Export-Import Bank of Trinidad and Tobago Limited

Financial Statements

31 December 2023

(Expressed in Trinidad and Tobago Dollars)

Export-Import Bank of Trinidad and Tobago Limited

Contents **Page**

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 2023, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policy information 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 IFRS Accounting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where IFRS Accounting 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	Anthony Mohammed
Chief Executive Officer	Chief Financial Officer
19 March 2024	19 March 2024

Independent auditor’s report

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

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 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Bank’s financial statements comprise:

- the statement of financial position as at 31 December 2023;
- 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, comprising material accounting policy information and other explanatory information.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 Management discussion and analysis (but does not include the financial statements and our auditor’s report thereon), which is expected to be made available to us after the date of this auditor’s report.

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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor’s responsibilities for the audit of the financial statements (continued)

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
19 March 2024

Export-Import Bank of Trinidad and Tobago Limited

Statement of Financial Position

(Expressed in Trinidad and Tobago Dollars)

	Notes	As at 31 December 2023 $	2022 $
Assets			
Cash and cash equivalents	4	236,354,488	258,216,614
Loans and receivables	5	266,718,472	272,161,704
Corporation tax receivable		187,709	187,709
Other assets	6	1,888,214	1,606,619
Investments	7	11,597,509	12,603,894
Property and equipment	8(a)	2,823,855	5,503,195
Intangible assets	8(b)	1,596,925	1,669,067
Right-of-use assets	9	137,498	145,359
Total assets		521,304,670	552,094,161
Liabilities			
Accounts payable and accruals	11	42,978,846	40,756,231
Lines of credit	12	95,175,000	212,625,000
Taxation payable		3,588,235	7,726,354
Lease liabilities	14	150,017	155,818
Deferred tax liabilities	15	765,224	43,703
Deferred income	16	1,669,790	2,108,040
Total liabilities		144,327,112	263,415,146
Shareholder's equity			
Stated capital	17	297,934,000	297,934,000
Special reserve	18	441,375	441,375
Statutory surplus reserve		615,612	615,612
Accumulated surplus/(deficit)		77,986,571	(10,311,972)
Total shareholder's equity		376,977,558	288,679,015
Total liabilities and shareholder's equity		521,304,670	552,094,161

The notes on pages 9 to 46 are an integral part of these financial statements.

On 19 March 2024, 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 2023 $	2022 $
Interest income	19	19,725,487	19,889,968
Interest expense		(9,142,979)	(9,103,032)
Net interest income		10,582,508	10,786,936
Revenue from Forex Programs	20	129,638,831	92,632,957
Other income	20	6,312,613	5,958,666
		135,951,444	98,591,623
Total net income		146,533,952	109,378,559
Impairment writeback/(expense)	10	5,493,236	(2,859,259)
General and administrative expenses	21	(22,879,034)	(25,920,743)
Total expenses		(17,385,798)	(28,780,002)
Profit before taxation		129,148,154	80,598,557
Taxation	22	(40,849,611)	(24,319,248)
Profit for the year		88,298,543	56,279,309
Other comprehensive income for the year, net of tax		--	--
Total comprehensive income for the year		88,298,543	56,279,309

The notes on pages 9 to 46 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 surplus/(deficit) $	Total $
Balance as at 1 January 2023	297,934,000	441,375	615,612	(10,311,972)	288,679,015
Total comprehensive income for the year	--	--	--	88,298,543	88,298,543
Balance as at 31 December 2023	297,934,000	441,375	615,612	77,986,571	376,977,558
Balance as at 1 January 2022	297,934,000	441,375	615,612	(66,591,281)	232,399,706
Total comprehensive income for the year	--	--	--	56,279,309	56,279,309
Balance as at 31 December 2022	297,934,000	441,375	615,612	(10,311,972)	288,679,015

