

Financial Statements of

**EXPORT IMPORT BANK OF
TRINIDAD AND TOBAGO LIMITED**

December 31, 2017

EXPORT IMPORT BANK OF TRINIDAD AND TOBAGO LIMITED

December 31, 2017

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Statement of Management Responsibilities
Export Import Bank of Trinidad And Tobago Limited

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 December 31, 2017, the statements of profit or loss, 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.



Brian Awang
Chief Executive Officer



Carol Austin
Chief Financial Officer

Date: JULY 27th 2018

Date: JULY 27th 2018



KPMG
Chartered Accountants

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Independent Auditors' Report
To the Shareholders of Export Import Bank of Trinidad And Tobago Limited

Opinion

We have audited the financial statements of Export Import Bank of Trinidad and Tobago Limited ("the Bank"), which comprise the statement of financial position as at December 31, 2017, the statements of profit or loss, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and with the IESBA Code.

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Bank's annual report but does not include the financial statements and our auditors' report thereon. The Bank's annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

When we read the Company's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance before the annual general meeting of the Company is held.

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 IFRSs, 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.

Auditors' 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 auditors' 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 skepticism throughout the audit. We also:



Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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.
- 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 auditors' 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 auditors' 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.

K P M G

Chartered Accountants
Port of Spain
Trinidad and Tobago
July 30, 2018

EXPORT IMPORT BANK OF TRINIDAD AND TOBAGO LIMITED

Statement of Financial Position

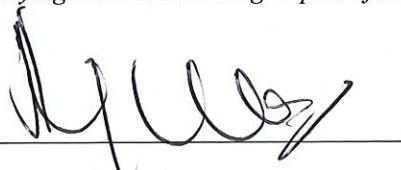
December 31, 2017

(Expressed in Trinidad and Tobago Dollars)

	Notes	2017 \$	2016 \$
ASSETS			
Current Assets:			
Cash and cash equivalents	4	77,071,652	40,585,546
Loans and receivables	5	376,538,260	418,190,766
Other assets	6	2,748,719	5,252,919
Held-to-maturity investments	7	1,550,600	1,550,600
Total Current Assets		457,909,231	465,579,831
Non-Current Assets:			
Held-to-maturity investments	7	15,721,472	16,600,000
Property and equipment	8	12,040,872	12,733,280
Total Non-Current Assets		27,762,344	29,333,280
Total Assets		485,671,575	494,913,111
LIABILITIES AND SHAREHOLDER'S EQUITY			
Current Liabilities:			
Accounts payable and accruals	9	12,599,978	4,982,589
Lines of credit	10	272,375,000	282,674,400
Taxation payable		-	-
Total Current Liabilities		284,974,978	287,656,989
Non-Current Liabilities:			
Provision for unexpired risk		74,692	112,094
Deferred taxation	11	628,300	628,300
Total Non-Current Liabilities		702,992	740,394
Total Liabilities		285,677,970	288,397,383
Shareholder's Equity:			
Stated capital	12	194,934,000	194,934,000
Special reserve	13	441,375	441,375
Statutory surplus reserve		615,612	615,612
Retained earnings		4,002,618	10,524,741
Total Shareholder's Equity		199,993,605	206,515,728
Total Liabilities and Shareholder's Equity		485,671,575	494,913,111

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

Director



Director



EXPORT IMPORT BANK OF TRINIDAD AND TOBAGO LIMITED

Statement of Profit or Loss

Year ended December 31, 2017

(Expressed in Trinidad and Tobago Dollars)

	Notes	2017 \$	2016 \$
Interest income	14	19,191,737	23,132,025
Interest expense		<u>(9,253,765)</u>	<u>(7,128,674)</u>
Net interest		9,937,972	16,003,351
Fees and commissions		936,367	1,079,675
Results on insurance operations	15	2,009,538	1,566,172
Unexpired risk adjustment	16	37,403	129
Investment income		988,295	880,441
Other income	17	<u>2,568,966</u>	<u>1,085,759</u>
Total income		<u>16,478,541</u>	<u>20,615,527</u>
Loan loss expense	5	(10,949,219)	(6,706,726)
General and administrative expenses	18	<u>(11,828,928)</u>	<u>(12,892,434)</u>
Total expenses		<u>(22,778,147)</u>	<u>(19,599,160)</u>
(Loss) profit before taxation		(6,299,606)	1,016,367
Taxation	19	<u>(222,517)</u>	<u>(611,852)</u>
Net (loss) profit, being total recognised income for the year		<u>(6,522,123)</u>	<u>404,515</u>

