Export-Import Bank of Trinidad and Tobago Limited

Financial Statements

31 December 2019

(Expressed in Trinidad and Tobago Dollars)

Export-Import Bank of Trinidad and Tobago Limited

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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 2019, 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
Chief Executive Officer
24 November 2020

Carol Austin
Chief Financial Officer
24 November 2020

Independent Auditor's Report

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

Report on the audit of the 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 2019, 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 2019;
- 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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Independent Auditor's Report (Continued)

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 Banks'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.

Independent Auditor’s Report (Continued)

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 Banks’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
24 November 2020

Export-Import Bank of Trinidad and Tobago Limited

Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

	Notes	As at 31 December 2019 $	2018 $
Assets			
Cash and cash equivalents	4	55,499,930	57,885,985
Loans and receivables	5	276,614,645	301,988,519
Other assets	6	1,425,533	1,344,079
Investments	7	15,447,888	16,346,454
Property and equipment (8a)	8	6,477,642	7,711,259
Right-of-use assets (8b)	8	168,940	--
Intangible asset	9	18,225	194,621
Deferred tax asset		149,560	--
Total assets		355,802,363	385,470,917
Liabilities and shareholder's equity			
Accounts payable and accruals	11	8,248,217	5,024,015
Lines of credit	12	241,278,750	232,031,250
Forex facility	13	35,000,000	35,000,000
Provision for unexpired risk		3,389	6,092
Lease liabilities	14	171,872	--
Deferred taxation	15	--	11,894
Deferred income - GORTT subvention	16	2,395,240	--
Total liabilities		287,097,468	272,073,251
Shareholder's equity			
Stated capital	17	194,934,000	194,934,000
Special reserve	18	441,375	441,375
Statutory surplus reserve		615,612	615,612
Accumulated deficit		(127,286,092)	(82,593,321)
Total shareholder's equity		68,704,895	113,397,666
Total liabilities and shareholder's equity		355,802,363	385,470,917

The notes on pages 9 to 48 are an integral part of these financial statements.

On 23 November 2020, 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 2019 $	2018 $
Interest income	19	18,762,754	16,725,303
Interest expense		(11,658,583)	(12,398,900
Net interest income		7,104,171	4,326,403
Other income	20	7,742,358	6,497,681
Total net income		14,846,529	10,824,084
Impairment expense	10	(45,470,368)	(12,717,202)
General and administrative expenses	21	(14,005,071)	(16,372,015)
Total expenses		(59,475,439)	(29,089,217)
Loss before taxation		(44,628,910)	(18,265,133)
Taxation	22	(63,861)	305,596
Net loss for the year		(44,692,771)	(17,959,537)

The notes on pages 9 to 48 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)

	Stated capital $	Special reserve $	Statutory surplus reserve $	Accumulated deficit $	Total $
Balance as at 1 January 2019	194,934,000	441,375	615,612	(82,593,321)	113,397,666
Total comprehensive loss for the year	--	--	--	(44,692,771)	(44,692,771)
Balance as at 31 December 2019	194,934,000	441,375	615,612	(127,286,092)	68,704,895
Balance as at 1 January 2018	194,934,000	441,375	615,612	4,002,618	199,993,605
Effect of adopting IFRS 9	--	--	--	(68,636,403)	(68,636,403)
Total comprehensive 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