The notes on pages 9 to 46 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 2023 $	2022 $
Cash flows from operating activities			
Profit before taxation		129,148,154	80,598,557
Non-cash items			
Depreciation	8(a), (b)	4,369,161	2,008,834
Depreciation – ROU Assets	9	7,861	7,860
Impairment (writeback) - investments	7	(2,267)	(5,006)
Impairment (writeback)/charge - loans	5	(5,418,990)	2,534,314
Impairment (writeback)/charge - other receivables		(71,979)	329,951
Gain on disposal of property and equipment		(100,807)	(16,305)
Interest expense on lease liability		6,200	6,430
Government subvention		(438,250)	(67,200)
		127,499,083	85,397,435
Changes in non-cash working capital amounts:			
Net change in loans and receivables		10,652,606	(40,151,551)
Net change in accounts payable and accruals		2,222,615	21,814,768
Taxation paid		(44,266,209)	(11,021,303)
Net cash inflow from operating activities		96,108,095	56,039,349
Cash flows from investing activities			
Payments for property and equipment	8	(1,854,634)	(1,170,651)
Proceeds from disposal of property and equipment		337,762	122,028
Proceeds from disposal of investments	7	1,008,652	976,003
Net cash outflow from investing activities		(508,220)	(72,620)
Cash flows from financing activities			
Net change in lines of credit	12	(117,450,000)	24,300,000
Repayment of lease liability		(5,801)	(5,570)
Interest payment on lease liability		(6,200)	(6,430)
Net cash (outflow)/inflow from financing activities		(117,462,001)	24,288,000
Net (decrease)/increase in cash and cash equivalents		(21,862,126)	80,254,729
Cash and cash equivalents, beginning of year		258,216,614	177,961,885
Cash and cash equivalents at end of year		236,354,488	258,216,614

The notes on pages 9 to 46 are an integral part of these financial statements.

1 Incorporation and principal activities

Export-Import Bank of Trinidad and Tobago Limited (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
4. Registered Insurer

EXIMBANK is primarily involved in providing banking facilities, which include foreign exchange sales, raw material and asset financing and other trade related services to exporters. Other services include the discounting of bills in respect of goods exported from Trinidad and Tobago on credit terms.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, except as described below.

a. *Basis of preparation*

These financial statements comply with IFRS Accounting 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. These financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

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

a. *Basis of preparation (continued)*

(i) *New standards and amendments/revisions to published standards and interpretations effective in 2023*

The following new standards, amendments and interpretations are mandatory for the Bank's accounting periods beginning on or after 1 January 2023:

- *IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 – Disclosure of Accounting Policies*. The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.
- *IAS 8 - Definition of Accounting Estimates*. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The amendment had no material impact on the financial statements of the Bank.

(ii) *New standards and amendments/revisions to published standards and interpretations effective in 2023 but not applicable to the Bank*

The following new IFRS amendments that have been issued do not apply to the activities of the Bank:

- IFRS 17 Insurance Contracts

(iii) *New standards, interpretations and revised or amended standards that are not yet effective and have not been early adopted by the Bank*

The following is a list of new IFRS standards, interpretations and amendments issued that are not yet effective as at 31 December 2023 and have not been early adopted by the Bank.

Effective 1 January 2024:

- IAS 1 Classification of Liabilities as Current or Non-current
- IAS 7 and IFRS 7 Supplier finance arrangements
- IFRS 16 Lease Liability in a Sale and Leaseback
- IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture

Amendments Postponed:

- IFRS 10 and IAS 28 - Amendments - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - In December 2015, the IASB deferred the effective date of the amendments until such time it has finalised any amendments that result from its research project on the equity method of accounting.

The Bank is currently evaluating the impact of these amendments; however, they are not expected to have a material impact on the Bank's financial statements.

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

b. *Leases*

The Bank leases:

- A building for office accommodation from the Government of the Republic of Trinidad and Tobago (GORTT). The lease was renewed for a period of twenty years with an expiration date of 8 June 2041.
- Additional office accommodation from Albertwood Limited. The lease commenced on 1 November 2023 for a term of three years.

These leased assets are not used as security for borrowing purposes.

(i) *Measurement of lease liability*

- The lease payments are discounted using the Bank's incremental borrowing rate at 31 December 2023.
- Lease payments are allocated between principal and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) *Measurement of right-of-use assets (Refer to note 9 leases)*

- Right-of-use assets are measured at cost which is the amount of the initial measurement of the lease liability.
- Right-of-use assets are depreciated over the lease term on a straight-line basis.

c. *Property and equipment*

Property and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided using the straight-line method. No depreciation is provided on capital work-in-progress. The following rates are considered appropriate to depreciate the assets over their estimated useful lives:

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

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.

d. *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

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

d. *Intangible assets (continued)*

Software (continued)

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

Computer software	-	12.50%

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.

i. *Financial assets*

(a) *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. 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 as fair value through profit and loss (FVTPL) are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in Note 5. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

(a) *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 measures the portfolio at amortised cost.

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

e. *Financial instruments (continued)*

i. *Financial assets (continued)*

(b) *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.

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

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.

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

e. *Financial instruments (continued)*

ii. *Financial liabilities*

Classification and subsequent measurement

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

Derecognition

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

f. *Loan commitments*

Loan commitments provided by the Bank are measured at the amount of the loss allowance (calculated as described in Note 24 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.

g. *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.

h. *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 includes transaction costs, premium, discounts and fees paid or received that are integral to the effective interest rate, such as commitment fees.