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

EXPORT IMPORT BANK OF TRINIDAD AND TOBAGO LIMITED

Statement of Changes in Equity

Year ended December 31, 2017

(Expressed in Trinidad and Tobago Dollars)

	Note	Stated Capital	Special Reserve	Statutory Surplus Reserve	Retained Earnings	Total
		\$	\$	\$	\$	\$
Balance as at January 1, 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 December 31, 2017		<u>194,934,000</u>	<u>441,375</u>	<u>615,612</u>	<u>4,002,618</u>	<u>199,993,605</u>
Balance as at January 1, 2016		194,934,000	441,375	615,612	10,120,226	206,111,213
Net profit for the year		-	-	-	404,515	404,515
Balance as at December 31, 2016		<u>194,934,000</u>	<u>441,375</u>	<u>615,612</u>	<u>10,524,741</u>	<u>206,515,728</u>

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

EXPORT IMPORT BANK OF TRINIDAD AND TOBAGO LIMITED

Statement of Cash Flows

Year ended December 31, 2017

(Expressed in Trinidad and Tobago Dollars)

	2017	2016
	\$	\$
OPERATING ACTIVITIES:		
(Loss) profit before taxation	(6,299,606)	1,016,367
<i>Non-cash items</i>		
Amortisation of discounts on investments		(754,623)
Depreciation	1,583,678	1,648,602
Loss on foreign exchange translation	1,908,155	-
Gain on disposal of property and equipment	(1,704)	(150,261)
Unexpired risk	-	(129)
Loan loss provision expense	10,949,219	6,706,726
	<u>8,139,742</u>	<u>8,466,682</u>
Changes in non-cash working capital amounts:		
Net change in accounts receivable and prepayments	49,699,233	(61,049,175)
Net change in accounts payable and accruals	(10,819,914)	(883,201)
Taxation paid	<u>(222,517)</u>	<u>(1,583,302)</u>
Cash from (used in) operating activities	<u>46,796,544</u>	<u>(55,048,996)</u>
INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,180,484)	(3,801,769)
Proceeds from disposal of property and equipment (net)	290,919	269,447
Proceeds from redemption of held-to-maturity investments	-	1,631,000
Cash used in investing activities	<u>(889,565)</u>	<u>(1,901,322)</u>
FINANCING ACTIVITIES:		
Net change in lines of credit	(10,299,400)	-
Purchase of held-to-maturity investments	<u>878,527</u>	<u>37,287,061</u>
Cash (used in) from financing activities	<u>(9,420,873)</u>	<u>37,287,061</u>
Net change in cash and cash equivalents	36,486,107	(19,663,257)
Cash and cash equivalents, beginning of year	<u>40,585,546</u>	<u>60,248,803</u>
Cash and cash equivalents, end of year	<u><u>77,071,652</u></u>	<u><u>40,585,546</u></u>

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

EXPORT IMPORT BANK OF TRINIDAD AND TOBAGO LIMITED

Notes to Financial Statements

December 31, 2017

(Expressed in Trinidad and Tobago Dollars)

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 July 30, 2018.

EXPORT IMPORT BANK OF TRINIDAD AND TOBAGO LIMITED

Notes to Financial Statements

December 31, 2017

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies

(a) Basis of preparation

These financial statements are prepared under the historical cost convention, comply with International Financial Reporting Standards (IFRSs), and are stated in Trinidad and Tobago dollars, rounded to the nearest dollar.

The preparation of the financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the income and expenses during the reporting period. Actual results could differ from those estimates.

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

(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 Company 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.

Amendments to IAS 12, *Income Taxes*, clarifies the following:

The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.