The notes on pages 9 to 48 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 2019 $	2018 $
Operating activities			
Loss before taxation		(44,628,910)	(18,265,133)
Non-cash items			
Depreciation	8	1,436,941	1,437,727
Depreciation – ROU Assets (8a)	8	7,863	--
Deferred tax	22	161,454	(616,406)
Amortisation of intangible asset	9	176,395	687,355
Amortisation of discounts on investments		--	739,192
Impairment of intangible assets	9	--	2,801,534
Impairment (write-back)/charge - investments		(2,443)	5,550,412
Impairment charge - loans	5	45,472,811	10,054,728
Reversal of bad debt provision	5	--	(86,405)
Gain/(loss) on foreign exchange translation		--	1,885,687
Gain/(loss) on disposal of assets		17,860	(5,425)
Interest expense on lease liability		7,069	--
Government subvention		(3,604,760)	--
		(955,720)	4,183,266
Changes in non-cash working capital amounts:			
Net change in accounts receivable and prepayments		(20,329,951)	6,793,100
Net change in accounts payable and accruals		3,209,605	(24,782,910)
Taxation paid		(225,315)	(174,792)
Cash used in operating activities		(18,301,381)	(13,981,336)
Investing activities			
Purchase of property and equipment	8	(221,233)	(793,675)
Proceeds from disposal of property and equipment (net)		50	7,476
Proceeds from disposal of investments	7	901,009	925,618
Cash used in investing activities		679,826	139,419
Financing activities			
Net change in lines of credit	12	9,247,500	(40,343,750)
Net change forex advance GORTT	13	--	35,000,000
Net change GORTT subvention		6,000,000	--
Repayment of lease liability		(12,000)	--
Cash generated from/(used in) from financing activities		15,235,500	(5,343,750)
Net change in cash and cash equivalents		(2,386,055)	(19,185,667)
Cash and cash equivalents, beginning of year		57,885,985	77,071,652
Cash and cash equivalents, end of year		55,499,930	57,885,985
Non-cash investing activities:			
Acquisition of right-of-use asset		176,803	--

The notes on pages 9 to 48 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 primarily involved in providing banking facilities, which include raw material and asset financing and other trade related services to exporters. Other services include 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.

These financial statements have been approved for issue by the Board of Directors on 24 November 2020.

2 Summary of significant accounting policies

a. *Basis of preparation*

These financial statements comply with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Standards 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 as modified by the hold to collect financial assets recorded at amortised cost.

i. *Going concern*

For the period ended 31 December 2019, the Bank incurred a net loss of $44,692,771 (2018: $17,959,537) which contributed to an accumulated deficit at 31 December 2019 of $127,286,092 (2018: $82,593,321). The Bank also reported two consecutive years of negative operating cashflows. Furthermore, financial liabilities comprise $127,406,250 which mature within 12 months. These indicators may cast significant doubt about the Bank's ability to continue as a going concern.

In making its going concern assessment, management has considered the Bank's current financial position, its cash flow forecast and subsequent information. It has also considered the potential impact of the COVID-19 pandemic on the Bank's operational capabilities, liquidity and financial position over the next twelve months. Based on this assessment, the Bank has been able to meet its repayment terms to date and there is sufficient cash to meet its short-term obligations. Any shortfall in meeting its obligation is guaranteed by the Government of the Republic of Trinidad and Tobago.

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

a. *Basis of preparation (continued)*

i. *Going concern (continued)*

While there are indicators which may cast significant doubt about the Bank's ability to continue as a going concern, management has concluded that no material uncertainty exists and has developed the below plans to mitigate these indicators.
Management's future plans

(i) Any shortfall in EXIMBANK meeting its obligations is guaranteed by the Government of the Republic of Trinidad and Tobago (GORTT). A letter of support was provided by GORTT dated 6 November 2020 expressing its continued support for the Bank in meeting its financial and legal obligations.

(ii) Capital restructuring as a key strategic initiative - EXIMBANK has made a request for re-capitalisation from the shareholder. The Bank has received TT$68M to operationalise the Foreign Exchange Allocation System (FAS) for essential needs and has recommended this be allocated as equity. Discussions continue regarding further equity injections from the shareholder.

(iii) The Bank is continuing to systematically reduce the credit risk exposure and associated annual Expected Credit Loss by implementing the following - Requesting collateral on new and existing loans; and restructuring some revolving credits, setting them to reducing term loans and terming out facilities that are not revolving as agreed.

(iv) Matching interest rates (price of the loan) with risk taken and improving spreads.

(v) Increased recoveries from specific loans outstanding. These items will improve recovery rates inputs into the Expected Credit Loss (ECL) model, this will result in downward pressure on ECL levels as it is multiplied across the portfolios, consequently improving Bank's profitability.