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

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

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

i. *Revenue from Forex Programs*

As an authorised foreign currency distributor, EXIMBANK recognises income (handling fees, trading gains and wire transfer fees) for the Forex Allocation System (FAS) and Forex Manufacturing facilities. These facilities predominantly assist qualifying customers with the purchase of essential items in US dollars as well as payment of shipping costs, equipment financing (X-Loan) and trade financing, all in US dollars. Income (handling fees, trading gains and wire transfer fees) is recognised on an accruals basis when the customer agreement has been approved.

j. *Fee and commission income*

Fees and commission are earned on issuance of loans and are recognised on an accrual basis when the service has been provided. Revenue related to these transactions are recognised at the point in time when the transaction takes place.

k. *Statutory reserve*

Under the provisions of the Insurance Act 2018, 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.

l. *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 year ended 31 December 2023.

m. *Current taxation*

Current income tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Bank's liability for current tax is calculated at tax rates that have been enacted or substantively enacted at the date of the Statement of Financial Position.

Taxation comprises Corporation Tax or Business 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.

2 Summary of significant accounting policies (continued)

n. *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 tax 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.

o. *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 the Statement of Comprehensive Income 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.

p. *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between proceeds net of transactions costs and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

q. *Share capital*

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

r. *Cash and cash equivalents*

Cash and cash equivalents represent cash in hand, cash in transit, money market placements and demand deposits. Cash equivalents are primarily short-term highly liquid investments with original purchased maturities of 90 days or less.

Cash and cash equivalents are carried at amortised cost on the Statement of Financial Position.

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.

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

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

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 24.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

	2023 $	2022 $
Cash	3,000	3,000
Republic Bank Limited	1,879,416	1,061,356
RBC Royal Bank (Trinidad & Tobago) Limited	2,160,161	2,178,831
Scotiabank Trinidad and Tobago Limited	1,718,277	2,965,298
First Citizens Bank Limited	15,954	14,340
CIBC FirstCaribbean International Bank Limited	219,559,311	230,154,171
Cash in hand and at bank	235,336,120	236,376,996
Guardian Asset Management Mutual Funds		
– TTD Monthly Income Fund	223,555	73,477
Trinidad and Tobago Unit Trust Corporation	794,813	21,766,141
Money market funds	1,018,368	21,839,618
Cash and cash equivalents	236,354,488	258,216,614

5 Loans and receivables

The loan notes due to the Bank comprise the following:

	2023	2022
Raw materials and asset financing (See (i) below)	295,133,582	307,465,834
Trade discounting (See (ii) below)	6,390,693	6,434,844
Interest receivable	5,580,249	6,459,582
	307,104,524	320,360,260
Less loss allowance	(40,386,052)	(48,198,556)
	266,718,472	272,161,704
Allowance for loan losses		
Allowance at beginning of the year	48,198,556	54,916,686
Loan loss release	(5,418,990)	(748,220)
Charge for the year	--	3,282,534
Write off	(2,393,514)	(9,252,444)
Allowance at the end of year	40,386,052	48,198,556

(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	2023 $	2022 $
Loans – Stages 1 and 2	269,036,996	278,131,056
Loans – Stage 3	38,067,528	42,229,204
	307,104,524	320,360,260
Allowance for loan losses	(40,386,052)	(48,198,556)
Total credit risk exposure	266,718,472	272,161,704
Loans analysed by sector		
Food and beverage	86,760,259	86,469,653
Consumer goods	86,623,530	89,883,926
Pulp, paper, plastics and packaging	87,451,888	86,987,376
Media products and services	5,882,795	8,820,749
	266,718,472	272,161,704
Current portion	142,237,475	214,715,664
Non-current portion	124,480,997	57,446,040
Total credit risk exposure	266,718,472	272,161,704

6 Other assets

Prepaid expenses	1,421,881	1,144,120
Other receivables	436,909	433,424
Interest receivable - investments	29,424	28,951
Other receivables - Forex	--	124
	1,888,214	1,606,619

7 Investments

Securities of/or guaranteed by the Government of the Republic of Trinidad and Tobago	11,626,192	12,634,845
Less loss allowance	(28,683)	(30,951)
	11,597,509	12,603,894
Current portion	1,557,528	1,561,883
Non-current portion	10,039,981	11,042,011
	11,597,509	12,603,894
Balance at beginning of the year	12,603,894	13,574,891
Maturities	(1,008,652)	(976,003)
Charge back	2,267	5,006
Balance at end of year	11,597,509	12,603,894