A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.

Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.

An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

EXPORT IMPORT BANK OF TRINIDAD AND TOBAGO LIMITED

Notes to Financial Statements

December 31, 2017

(Expressed in Trinidad and Tobago Dollars)

3. Summary of Significant Accounting Policies (continued)

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

Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

The adoption of these amendments did not result in any change to the presentation and disclosures in the financial statements.

(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 9, Financial instruments, addresses the classification, measurement and derecognition of financial assets and financial liabilities. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted however has not been exercised. The initial application of IFRS 9 will have a material impact on the financial statements. The Bank has not yet completed its assessment of this potential impact.

- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 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.

EXPORT IMPORT BANK OF TRINIDAD AND TOBAGO LIMITED

Notes to Financial Statements

December 31, 2017

(Expressed in Trinidad and Tobago Dollars)

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	-	20%
Office Furniture	-	20%
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 Profit or Loss.

(e) 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.

EXPORT IMPORT BANK OF TRINIDAD AND TOBAGO LIMITED

Notes to Financial Statements

December 31, 2017

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

(f) 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 at each Statement of Financial Position date.

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 losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that 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.

EXPORT IMPORT BANK OF TRINIDAD AND TOBAGO LIMITED

Notes to Financial Statements

December 31, 2017

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

(g) 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 becoming probable that the borrower will enter into bankruptcy or other financial reorganization.
- 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.

EXPORT IMPORT BANK OF TRINIDAD AND TOBAGO LIMITED

Notes to Financial Statements

December 31, 2017

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

(g) 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 Profit or Loss.

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 Profit or Loss.

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 Profit or Loss. These losses are not reversed.

EXPORT IMPORT BANK OF TRINIDAD AND TOBAGO LIMITED

Notes to Financial Statements

December 31, 2017

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

(h) 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 Profit or Loss.

(i) Provisions

Provisions are recognised when there is a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(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 at the rate of 2% on the invoiced values of insurance contracts entered into during the year whose insurable risk extends into the following financial year.

Outstanding Claims

Outstanding claims are stated net of recoveries, with full provision made on all claims incurred but not settled during the year.

EXPORT IMPORT BANK OF TRINIDAD AND TOBAGO LIMITED

Notes to Financial Statements

December 31, 2017

(Expressed in Trinidad and Tobago Dollars)

2. Summary of Significant Accounting Policies (continued)

(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 Profit or Loss.

(l) Income recognition

All income is recognised on the accruals basis with the exception of interest on non-performing loans, which are recorded when received.

(m) Statutory reserve

Under the provisions of the Insurance Act 1980, the Bank is required to appropriate towards surplus 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) 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 - 25% 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.

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.

EXPORT IMPORT BANK OF TRINIDAD AND TOBAGO LIMITED

Notes to Financial Statements

December 31, 2017

(Expressed in Trinidad and Tobago Dollars)

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 in the process of applying the Bank's accounting policies.

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 Profit or Loss 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 investments are classified as held-to-maturity investments or loans and receivables.
- ii) Whether leases are classified as operating leases or finance leases.
- iii) 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:

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3. Critical Judgments in Applying Accounting Policies and Key Sources of Estimation Uncertainty (continued)

(c) Key assumptions (continued)

i) Impairment of assets

Management assesses at each Statement of Financial Position date whether assets are impaired. An asset is impaired when the carrying value is greater than its recoverable amount and there is objective evidence of impairment. Recoverable amount is the present value of the future cash flows. Provisions are made for the excess of the carrying value over its recoverable amount.

ii) Property and equipment

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

	2017	2016
	\$	\$
Cash	3,000	3,000
Citibank Trinidad and Tobago Limited	-	52,862
Republic Bank Limited	5,169,112	3,261,147
RBC Royal Bank (Trinidad and Tobago) Limited	2,781,010	2,044,842
Scotiabank (Trinidad and Tobago) Limited	5,334,640	4,634,570
Cash in hand and at bank	13,287,762	9,996,421
Guardian Asset Management Limited	27,065	255,949
Trinidad and Tobago Unit Trust Corporation	63,756,825	30,333,176
Money market funds	63,783,890	30,589,125
	77,071,652	40,585,546