(vi) Expected increase in forex income as the Bank continues to deliver forex to companies to purchase essential items as part of the Government's COVID-19 economic response. An allocation of US$150M was approved by the Central Bank of Trinidad and Tobago.

Based on the cash flow forecast, subsequent information and mitigating plans, management believes that the Bank can maintain sufficient liquidity and a healthy positive cash balance, and remain in operational existence, for at least the next twelve months. As a result, management has concluded that it is appropriate to continue to adopt the going concern basis of accounting in the preparation of the financial statements.

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

b. *New standards, amendments and interpretations adopted by the Bank 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:

The Bank has applied the following standard and amendments for the first time for the annual reporting period commencing 1 January 2019:

- IFRS 16, *Leases*
- *Annual improvements to IFRS standards 2015-2017 cycle*
- *Prepayment features with negative compensation – Amendments to IFRS 9*

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2019 do not have a material impact on the Bank.

c. *New standards, amendments and interpretations not yet adopted by the Bank.*

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Bank. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

d. *Changes in accounting policies*

IFRS 16- Leases

The adoption of IFRS 16 has been applied using the Simplified Transition Approach and comparatives for the 2018 reporting period have not been restated as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are recognised in the opening balance sheet at 1 January 2019 as disclosed in note 8b.

On adoption of IFRS 16, the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The Bank's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.15%.

The Bank leases a building for office accommodation from the Government of the Republic of Trinidad and Tobago (GORTT). The remaining term of the existing lease is two years and five months with a further option to extend for twenty years.

Leased assets may not be used as security for borrowing purposes.

(i) Lease reconciliation on initial application of the standard

Operating lease commitments as of 31 December 2018	**$**
No later than 1 year	12,000
Later than 1 year and no later than 5 years	48,000
Later than 5 years	209,000
	269,000

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

d. *Changes in accounting policies (continued)*

(ii) *Measurement of lease liabilities*

	$
Operating lease commitments as noted above discounted	176,803
using the lessee's incremental borrowing rate at 31/12/2018	--
Add: existing finance lease liabilities at 31/12/2018	--
Less: short term leases not recognised as a liability	--
Add/(less) contracts reassessed as lease contracts	--
Estimated lease liability recognised as of date of initial application	176,803
Current portion	11,779
Non-current portion	165,024
	176,803

(iii) *Measurement of right-of-use assets*

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, related to that lease in effect as at 31 December 2018.

The Bank depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the end of the lease term.

(iv) *Subsequent measurement*

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest.

e. *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:

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.

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

f. *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 products 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 are reassessed at the end of each financial period.

g. *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*

(i) *Classification and subsequent measurement*

The Bank classifies its financial assets based on the ´Hold to collect" model using the Amortised Cost Category.

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

(i) the cash flow characteristics of the asset; and
(ii) the Bank's business model for managing the asset

Based on these factors, the Bank classifies its assets into the amortised cost measurement category.

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

g. *Financial instruments (continued)*

(a) *Financial assets (continued)*

(i) *Classification and subsequent measurement (continued)*

Debt instruments (continued)

- *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 amortized 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.

Business model

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank’s objective is solely to collect contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. The Bank’s objective is solely to collect the contractual cash flows from the financial assets.

SPPI

In this test, the Bank assesses whether the financial instruments’ cash flows represent solely payments of principal and interest (the ‘SPPI test’). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

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

g. *Financial instruments (continued)*

(a) *Financial assets (continued)*

(ii) *Impairment*

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.

The measurement of ECL reflects:

a. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
b. The time value of money; and
c. 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.

Note 25.a. (i) provides more detail of how the expected credit loss is measured.

(iii) *Derecognition other than on a modification*

Financial assets, or a portion thereof, 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.

(b) *Financial liabilities*

(i) *Classification and subsequent measurement*

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost.