7 **Investments (continued)**

	2023 $	2022 $
Colonial Life Insurance Company Limited (current)	1,557,528	1,561,883
Colonial Life Insurance Company Limited (non - current)	8,493,207	9,495,209
Government of the Republic of Trinidad and Tobago 7.75% bonds (2024)	1,546,774	1,546,802
	10,039,981	11,042,011
Total	11,597,509	12,603,894

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 $	Motor vehicles $	Work-in progress $	Total $
Cost						
At 1 January 2023	7,168,737	2,780,553	1,277,276	1,979,699	--	13,206,265
Additions	--	41,805	379,968	1,192,700	14,063	1,628,536
Disposals	--	(17,656)	(35,021)	(1,629,250)	--	(1,681,927)
At 31 December 2023	7,168,737	2,804,702	1,622,223	1,543,149	14,063	13,152,874
Accumulated depreciation						
At 1 January 2023	3,915,513	2,222,101	250,111	1,315,345	--	7,703,070
Charge for the year	3,253,224	258,313	156,543	402,841	--	4,070,921
Disposals	-	(13,104)	(23,514)	(1,408,354)	--	(1,444,972)
At 31 December 2023	7,168,737	2,467,310	383,140	309,832	--	10,329,019
Net book value						
At 31 December 2023	--	337,392	1,239,083	1,233,317	14,063	2,823,855
At 31 December 2022	3,253,224	558,452	1,027,165	664,354	--	5,503,195
Cost						
At 1 January 2022	7,159,837	2,779,681	1,509,364	1,900,949	--	13,349,831
Additions	8,900	29,766	85,388	337,500	--	461,554
Transfers	--	(17,570)	17,570	--	--	--
Disposals	--	(11,324)	(335,046)	(258,750)	--	(605,120)
At 31 December 2022	7,168,737	2,780,553	1,277,276	1,979,699	--	13,206,265
Accumulated depreciation						
At 1 January 2022	3,657,302	1,974,464	446,896	1,111,014	--	7,189,676
Charge for the year	258,211	258,961	134,960	360,659	--	1,012,791
Disposals	--	(11,324)	(331,745)	(156,328)	--	(499,397)
At 31 December 2022	3,915,513	2,222,101	250,111	1,315,345	--	7,703,070
Net book value						
At 31 December 2022	3,253,224	558,452	1,027,165	664,354	--	5,503,195
At 31 December 2021	3,502,535	805,217	1,062,467	789,935	--	6,160,154

8 (b) **Intangible assets**

	Portal $	Computer software $	Work-in progress $	Total $
Cost				
At 1 January 2023	881,975	12,007,643	473,875	13,363,493
Additions	--	--	226,098	226,098
Transfers	--	699,973	(699,973)	--
At 31 December 2023	881,975	12,707,616	--	13,589,591
Accumulated depreciation				
At 1 January 2023	881,975	10,812,451	--	11,694,426
Charge for the year	--	298,240	--	298,240
At 31 December 2023	881,975	11,110,691	--	11,992,666
Net book value				
At 31 December 2023	--	1,596,925	--	1,596,925
At 31 December 2022	--	1,195,192	473,875	1,669,067
Cost				
At 1 January 2022	881,975	9,844,287	1,928,134	12,654,396
Additions	--	235,222	473,875	709,097
Transfers	--	1,928,134	(1,928,134)	--
At 31 December 2022	881,975	12,007,643	473,875	13,363,493
Accumulated depreciation				
At 1 January 2022	881,975	9,816,408	--	10,698,383
Charge for the year	--	996,043	--	996,043
At 31 December 2022	881,975	10,812,451	--	11,694,426
Net book value				
At 31 December 2022	--	1,195,192	473,875	1,669,067
At 31 December 2021	--	27,880	1,928,134	1,956,014

8 (b) **Intangible assets (continued)**

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%.