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5. Loans and Receivables

	<u>2017</u>	<u>2016</u>
	\$	\$
Raw Materials and Asset Financing (See (i) below)	382,221,645	421,430,190
Trade Discounting (See (ii) below)	5,757,655	6,528,663
SWAP receivable	7,450,682	-
Interest receivable	<u>21,682,341</u>	<u>19,856,757</u>
	417,112,323	447,815,610
Less provisions for impairment:		
Raw Materials and Asset Financing	<u>(40,574,063)</u>	<u>(29,624,844)</u>
	<u>376,538,260</u>	<u>418,190,766</u>

Provisions for Impairment:

Balance at beginning of year	29,624,844	23,071,400
Provisions for bad debts	10,949,219	6,706,726
Bad debts written off	<u>-</u>	<u>(153,282)</u>
Balance at end of year	<u>40,574,063</u>	<u>29,624,844</u>

(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.

6. Other Assets

	<u>2017</u>	<u>2016</u>
	\$	\$
Insurance premium receivable	244,179	166,193
Interest receivable – investments	7,498	9,162
Other receivables	1,985,082	3,981,237
Prepaid expenses	<u>511,960</u>	<u>1,096,327</u>
	<u>2,748,719</u>	<u>5,252,919</u>

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7. Held-to-Maturity Investments

	<u>2017</u>	<u>2016</u>
	\$	\$
Colonial Life Insurance Company Limited (current)	<u>1,550,600</u>	<u>1,550,600</u>
Colonial Life Insurance Company Limited (non - current)	14,170,872	15,049,400
Government of the Republic of Trinidad and Tobago 7.75% bonds (2024)	<u>1,550,600</u>	<u>1,550,600</u>
	<u>15,721,472</u>	<u>16,600,000</u>
Total	<u>17,272,072</u>	<u>18,150,600</u>

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 Limited 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 **\$1,631,000** were received during the years ended 31 December 2013, 2014, 2015 and 2016.

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8. Property and Equipment

Cost

	Leasehold Property \$	Office Furniture and Equipment \$	Computer Equipment and Software \$	Motor Vehicles \$	Work-In Progress \$	Total \$
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
Transfers	-	(5,299)	(51,403)	(575,000)	-	(631,702)
Disposals	-	-	-	-	-	-
At 31 December 2017	6,144,402	2,130,004	10,912,299	1,666,889	3,494,638	24,348,232

Accumulated Depreciation

	Leasehold Property \$	Office Furniture and Equipment \$	Computer Equipment and Software \$	Motor Vehicles \$	Work-In Progress \$	Total \$
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

	Leasehold Property \$	Office Furniture and Equipment \$	Computer Equipment and Software \$	Motor Vehicles \$	Work-In Progress \$	Total \$
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

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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 2016	5,203,727	1,648,964	10,468,482	1,864,678	1,933,338	21,119,189
Additions	189,437	958,754	62,589	993,890	1,597,099	3,801,769
Transfers	751,237	-	-	-	(751,237)	-
Disposals	-	(479,423)	(25,407)	(616,679)	-	(1,121,509)
At 31 December 2016	6,144,401	2,128,295	10,505,664	2,241,889	2,779,200	23,799,449
Accumulated Depreciation						
At 1 January 2016	1,551,329	1,238,536	6,976,509	653,515	-	10,419,889
Charge for the year	285,927	197,600	602,750	562,325	-	1,648,602
Disposals	-	(464,333)	(24,030)	(513,959)	-	(1,002,322)
At 31 December 2016	1,837,256	971,803	7,555,229	701,881	-	11,066,169
Net Book Value						
At 31 December 2016	4,307,145	1,156,492	2,950,435	1,540,008	2,779,200	12,733,280
At 31 December 2015	3,652,398	410,428	3,491,973	1,211,163	1,933,338	10,699,300

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9. Accounts Payable and Accruals