(iii) *Derecognition*

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

h. *Loan commitments*

Loan commitments provided by the Bank are measured at the amount of the loss allowance (calculated as described in note 25 a.(i). The Bank has not provided any commitment 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. *Policy holders' 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.

j. *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.

k. *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.

l. *Fee and commission income*

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

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

m. *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.

n. *Current 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.

o. *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. Deferred income tax assets are recognised only to the extent that is probable that future taxable profit will be available against which the temporary differences can be utilised. No deferred tax asset recognised on the unused taxable losses. The carry-forward balance as at 31 December 2019 is $69,220,630.

p. *Government grant*

The GORTT provided subvention income to the Bank to facilitate expansion of the country's export sector to assist in enhancing the country's foreign exchange position and its international trade landscape. Government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

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

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.

a. *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) Application of going concern principles
(ii) Discount rate used in IFRS 16 leases
(iii) Discounting of loan collateral
(iv) Which depreciation method for property and equipment is used.

b. *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 25.a.(i) which also sets out key sensitivities of the ECL to changes in these elements.
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; and
- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determination of macroeconomic drivers and forecasting macroeconomic scenarios;
- Recovery rates on unsecured exposures.

4 Cash and cash equivalents

	2019 $	2018 $
Cash	3,000	3,000
Republic Bank Limited	5,640,881	7,880,761
RBC Royal Bank (Trinidad & Tobago) Limited	386,246	2,427,831
Scotiabank Trinidad and Tobago Limited	1,156,505	4,896,389
First Citizens Bank Limited	7,720	--
Citibank (Trinidad and Tobago) Limited	109	--
First Caribbean International Bank (Trinidad &Tobago) Limited	38,548,338	4,708,576
Cash in hand and at bank	45,742,799	19,916,557
Guardian Asset Management Limited	182	136,223
Trinidad and Tobago Unit Trust Corporation	9,756,949	37,833,205
Money market funds	9,757,131	37,969,428
	55,499,930	57,885,985

5 Loans and receivables

The loan notes due to the Bank comprise the following:

	2019 $	2018 $
Raw materials and asset financing (See (i) below)	370,447,086	393,200,801
Trade discounting (See (ii) below)	5,861,076	7,355,217
Interest receivable	14,895,329	20,517,243
	391,203,491	421,073,261
Less loss allowance:		
Raw materials and asset financing	(114,588,846)	(119,084,742)
	276,614,645	301,988,519

Allowance for loan losses

	2019 $	2018 $
Allowance at beginning of the year	119,084,742	40,574,063
Effect of adopting IFRS 9	--	68,582,286
Revised opening balance	119,084,742	109,156,349
Charge for the year	45,472,811	10,054,728
Reversal of bad debt provision	--	(86,405)
Write off	(49,968,707)	(39,930)
Allowance at the end of year	114,588,846	119,084,742

(i) This amount represents raw material (working capital) and asset financing (demand loans) 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.

5 Loans and receivables (continued)

Loans to customers

	2019 $	2018 $
Loans – Stages 1 and 2	260,080,360	284,771,591
Loans – Stage 3	131,123,131	136,301,670
	391,203,491	421,073,261
Allowance for loan losses	(114,588,846)	(119,084,742)
	276,614,645	301,988,519

Loans analysed by sector

	2019 $	2018 $
Food and beverage	84,158,804	74,756,125
Consumer goods	59,774,692	75,536,228
Pulp, paper, plastics and packaging	116,116,792	123,068,709
Fuel and oils	161,670	351,896
Services	16,402,687	28,275,561
	276,614,645	301,988,519
Current portion	180,063,297	148,740,995
Non-current portion	96,551,348	153,247,524
	276,614,645	301,988,519

6 Other assets

	2019 $	2018 $
Insurance premium receivable	121,214	77,730
Interest receivable – investments	8,504	10,167
Other receivables	937,307	1,012,572
Prepaid expenses	358,508	243,610
	1,425,533	1,344,079

7 **Investments**

	2019 $	2018 $
Securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago	15,481,256	16,328,148
Less: loss allowance	(33,368)	18,306
	15,447,888	16,346,454
Current portion	1,572,969	1,580,943
Non-current portion	13,874,919	14,765,511
	15,447,888	16,346,454
Balance at beginning of the year	16,346,454	17,272,072
Effect of adopting IFRS 9	--	(54,117)
Revised opening balance	16,346,454	17,217,955
Disposals	(901,009)	(889,807)
Charge/write back for the year	2,443	18,306
Balance at end of year	15,447,888	16,346,454
Colonial Life Insurance Company Limited (current)	1,572,969	1,580,943
Colonial Life Insurance Company Limited (non - current)	12,324,319	13,214,911
Government of the Republic of Trinidad and Tobago 7.75% bonds (2024)	1,550,600	1,550,600
	13,874,919	14,765,511
Total	15,447,888	16,346,454