9 **Right-of-use assets (Refer to Note 2 (d) for accounting policy)**

	2023 $	2022 $
Cost	176,803	176,803
Less: accumulated depreciation		
At 1 January	(31,444)	(23,584)
Charge for the year	(7,861)	(7,860)
At 31 December	39,305	(31,444)
Net book value at 31 December	137,498	145,359

10 **Impairment write back/(expense)**

	2023 $	2022 $
Loan loss write back/(expense) (Note 5)	5,418,990	(3,282,534)
Other receivables	71,980	(329,951)
Expected credit loss - investments (Note 7)	2,266	5,006
Loan loss release (Note 5)	--	748,220
	5,493,236	(2,859,259)

11 **Accounts payable and accruals**

	2023 $	2022 $
Advances from customers - forex	27,737,748	21,476,825
Salaries payable	10,685,694	14,503,966
Interest payable	2,302,665	2,671,422
Accrued expenses	1,008,063	1,244,226
Other payable	886,824	491,920
Audit fee	231,367	288,300
Deferred income on financing activities	70,164	70,070
Amounts due to exporters	56,321	9,502
	42,978,846	40,756,231

12 Lines of credit

	2023 $	2022 $
CIBC FirstCaribbean International Bank Limited	87,750,000	135,000,000
RBC Royal Bank (Trinidad & Tobago) Limited	6,750,000	20,250,000
Scotiabank Trinidad and Tobago Limited	675,000	57,375,000
	95,175,000	212,625,000

CIBC FirstCaribbean International Bank Limited

(i) US $10M facility which was renewed on 26 January 2024 and matures on 26 January 2025
Collateral: Government guarantee
Repayment: Semi-annually in arrears

(ii) US$10M facility which was renewed from 5 February 2024 and matures on 26 January 2025
Collateral: Government guarantee
Repayment: Semi-annually in arrears

(iii) US$5M and TT$67M dual currency short term revolving credit facility was renewed from 14 March 2024 and matures on 26 January 2025
Collateral: Government guarantee
Repayment: Semi-annually in arrears

Scotiabank Trinidad and Tobago Limited

The balance represents drawdowns from two (2) facilities which continues to be rolled over as follows:

(i) TT$50M or the equivalent amount in US dollars
Collateral: Government guarantee.
Repayment: 30 to 180 days

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

RBC Royal Bank (Trinidad & Tobago) Limited

(i) US$3M facility
Collateral: Unsecured
Repayment: 90 days

13 Forex facility

Forex facility - Manufacturing Sector

GORTT introduced a US Dollar foreign exchange facility to EXIMBANK to facilitate allocation to local manufacturing and exporting companies. Since inception GORTT has allocated US$ 960M to EXIMBANK for this facility. As at 31 December 2023, US$194M is available for drawdown.

13 Forex facility (continued)

Forex facility - Essential Food and Pharmaceuticals

The Government rolled out a Foreign Exchange Facility in March 2020, to facilitate the importation of essential items, including food and pharmaceutical products. Since inception, GORTT has allocated US$1,040M to EXIMBANK for this facility. As at 31 December 2023, US$117M is available for sale.

14 Lease liabilities

The Bank has a lease contract on the building at 30 Queen's Park West. The lease was renewed for a period of twenty years with an expiration date of 8 June 2041. Future rent payable as at 31 December 2023 is as follows:

	2023 $	2022 $
Current	9,612	10,011
Non-current	140,405	145,807
	150,017	155,818

- Interest expense included in the Statement of Comprehensive Income was TT$6,200 (2022 – TT$6,430).
- The total cash outflow for leases in 2023 was TT$12,000 (2022 – TT$12,000).

15 Deferred taxation

The movement in the deferred taxation account is as follows:

Balance at beginning of year – liability/(asset)	43,703	(5,144,172)
Expense for the year	721,521	5,187,875
Balance at end of year – liability	765,224	43,703
Deferred taxation is attributable to:		
Excess of net book value over written down tax value/ asset on recoverable losses	765,224	43,703

The deferred tax (liability)/asset is attributable to the following:

	2022 $	Charge to statement of comprehensive income $	2023 $
Accelerated tax depreciation	43,703	721,521	765,224
	43,703	721,521	765,224

15 **Deferred taxation (continued)**

	2021 $	Charge to statement of comprehensive income $	2022 $
Accelerated tax depreciation	(77,075)	120,778	43,703
Tax losses	(5,067,097)	5,067,097	--
	(5,144,172)	5,187,875	43,703

16 **Deferred Income**

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. This subvention is to facilitate the development of an online portal (Made in TNT) which is still in progress at year end.

	2023 $	2022 $
Deferred Income – GORTT subvention	1,669,790	2,108,040

17 **Stated capital**

Issued and fully paid		
2,979,340 ordinary shares of no-par value	297,934,000	297,934,000

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 year ended 31 December 2023.