	<u>2017</u>	<u>2016</u>
	\$	\$
Accrued income	87,745	196,232
Audit fee	252,456	232,775
Amounts due to exporters	59,840	62,709
Interest payable	1,539,255	1,312,091
Deferred income - Portal	729,265	715,900
Marine insurance	15,380	15,380
SWAP receivable	7,450,682	-
Other payables	2,465,655	2,447,502
	<u>12,599,978</u>	<u>4,982,589</u>

10. Lines of Credit

	<u>2017</u>	<u>2016</u>
	\$	\$
Scotiabank (Trinidad and Tobago) Limited	74,375,000	103,474,400
Banco Latinamericano de Exportaciones (Bladex)	132,000,000	96,000,000
RBC Royal Bank (Trinidad and Tobago) Limited	-	19,200,000
First Caribbean International Bank	66,000,000	64,000,000
	<u>272,375,000</u>	<u>282,674,400</u>

11. Deferred Taxation

The movement in the deferred taxation account is as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Balance at beginning of year – (liability) asset	628,300	263,866
Effect on Statement of Profit or Loss	-	364,434
Balance at end of year – liability	<u>628,300</u>	<u>628,300</u>
Deferred taxation is attributable to:		
Excess of net book value over written down tax value	<u>628,300</u>	<u>628,300</u>

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12. Stated Capital

	<u>2017</u>	<u>2016</u>
	\$	\$
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	<u>194,934,000</u>	<u>194,934,000</u>

13. Special Reserve

An amount of **\$450,000** was allocated to EXIMBANK 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. No related expenses were incurred during the years ended 31 December 2016 and 2015.

14. Interest Income

	<u>2017</u>	<u>2016</u>
	\$	\$
Income from raw material and asset financing	18,600,260	22,019,908
Income from trade discounting	<u>591,477</u>	<u>1,112,117</u>
	<u>19,191,737</u>	<u>23,132,025</u>

15. Results on Insurance Operations

Insurance premium written	<u>2,009,538</u>	<u>1,566,172</u>
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16. Unexpired Risk Adjustment

The unexpired risk on insurance contracts is calculated at 2% of the invoiced values on Insurance Contracts.

	<u>2017</u>	<u>2016</u>
	\$	\$
17. Other Income		
Bad debts recovery	275,000	90,000
Gain on foreign exchange	2,006,112	725,655
Staff loan interest	1,007	539
Gain on disposal of Property and equipment	1,706	148,065
Agency fees - TTTBDL (net) (See Below)	123,000	121,500
Deferred income	-	-
Other income	<u>162,141</u>	<u>-</u>
	<u>2,568,966</u>	<u>1,085,759</u>
Agency fees (net) -		
Agency fee income	420,000	420,000
Agency fee expenditure	<u>(297,000)</u>	<u>(298,500)</u>
	<u>123,000</u>	<u>121,500</u>

18. General and Administrative Expenses

General and administrative expenses include the following:

	<u>2017</u>	<u>2016</u>
	\$	\$
Building occupancy and equipment	2,613,106	2,666,765
Communications	222,899	244,681
General administrative expenses	8,357,652	8,875,605
Other business expenses	<u>635,271</u>	<u>1,105,383</u>
	<u>11,828,928</u>	<u>12,892,434</u>

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	<u>2017</u>	<u>2016</u>
	\$	\$
19. Taxation		
Corporation Tax	(148,315)	(164,945)
Green Fund Levy	(74,202)	(82,473)
Deferred Taxation	-	(364,434)
	<u>(222,517)</u>	<u>(611,852)</u>

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:

	<u>2017</u>	<u>2016</u>
	\$	\$
Net income before taxation	<u>(6,299,606)</u>	<u>982,137</u>
Tax calculated at 25%	(1,574,902)	(245,534)
Exempt income	-	68,352
Expenses not deductible for tax purposes	1,426,587	(352,197)
Green Fund Levy	<u>(74,202)</u>	<u>(82,473)</u>
	<u>(222,517)</u>	<u>(611,852)</u>

20. 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:

	<u>2017</u>	<u>2016</u>
	\$	\$
a) Income		
Agency Fees - TTTBDL (net)	<u>123,000</u>	<u>121,500</u>
b) Expenses		
Directors fees and travelling	<u>378,000</u>	<u>312,054</u>
c) Key management compensation		
Short term benefits	3,221,106	2,933,939
Post-employment benefits	<u>292,290</u>	<u>296,910</u>
	<u>3,513,396</u>	<u>3,230,849</u>

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21. Risk Management

The Bank has established a framework for managing 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 analyze 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 an obligation 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.

ii) Credit risk measurement

1. *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. This is implemented and monitored by the Credit Department.