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 (a) **Property and equipment**

	Leasehold property $	Office furniture and equipment $	Computer equipment and software $	Motor vehicles $	Work-in progress $	Total $
Cost						
At 1 January 2019	6,690,059	2,184,725	10,963,967	1,666,889	--	21,505,640
Additions	23,056	117,052	55,090	--	26,035	221,233
Disposals	--	(40,850)	(18,191)	--	--	(59,041)
At 31 December 2019	6,713,115	2,260,927	11,000,866	1,666,889	26,035	21,667,832
Accumulated depreciation						
At 1 January 2019	2,681,592	1,337,240	8,542,827	1,232,721	--	13,794,380
Charge for the year	324,080	201,101	576,662	335,098	--	1,436,941
Disposals	--	(33,492)	(7,639)	--	--	(41,131)
At 31 December 2019	3,005,672	1,504,849	9,111,850	1,567,819	--	15,190,190
Net book value						
At 31 December 2019	3,707,443	756,078	1,889,016	99,070	26,035	6,477,642
At 31 December 2018	4,008,466	847,485	2,421,140	434,168	--	7,711,259

8 (a) **Property and equipment (continued)**

	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

8 (b) **Right-of-use assets**

	2019 $	2018 $
Cost	176,803	--
Accumulated depreciation	(7,863)	--
At 31 December	168,940	--

9 Intangible asset

Development of the Made in TNT website commenced in October 2014.

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

	2019 $	2018 $
Opening net book value	194,621	--
Transfer from WIP	--	3,683,510
WIP costs expensed (Note 21)	--	(2,801,534)
	194,621	881,976
Current year amortisation (Note 21)	(176,395)	(687,355)
Closing net book value	18,226	194,621
Cost or valuation	881,975	881,976
Accumulated amortisation	(863,750)	(687,355)
Closing net book value	18,225	194,621

10 Impairment expense

	2019 $	2018 $
Loan loss expense (Note 5)	45,472,811	9,968,323
Impairment on joint venture	--	2,558,620
Expected credit loss - investments (Note 7)	(2,443)	(18,306)
Bad debt expense - website (Note 6)	--	208,565
	45,470,368	12,717,202

11 Accounts payable and accruals

	2019 $	2018 $
Accrued income	53,380	94,436
Audit fee	349,094	275,686
Amounts due to exporters	139,384	--
Interest payable	2,095,725	1,944,999
Deferred income – forex	(119,163)	(121,421)
Marine insurance	16,286	16,286
Accrued expenses	2,694,232	142,461
Salaries payable	2,608,400	2,198,730
Other payables	410,879	472,838
	8,248,217	5,024,015

12 Lines of credit

	2019 $	2018 $
Scotiabank Trinidad and Tobago Limited	93,622,500	70,031,250
Banco Latinamericano de Exportaciones (Bladex)	59,906,250	94,500,000
RBC Royal Bank (Trinidad & Tobago) Limited	20,250,000	--
First Caribbean International Bank (Trinidad & Tobago) Limited	67,500,000	67,500,000
	241,278,750	232,031,250

Banco Latinoamericano de Exportaciones (Bladex)

- This is a US $8.875M facility which matures on 6th November 2020.
  Collateral: Government guarantee.
  Repayment: quarterly.

Scotiabank Trinidad and Tobago Limited

The balance are drawdowns from two (2) facilities as follows:

- TT$ 50M or the equivalent amount in US dollars.
  Collateral: Unsecured.
  Repayment: 30 to 180 days.

- TT$ 44.68M or the equivalent amount in US dollars.
  Collateral: Government guarantee.
  Repayment: 30 to 180 days.