19 **Interest income**

Income from raw material and asset financing	19,180,471	19,302,916
Income from trade discounting	545,016	587,052
	19,725,487	19,889,968

20 Revenue from Forex programs and other income

	2023 $	2022 $
Forex Allocation System (FAS) fees	74,200,107	54,707,466
Forex manufacturing fees	55,438,724	37,925,491
Revenue from Forex programs	129,638,831	92,632,957
Fees and commissions	4,244,188	4,056,231
Miscellaneous income (see below)	900,607	447,086
Investment income	1,167,818	1,455,349
Other income	6,312,613	5,958,666
Miscellaneous income		
Government subvention	438,250	67,200
Agency fees - TTTBDL (net)	285,308	150,635
Gain on disposal of property and equipment	100,807	16,305
Foreign exchange gains on loan portfolio	50,077	6,276
Bad debt recovery	23,461	99,895
Staff loan interest	2,704	2,360
Other income	--	104,415
	900,607	447,086

21 General and administrative expenses

	2023 $	2022 $
Employee benefits expense (see below)	7,432,993	14,521,210
Building occupancy and equipment	5,925,856	3,133,554
General administrative expenses	4,600,662	5,049,605
Other business expenses	4,482,160	2,925,585
Communications	431,163	284,359
Lease liability interest expenses	6,200	6,430
	22,879,034	25,920,743
Employee benefits expense		
Salaries	4,514,333	12,008,547
Other benefits and allowances	2,124,051	1,430,361
Pension contributions	401,308	653,201
National insurance	314,044	340,496
Health insurance	79,257	88,605
	7,432,993	14,521,210

22 Taxation

	2023 $	2022 $
Business levy	(925,699)	(661,378)
Corporation tax	(38,712,304)	(18,469,995)
Prior period under provision	(1,933,129)	--
Deferred taxation	721,521	(5,187,875)
	(40,849,611)	(24,319,248)

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:

	2023 $	2022 $
Profit before taxation	129,148,154	80,598,557
Tax calculated at 30%	(38,744,446)	(24,179,567)
Exempt income	31,255	88,203
Expenses not deductible for tax purposes	25,093	(179,359)
Other permanent differences	697,315	--
Business levy	(925,699)	(661,378)
Prior period under provision	(1,933,129)	--
Utilisation of tax losses	--	612,853
	(40,849,611)	(24,319,248)

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 except for the leased building were carried out on commercial terms and conditions at market rates.

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

		2023 $	2022 $
a.	*Income*		
	Agency fees – TTTBDL (net)	285,308	255,000
b.	*Expenses*		
	Directors' fees and travelling	324,000	324,000
c.	*Key management compensation*		
	Short term benefits	4,075,689	3,805,452
	Post-employment benefits	305,658	364,521
		4,381,347	4,169,973

d. There were several transactions and balances entered into with the Government of Trinidad and Tobago as at 31 December 2023 (refer to Notes 13,14,16 and 17).

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 minimise negative effects on the Bank's financial performance.

Financial risk management is carried out by an organisational 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.
- A downgrade in the credit rating for Trinidad and Tobago by four (4) grades.
- Downgrades to Trinidad and Tobago's credit rating to non-investment grade (below BBB- for 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 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. There are also qualitative default criteria which may cause the financial instrument to be in default which includes the disappearance of an active market, when it becomes probable that a borrower will enter bankruptcy and the borrower's financial difficulties have granted the borrower a concession that the Bank would not have otherwise considered.

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 31 December 2022 were as follows: -

	Base	Upside	Downside
Loans	50%	10%	40%

The weighting assigned to each economic scenario as at December 31, 2023 were as follows:

	Base	Upside	Downside
Loans	50%	10%	40%

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 7-year trend (Year 2016 to 2023) 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*

  Credit risk exposures relating to financial assets carried on the Bank's statement of financial position are as follows:

	Gross maximum exposure 2023 $	Gross maximum exposure 2022 $
Cash and bank balances	236,354,488	258,216,614
Loans and receivables	266,718,472	272,161,704
Other assets and taxes recoverable	2,075,923	1,794,328
Investments	11,597,509	12,603,894
Total credit risk exposure	516,746,392	544,776,540

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 December 2023

	Stage 1 Lifetime ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Raw material and asset financing	251,798,411	11,049,712	37,898,401	300,746,524
Trade discounting	6,188,874	--	169,126	6,358,000
Sub-total	257,987,285	11,049,712	38,067,527	307,104,524
Loss allowance	(1,191,009)	(1,127,516)	(38,067,527)	(40,386,052)
Carrying balance	256,796,276	9,922,196	--	266,718,472

Investments 31 December 2023

	Stage 1 Lifetime ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Investment grade	11,626,193	--	--	11,626,193
Loss allowance	(28,684)	--	--	(28,684)
Carrying balance	11,597,509	--	--	11,597,509