2. *Collateral*

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

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21. Risk Management (continued)

(a) Credit risk (continued)

iii) Provisioning policies

Loan loss provisions are set aside to cover potential losses in respect of loans that are not performing satisfactorily. These provisions are reviewed annually or as the circumstance require and recommendations are made and submitted to the Board 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.

iv) Credit risk exposure

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements:

	<u>2017</u>	<u>2016</u>
	<u>Gross maximum exposure</u>	<u>Gross maximum exposure</u>
	\$	\$
Cash and cash equivalents	77,071,652	40,585,546
Loans and receivables	376,538,260	418,190,766
Other Assets	2,748,719	5,252,919
Held-to-maturity investments	17,272,072	18,150,600
	<u>473,630,704</u>	<u>482,179,831</u>

The table above represents the worst case scenario of current credit risk exposure without taking account of any collateral and other credit enhancements.

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21. Risk Management (continued)

(a) Credit risk (continued)

iv) Credit risk exposure (continued)

Loans to customers

	<u>2017</u>	<u>2016</u>
	\$	\$
Neither past due nor impaired (1)	290,920,574	337,092,877
Past due but not impaired (2)	101,124,699	100,153,986
Individually impaired (3)	<u>25,067,049</u>	<u>10,568,747</u>
Gross	417,112,323	447,815,610
Less: Provision for impairment	<u>(40,574,063)</u>	<u>(29,624,844)</u>
Net	<u>376,538,260</u>	<u>418,190,766</u>

1. Neither past due nor impaired

The composition of the portfolio of loans to customers that were neither past due nor impaired is illustrated below by loan type.

	<u>2017</u>	<u>2016</u>
	\$	\$
Raw Material and Asset Financing	278,970,556	333,071,677
Trade Discounting	4,499,336	4,021,200
SWAP Receivable	<u>7,450,682</u>	<u>-</u>
Total loans to customers	<u>290,920,574</u>	<u>337,092,877</u>

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21. Risk Management (continued)

(a) Credit risk (continued)

iv) Credit risk exposure (continued)

2. Past due but not impaired

Loans to customers less than ninety (90) days past due are not considered impaired, unless other information is available to indicate otherwise. Gross amount of loans to customers that were past due but not impaired are as follows:

December 31, 2017	Up to 30 days	30-60 days	60-90 days	90 days	Total
	\$	\$	\$	\$	\$
Raw Material and Asset Financing	10,259,361	1,831,870	43,230	87,616,894	99,751,355
Trade Discounting	-	-	-	1,373,345	1,373,345
Total loans to customers	<u>10,259,361</u>	<u>1,831,870</u>	<u>43,230</u>	<u>88,990,238</u>	<u>101,124,699</u>

December 31, 2016	Up to 30 days	30-60 days	60-90 days	90 days	Total
	\$	\$	\$	\$	\$
Raw Material and Asset Financing	10,029,700	1,692,525	40,832	86,641,096	98,404,153
Trade Discounting	-	-	-	1,749,833	1,749,833
Total loans to customers	<u>10,029,700</u>	<u>1,692,525</u>	<u>40,832</u>	<u>88,390,929</u>	<u>100,153,986</u>

3. Individually impaired

	2017	2016
	\$	\$
Gross amount	25,067,049	10,568,747
Allowance for impairment	(22,839,376)	(5,544,886)
Carrying Amount	<u>2,227,673</u>	<u>5,023,861</u>

(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.