First Caribbean International Bank (Trinidad & Tobago) Limited

- This is a US $10M facility.
  Collateral: Government guarantee.
  Repayment: 30 to 180 days.

RBC Royal Bank Limited

- This is a US $3M facility
  Collateral: Unsecured.
  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 Export Import Bank of Trinidad and Tobago Limited (EXIMBANK) to facilitate allocation to local manufacturing and exporting companies in Trinidad and Tobago.

The TT equivalent of US$5M was initially provided by the GORTT at 31 December 2018 namely TT$35M. This was used to Purchase US$ 5M from the Central Bank of Trinidad and Tobago (CBTT). This initial facility to revolve until US$ 100M has been made available to the manufacturing sector.

14 Lease liability

The Bank has a lease contract on the building at 30 Queen's Park West with a remaining term of over 21 years.

Future rent payable as at 31st December 2019 is as follows:

	2019 $	2018 $
Within one year	5,554	--
After one year but not more than five years	22,763	--
After five years	143,555	--
	171,872	--

15 Deferred taxation

The movement in the deferred taxation account is as follows:

	2019 $	2018 $
Balance at beginning of year – (asset)/liability	11,894	628,300
Credit for the year	(161,454)	(616,406)
Balance at end of year – (asset)/liability	(149,560)	11,894
Deferred taxation is attributable to:		
Excess of net book value over written down tax value	(149,560)	11,894

16 Deferred Income – GORTT subvention

The GORTT provided subvention income of six million dollars (TT$6M) to facilitate expansion of the country's export sector to assist in enhancing the country's foreign exchange position and its international trade landscape and this project was in progress at year end.

The balance as at 31 December 2019 is as follows:

	2019 $	2018 $
Deferred Income – GORTT subvention	2,395,240	--

17 Stated capital

	2019 $	2018 $
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

18 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 2019.

19 Interest income

	2019 $	2018 $
Income from raw material and asset financing	18,223,712	16,227,179
Income from trade discounting	539,042	498,124
	18,762,754	16,725,303

20 Other income

	2019 $	2018 $
Fees and commissions	1,977,011	1,088,055
Foreign currency dealership	893,353	221,623
Results on insurance operations	99,125	983,549
Unexpired risk adjustments	2,705	68,599
Investment income	1,007,483	1,427,457
Miscellaneous income (see below)	3,762,681	2,708,398
	7,742,358	6,497,681

Miscellaneous income

	2019 $	2018 $
Bad debts recovery	11,148	31,000
Gain on foreign exchange translation	42,040	1,500,834
Staff loan interest	1,958	3,012
(Loss)/gain on disposal of property and equipment	(17,860)	5,424
Agency fees - TTTBDL (net)	120,615	123,000
Government subvention	3,604,760	--
Listing and advertising fees - Made in T&T (Note 11)	--	729,265
Other income	20	315,863
	3,762,681	2,708,398

21 General and administrative expenses

	2019 $	2018 $
Building occupancy and equipment	2,486,591	2,549,205
Communications	196,490	262,423
Employee benefits expense (see below)	7,610,352	6,825,832
General administrative expenses	2,606,801	2,105,242
Other business expenses	913,510	1,140,424
WIP costs expensed (Note 9)	--	2,801,534
Amortisation of intangible assets (Note 9)	176,395	687,355
Finance cost – lease liability	14,932	--
	14,005,071	16,372,015

21 General and administrative expenses (continued)

	2019 $	2018 $
Employee benefits expense		
Salaries	5,852,683	5,179,114
National insurance	299,826	279,884
Pension contributions	348,477	379,524
Health insurance	89,871	85,878
Other benefits and allowances	1,019,495	901,432
	7,610,352	6,825,832

22 Taxation

Corporation tax - prior year adjustment	--	(106,784)
Business levy	(149,180)	(136,017)
Green fund levy	(76,135)	(68,009)
Deferred taxation	161,454	616,406
	(63,861)	305,596

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:

Loss before taxation	(44,628,910)	(18,265,132)
Tax calculated at 30%	(13,388,673)	(5,479,540)
Exempt income	225,340	628,363
Expenses not deductible for tax purposes	13,175,607	5,224,782
Green fund levy	(76,135)	(68,009)
	(63,861)	305,596

23 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:

a. *Income*		
Agency fees – TTTBDL (net)	120,615	123,000
b. *Expenses*		
Directors fees and travelling	378,000	378,000
c. *Key management compensation*		
Short term benefits	4,005,622	3,396,574
Post-employment benefits	180,450	240,090
	4,186,072	3,636,664

24 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 receivables

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) which is 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.