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

	Loans and receivables 31 December 2022			
	Stage 1 Lifetime ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Raw material and asset financing	176,218,639	95,912,625	41,775,343	313,906,607
Trade discounting	5,999,791	--	453,862	6,453,653
Sub-total	182,218,430	95,912,625	42,229,205	320,360,260
Loss allowance	(2,097,240)	(4,655,067)	(41,446,249)	(48,198,556)
Carrying balance	180,121,190	91,257,558	782,956	272,161,704

	Investments 31 December 2022			
	Stage 1 Lifetime ECL $	Stage 2 Lifetime ECL $	Stage 3 Lifetime ECL $	Total $
Investment grade	12,634,845	--	--	12,634,845
Loss allowance	(30,951)	--	--	(30,951)
Carrying balance	12,603,894	--	--	12,603,894

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

	Gross exposure $	Impairment allowance $	Carrying amount $	Fair value collateral held $
31 December 2023				
Raw material & asset financing	1,613,800	(1,613,800)	--	--
Trade discounting	169,126	(169,126)	--	--
Demand loans	36,284,601	(36,284,601)	--	--
Sub-total	38,067,527	(38,067,527)	--	--
31 December 2022				
Raw material & asset financing	2,924,409	(2,924,409)	--	--
Trade discounting	453,862	(453,862)	--	--
Demand loans	38,850,934	(38,067,978)	782,956	402,500
Sub-total	42,229,205	(41,446,249)	782,956	402,500

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 2023	2,097,240	9,508,723	36,592,593	48,198,556
Movement with P&L Impact				
Transfer from Stage 1 to Stage 2	--	--	--	--
Transfer from Stage 1 to Stage 3	--	--	--	--
Transfer from Stage 2 to Stage 1	--	--	--	--
Transfer from Stage 2 to Stage 3	--	(2,186,828)	1,706,828	(480,000)
Transfer from Stage 3 to Stage 2	--	--	--	--
New financial assets originated	1,146,503	122,656	11,346,513	12,615,672
Change in PDs/LGDs/EADs	14,731	(4,373,656)	3,454,129	(904,796)
Repayments	(2,067,465)	(1,943,380)	(12,713,267)	(16,724,112)
Total net P&L charge during the period	(906,231)	(8,381,208)	3,794,203	(5,493,236)
Other movement with no P&L impact				
Write-offs	--	--	(2,319,268)	(2,319,268)
Loss allowance as at 31 December 2023	1,191,009	1,127,515	38,067,528	40,386,052

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*

Loans	**Stage 1 12-month ECL $**	**Stage 2 Lifetime ECL $**	**Stage 3 Lifetime ECL $**	**Total $**
Loss allowance as at 1 January 2022	789,652	659,931	53,467,103	54,916,686
Movement with P&L Impact				
Transfer from Stage 1 to Stage 2	--	--	--	--
Transfer from Stage 1 to Stage 3	--	--	--	--
Transfer from Stage 2 to Stage 1	16	(318)	--	(302)
Transfer from Stage 2 to Stage 3	--	(4,971)	1,667,632	1,662,661
Transfer from Stage 3 to Stage 2	--	2,186,828	(2,666,828)	(480,000)
New financial assets originated	2,088,522	2,177,385	--	4,265,907
Change in PDs/LGDs/EADs	174	5,144,812	(3,520,527)	1,624,459
Repayments	(781,124)	(654,944)	(3,102,343)	(4,538,411)
Total net P&L charge during the period	1,307,588	8,848,792	(7,622,066)	2,534,314
Other movement with no P&L impact				
Write-offs	--	--	(9,252,444)	(9,252,444)
Loss allowance as at 31 December 2022	2,097,240	9,508,723	36,592,593	48,198,556

24 **Financial risk management (continued)**

a. *Credit risk (continued)*

(i) *Credit risk management (continued)*

(a) *Single and group borrower limits*

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

For any exceptions, Board or shareholder approval is secured.

This is implemented and monitored by the Credit Department.

(b) *Collateral*

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

(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.

