000	94,500,000	--	232,031,250
Net gap	99,033,028	(38,049,675)	55,194,374	(19,721,651)	47,733,633	144,189,709
Cumulative gap	99,033,028	60,983,353	116,117,727	96,456,076	144,189,709	--

23 **Risk management** (continued)

(c) *Liquidity risk (continued)*

31 December 2017	Up to 30 days $	1-3 Months $	3-12 Months $	1-5 Years $	Over 5 Years $	Total $
Total assets	293,715,170	2,842,712	28,354,780	39,086,313	106,883,010	470,881,985
Total liabilities	--	--	74,375,000	198,000,000	--	272,375,000
Net gap	293,715,170	2,842,712	(46,020,220)	(158,913,687)	106,883,010	198,506,985
Cumulative gap	293,715,170	296,557,882	250,537,662	91,623,975	198,506,985	--

23 **Risk management (continued)**

(d) *Operational risk*

Operational risk is the potential for financial or reputational loss arising as a result of inadequate or failed internal controls, operational processes and systems. It includes errors, omissions, disasters and deliberate acts such as fraud.

The Bank recognises that such risks can never be completely eliminated and the Bank's Internal Audit Department has implemented mechanisms to identify, measure, monitor, control and mitigate against such risks. In addition, independent checks on operational risks areas are also undertaken by the Internal Audit function.

Where appropriate, risks are transferred by the placement of adequate insurance coverage.

(e) *Compliance risk*

Compliance risk is the risk of financial loss, including fines and other penalties, which arise from non-compliance with laws and regulations of the state.

Management has developed systems to continuously scan the legal and regulatory environment in order to identify risk exposures inherent to our business operations and to be proactive in implementing specific policies and procedures to mitigate compliance risk.

(f) *Reputation risk*

The risk of loss of reputation arising from the negative publicity relating to the Bank's operations (whether true or false) may result in a reduction of its clientele, reduction in revenue and legal cases against the Bank.

The Bank recognises that certain forms of business risks can never be completely eliminated, and the Bank's Finance and Risk Department has implemented mechanisms to identify, measure, monitor, control and mitigate against the various categories of business risk facing the bank. Where appropriate, risks are transferred by the placement of adequate insurance coverage.

In addition, the Internal Audit function of the Bank performs annual risk assessments and routinely provides the Management and the Board of Directors with reports on reviews conducted.

24 Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The existence of published price quotation in an active market is the best evidence of fair value. Where market prices are not available, fair values are estimated using various valuation techniques, including using recent arm's length market transactions between knowledgeable, willing parties, if available, current fair value of another financial instrument that is substantially the same and discounted cash flow analysis.

The following methods have been used to estimate the fair values of various classes of financial assets and liabilities:

i. *Current assets and liabilities*

The carrying amounts of current assets and liabilities are a reasonable approximation of the fair values because of their short-term nature.

ii. *Loans and receivables*

Loans are net of specific provisions for losses. The Portfolio consists of:

a. Assets from transactions conducted under typical market conditions whose values are not adversely affected by unusual terms – 62% of Loan Portfolio
b. Assets that are priced beneath prevailing market rates – 38% of Loan Portfolio

The inherent rates of interest at (a) approximate market conditions and yield discounted cash flow values which are substantially in accordance with financial statement amounts.

The interest rates at (b) do not reflect market conditions and yield discounted cash flow values which are below financial statement amounts.

iii. *Investments*

The fair values of investments are determined on the basis of quoted market prices available at 31 December 2018.

a. *Classification of financial instruments at fair value*

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

24 Fair values (continued)

b. *Financial instruments not measured at fair value*

The table below shows the financial assets and liabilities not measured at fair value and analyses them by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
	$	$	$	$	$
As at 31 December 2018					
Assets					
Loans and receivables	--	301,988,520	--	301,988,520	301,988,520
Investments	--	16,346,454	--	16,346,454	16,346,454

	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
	$	$	$	$	$
As at 31 December 2017					
Assets					
Loans and receivables	--	376,538,260	--	376,538,260	376,538,260
Investments	--	17,272,072	--	17,272,072	17,272,072

25 Capital risk management

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximising the return to its shareholder. The Bank's overall strategy remains unchanged from previous years.

The capital structure of the Bank consists of equity attributable to the shareholder and comprises stated capital and retained earnings.

26 Capital commitments

The Bank has no capital commitments at the year end.

27 Contingent liability

The company is involved in negotiations for salary increases for the period 1 January 2012 to 31 December 2018.

An accrual of 7% has been made on Gross Salaries and Pensions for this period and this amount is included in general and administrative expenses.