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

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.

- 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. See below for 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:

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

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.

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:

Investments

➢ *Definition of default and credit-impaired assets*

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.

24 Financial risk management (continued)

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

➢ *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). Each term is defined as follow:

- 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. 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.

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

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 December 31, 2019 were as follows:-

	Base	Upside	Downside
Loans	20%	10%	70%

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 2013 to 2018) 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.

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

	Gross maximum exposure 2019 $	Gross maximum exposure 2018 $
Credit risk exposures relating to financial assets carried on the Bank's statement of financial position are as follows:		
Cash and bank balances	55,499,930	57,885,985
Loans and receivables	276,614,645	301,988,520
Other assets	1,425,533	1,344,079
Investments	15,447,888	16,346,454
Total credit risk exposure	348,987,996	377,565,038

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.

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

➢ *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
31 Dec 2019

	Stage 1 Lifetime ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $	Dec 18 Total $
Raw material and asset financing	193,567,349	61,248,832	130,323,533	385,319,714	413,580,584
Trade discounting	4,898,556	185,624	799,597	5,883,777	7,492,677
Sub-total	198,465,905	61,614,456	131,123,130	391,203,491	421,073,261
Loss allowance	(2,683,573)	(751,047)	(114,154,226)	(114,588,846)	(119,084,742)
Carrying balance	195,782,332	60,863,409	19,968,904	276,614,645	301,988,519

Investments
31 Dec 2019

	Stage 1 Lifetime ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $	Dec 18 Total $
Investment grade	15,481,256	--	--	15,481,256	16,382,264
Loss allowance	(33,368)	--	--	(33,368)	(35,810)
Carrying balance	15,447,888	--	--	15,447,888	16,346,454

24 **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 2019	**Gross exposure $**	**Impairment allowance $**	**Carrying amount $**	**Fair value collateral held $**
Raw material & asset financing	130,323,533	(113,454,581)	19,868,952	14,139,444
Trade Discounting	799,597	(699,645)	99,952	--
Sub-total	131,123,130	(114,154,226)	19,968,904	14,139,444

31 December 2018	**Gross exposure $**	**Impairment allowance $**	**Carrying amount $**	**Fair value collateral held $**
Raw material & asset financing	134,926,756	(114,463,811)	20,462,945	35,143,140
Trade Discounting	1,374,915	(1,325,274)	49,641	--
Sub-total	136,301,671	(115,789,085)	20,512,586	35,143,140

24 **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.

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

Loans	**Stage 1** **12-month ECL** **$**	**Stage 2** **Lifetime ECL** **$**	**Stage 3** **Lifetime ECL** **$**	**Total** **$**
Loss allowance as at 1 January 2019	1,220,932	2,074,726	115,789,084	119,084,742
Movement with P&L Impact				
Transfer from stage 2 to stage 3	--	(146,158)	8,428,781	8,282,623
Transfer from stage 3 to stage 2	--	95,878	(91,648)	4,230
New financial assets originated	1,317,277	591,093	14,219,916	16,128,286
Change in PDs/LGDs/EADs	1,252,275	48,320	26,898,521	28,199,116
Repayments	(1,106,911)	(1,838,194)	(4,208,324)	(7,153,429)
Unwind of discounts	--	--	--	--
Total net P&L charge during the period	1,462,641	(1,249,061)	45,247,246	45,460,826
Other movement with no P&L impact				
Write-offs	--	(74,617)	(49,882,105)	(49,956,722)
Loss allowance as at 31 December 2019	2,683,573	751,048	111,154,225	114,588,846

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

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

➢ *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 2019	35,832	--	--	35,832
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	2,798	--	--	2,798
Repayment	(2,880)	--	--	(2,880)
Total net P&L charge during the period	(82)	--	--	(82)
Other movement with no P&L impact				
Loss allowance as at 31 December 2019	35,750	--	--	35,750

(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.