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 2023 and 31 December 2022, in their reporting currencies, were as follows:

31 December 2023	**TTD**	**USD**	**Total**
	$	**$**	**$**
Assets			
Cash and cash equivalents	152,294,022	84,060,466	236,354,488
Loans and receivables	157,094,478	109,623,994	266,718,472
Investments	11,597,509	--	11,597,509
	320,986,009	193,684,460	514,670,469
Liabilities			
Accounts payable and accruals	42,978,846	--	42,978,846
Lines of credit	--	95,175,000	95,175,000
	42,978,846	95,175,000	138,153,846

31 December 2022	**TTD**	**USD**	**Total**
	$	**$**	**$**
Assets			
Cash and cash equivalents	202,653,589	55,563,025	258,216,614
Loans and receivables	73,520,730	198,640,974	272,161,704
Investments	12,603,894	--	12,603,894
	288,778,213	254,203,999	542,982,212
Liabilities			
Accounts payable and accruals	40,756,231	--	40,756,231
Lines of credit	--	212,625,000	212,625,000
	40,756,231	212,625,000	253,381,231

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 2023	Up to 30 days	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
	$	$	$	$	$	$
Assets						
Cash and cash equivalents	236,354,488	--	--	--	--	236,354,488
Loans to customers	40,371,796	87,181,368	97,870,497	41,294,811	--	266,718,472
Investments	--	--	1,667,256	6,823,340	3,106,913	11,597,509
Total assets	276,726,284	87,181,368	99,537,753	48,118,151	3,106,913	514,670,469
Liabilities						
Line of credit	675,000	6,750,000	87,750,000	--	--	95,175,000
Total liabilities	675,000	6,750,000	87,750,000	--	--	95,175,000
Net gap	276,051,284	80,431,368	11,787,753	48,118,151	3,106,913	419,495,469
Cumulative gap	276,051,284	356,482,652	368,270,405	416,388,556	419,495,469	--

24 **Financial risk management (continued)**

b. *Market risk* (continued)

(ii) *Interest rate risk (continued)*

31 December 2022	Up to 30 days	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
	$	$	$	$	$	$
Assets						
Cash and cash equivalents	258,216,614	--	--	--	--	258,216,614
Loans to customers	83,720,617	37,463,297	47,721,422	103,256,368	--	272,161,704
Investments	--	--	1,561,883	5,440,175	5,601,836	12,603,894
Total assets	341,937,231	37,463,297	49,283,305	108,696,543	5,601,836	542,982,212
Liabilities						
Line of credit	57,375,000	20,250,000	135,000,000	--	--	212,625,000
Total liabilities	57,375,000	20,250,000	135,000,000	--	--	212,625,000
Net gap	284,562,231	17,213,297	(85,716,695)	108,696,543	5,601,836	330,357,212
Cumulative gap	284,562,231	301,775,528	216,058,833	324,755,376	330,357,212	--

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 2023 and 31 December 2022 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 2023	**Up to 30 days**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Total assets	276,726,284	87,181,368	99,537,753	48,118,151	3,106,913	514,670,469
Total liabilities	675,000	6,750,000	87,750,000	--	--	95,175,000
Net gap	276,051,284	80,431,368	11,787,753	48,118,151	3,106,913	419,495,469
Cumulative gap	276,051,284	356,482,652	368,270,405	416,388,556	419,495,469	--

31 December 2022	**Up to 30 days**	**1-3 Months**	**3-12 Months**	**1-5 Years**	**Over 5 Years**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Total assets	341,937,231	37,463,297	49,283,305	108,696,543	5,601,836	542,982,212
Total liabilities	57,375,000	20,250,000	135,000,000	--	--	212,625,000
Net gap	284,562,231	17,213,297	(85,716,695)	108,696,543	5,601,836	330,357,212
Cumulative gap	284,562,231	301,775,528	216,058,833	324,755,376	330,357,212	--

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 2023.

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 – 100% 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.

iii. *Investments*

The fair values of investments are determined on the basis of quoted market prices available at 31 December 2023.

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

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

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

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

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

25 Fair values (continued)

iii. *Investments (continued)*

(b) *Fair values of financial assets measured at amortised cost*

The table below shows the fair values of financial assets measured at amortised cost which are not materially different from their carrying values. Fair values are calculated based on the cash flows discounted using a current lending rate.

	Fair value $	Carrying amount $
As at 31 December 2023		
Financial instruments		
Loans and receivables	266,718,472	266,718,472
Investments	11,597,508	11,597,508

	Fair value $	Carrying amount $
As at 31 December 2022		
Financial instruments		
Loans and receivables	272,161,704	272,161,704
Investments	12,603,894	12,603,894

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.

The Bank is fully compliant with the transitional capital ratios as dictated by the Insurance Act 2018. As at 31 December 2023, the Bank reported a capital adequacy ratio of 3,161%.

27 Commitments

a. *Capital commitments*

The Bank has no capital commitments at the year end.

b. *Credit commitments*

As at 31 December 2023 the Bank had approved loan facilities not yet drawn for $40.57M. The associated ECL on these facilities amounted to $0.56M.