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21. Risk Management (continued)

(b) Market risk (continued)

(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 2016 and 31 December 2015, in their original currencies, were as follows:

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
Held-to-maturity investments	17,272,072	-	17,272,072
	<u>184,759,163</u>	<u>286,122,821</u>	<u>470,881,984</u>
Liabilities			
Accounts payable and accruals	12,599,978	-	12,599,978
Lines of credit	25,700,000	246,675,000	272,375,000
	<u>38,299,978</u>	<u>246,675,000</u>	<u>284,974,978</u>
31 December 2016	TTD \$	USD \$	Total \$
Assets			
Cash and cash equivalents	4,904,490	35,681,056	40,585,546
Loans and receivables	159,955,994	258,234,773	418,190,767
Held-to-maturity investments	18,150,600	-	18,150,600
	<u>183,011,084</u>	<u>293,915,829</u>	<u>476,926,913</u>
Liabilities			
Accounts payable and accruals	4,982,589	-	4,982,589
Lines of credit	30,700,000	251,974,400	282,674,400
	<u>35,682,589</u>	<u>251,974,400</u>	<u>287,656,989</u>

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December 31, 2017

(Expressed in *Trinidad and Tobago Dollars*)

21. 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 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	2,842,712	26,769,224	33,371,705	96,911,100	376,538,260
Held to maturity investments	-	-	1,585,556	5,714,606	9,971,910	17,272,072
Total Assets	293,715,170	2,842,712	28,354,780	39,086,313	106,883,010	470,881,985
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	2,842,712	(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	-

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21. Risk Management (continued)

(b) Market risk (continued)

(ii) Interest rate risk

31 December 2016	Up to 30 days	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
	\$	\$	\$	\$	\$	\$
Assets						
Cash and cash equivalents	40,585,546	-	-	-	-	40,585,546
Loans to customers	190,310,973	28,535,288	52,615,353	34,351,538	112,377,615	418,190,767
Held to maturity investments	-	-	1,550,600	5,802,336	10,797,664	18,150,600
Total Assets	230,896,519	28,535,288	54,165,953	40,153,874	123,175,279	476,926,913
Liabilities						
Lines of credit	-	35,814,400	150,860,000	96,000,000	-	282,674,400
Total Liabilities	-	35,814,400	150,860,000	96,000,000	-	282,674,400
Net Gap	230,896,519	(7,279,112)	(96,694,047)	(55,846,126)	123,175,279	194,252,513
Cumulative Gap	230,896,519	223,617,407	126,923,360	71,077,234	194,252,513	-

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21. 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 2014 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 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	106,883,011	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	-

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21. Risk Management (continued)

(c) Liquidity risk (continued)

31 December 2016	Up to 30 days	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
	\$	\$	\$	\$	\$	\$
Total Assets	230,896,519	28,535,288	54,165,953	40,153,874	123,175,279	476,926,913
Total Liabilities	-	35,814,400	150,860,000	96,000,000	-	282,674,400
Net Gap	230,896,519	(7,279,112)	(96,694,047)	(55,846,126)	123,175,279	194,252,513
Cumulative Gap	230,896,519	223,617,407	126,923,360	71,077,234	194,252,513	-

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21. 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 Operational Risk 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.

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22. 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 – 76% of Loan Portfolio
- b. Assets that are priced beneath prevailing market rates – 24% 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 December 31, 2017.

(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.

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22. 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.

There were no transfers of financial instruments between levels during the year, neither were there any changes in the categorization from the prior year.

(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 December 31, 2017					
<i>Assets</i>					
Loans and receivables	-	376,538,260	-	365,220,330	376,538,260
Held-to-maturity investments	-	17,272,072	-	17,272,072	17,272,072

	Level 1	Level 2	Level 3	Fair Value	Carrying Amount
	\$	\$	\$	\$	\$
As at December 31, 2016					
<i>Assets</i>					
Loans and receivables	-	418,190,766	-	403,013,705	418,190,766
Held-to-maturity investments	-	18,150,600	-	19,011,020	18,150,600

23. 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.

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24. Capital Commitments:

The Bank has no capital commitments at the year end.

25. Subsequent Event:

In July 2018 the Bank received the first tranche of its new foreign exchange facility as mandated by the Government of the Republic of Trinidad and Tobago.