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

(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.

(ii) *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.

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.

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.

24 **Financial risk management (continued)**

b. *Market risk (continued)*

(i) *Currency risk (continued)*

Balances as at 31 December 2019 and 31 December 2018, in their reporting currencies, were as follows:

31 December 2019	**TTD**	**USD**	**Total**
	$	**$**	**$**
Assets			
Cash and cash equivalents	41,735,626	13,764,304	55,499,930
Loans and receivables	49,533,905	227,080,740	276,614,645
Investments	15,447,888	--	15,447,888
	106,717,419	240,845,044	347,562,463
Liabilities			
Accounts payable and accruals	8,248,217	--	8,248,217
Lines of credit	--	241,278,750	241,278,750
Forex facility	35,000,000	--	35,000,000
	43,248,217	241,278,750	284,526,967

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

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.

24 **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 2019	**Up to 30 days**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Assets						
Cash and cash equivalents	55,499,930	--	--	--	--	55,499,930
Loans to customers	24,036,908	71,180,531	79,328,615	94,136,313	7,932,278	276,614,645
Investments	--	--	1,572,969	5,605,424	8,269,495	15,447,888
Total assets	79,536,838	71,180,531	80,901,584	99,741,737	16,201,773	347,562,463
Liabilities						
Lines of credit	20,250,000	93,622,500	67,500,000	59,906,250	--	241,278,750
Total liabilities	20,250,000	93,622,500	67,500,000	59,906,250	--	241,278,750
Net gap	59,286,838	(22,441,969)	13,401,584	39,835,487	16,201,773	106,283,713
Cumulative gap	59,286,838	36,844,869	50,246,453	90,081,940	106,283,713	--

24 **Financial risk management (continued)**

b. *Market risk* (continued)

(ii) *Interest rate risk (continued)*

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	--	233,031,250
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	--

24 **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 2019 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 2019	Up to 30 days	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
	$	$	$	$	$	$
Total assets	79,536,837	71,180,531	80,901,584	99,741,737	16,201,773	347,562,462
Total liabilities	20,250,000	93,622,500	67,500,000	59,906,250	--	241,278,750
Net gap	59,286,837	(22,441,969)	13,401,584	39,835,487	16,201,773	106,283,712
Cumulative gap	59,286,837	36,844,869	50,246,453	90,081,940	106,283,713	--

24 **Risk management (continued)**

c. *Liquidity risk (continued)*

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	--

24 **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 recognizes 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 recognizes 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.

25 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.

No financial instruments are measured at fair value as at 31 December 2019.

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 2019.

(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.

25 **Fair values (continued)**

(a) *Classification of financial instruments at fair value (continued)*

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.

(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 categorized. 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 2019					
Financial instruments					
Loans and receivables	--	276,614,645	--	276,614,645	276,614,645
Investments	--	15,447,888	--	15,447,888	15,447,888

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

December 2019	**Debt Securities $'000**	**Equity $'000**	**Total $'000**
Opening balance	16,346,454	--	16,346,454
Exchange	--	--	--
Disposal/settlement	(900,949)	--	(900,949)
Transfer into or out of level 3	--	--	--
Total losses - OCI	--	--	--
Closing balance	15,445,505	--	15,445,505

26 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.

27 Capital commitments

The Bank has no capital commitments at the year end.

28 Contingent liability

There were no contingent liabilities as at 31 December 2019.

29 Subsequent events

The lines of credit related to First Caribbean International Bank (Trinidad & Tobago) Limited (FCIB) and Banco Latinoamericano de Exportaciones (Bladex) which become due within twelve months from the reporting date were either subsequently settled or renegotiated. The Bladex facility was fully repaid on 21 August 2020. The FCIB facility was renewed and extended for a further six months to 26 January 2021.