DEVELOPMENT FINANCE LIMITED

Annual Report

2019

VISION

Development Finance will be recognized
as the Domestic and Regional leader in development,
project, infrastructure and corporate financing solutions.

MISSION

Development Finance's primary focus will be the delivery of
a consistently superior Client Experience, which will drive
sustainable core earnings growth and enhanced
shareholders' value.

VALUES

Development Finance's value proposition
is built on three principles; Partnership,
Innovation and Client Experience.

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CHAIRMAN'S REPORT

For the year ended December 31st, 2019 there continues to be mixed results in DFL's financial performance in a challenges backdrop of Trinidad and Tobago's economy. Notwithstanding the challenges, DFL's balance sheet expanded to $593.4 million in assets, up from $555.7 million for the previous year, primarily driven by an increase in deposit liabilities from $172.6 million to $191.7 million and debt securities from $150 million to $169 million. Accordingly, interest income grew from $23.5 million in 2018 to $28.3 million in 2019. Interest expense grew from $134 million to $15 million and as a result net interest income grew from $10.1 million in 2018 to $13.4 million in 2019. It should be noted that DFL exercised an option to call one of its bonds, which as a result will reduce the company's asset and liability base in 2020. It is expected by management to replace that costly debt with lower cost funding and to continue to expand DFL's balance sheet.

As mentioned in previous statements, the scaling of DFL's balance sheet is necessary given DFL's large capital base, which ended at $226.5 million from $214 million the previous year. DFL's capital adequacy ratio grew from 56.23% to 69.68% and while this is a major strength of the organization, the banking model, requires leveraging of its capital base in a prudent manner. Accordingly, another measure referenced in last year's chairman statement, the Board prudentially, monitors DFL's liquidity, DFL's liquid assets to deposit liabilities which remained at 2:1, this buffers any run the organization may ever encounter.

However, as the foreign exchange market remains tight and more specifically, the reduction of foreign exchange conversions from one of our major trading partners, in part, resulted in a reduction of FX income from $11.3 million in 2018 to $5.1 million in 2019. With the offsetting increase in core income tapered by the reduction in FX income, operational profit fell from $8.9 million in 2018 to $518 million in 2019.

One off gains from DFL's AFS fixed income portfolio and equity portfolio ($4.6 million) and actuarial gains related to DFL's pension plan ($4.4 million), resulted in DFL's Total Comprehensive Income ending at $14.8 million.

In 2019, DFL accomplished a major step in accessing new funding from the Caribbean Development Bank in the amount of $10 million USD, which will be drawn over the next year. CDB has been a long-term partner for DFL over the many
years and it would be remiss of me not to acknowledge their team and their dedication to the development of the regional economies.

As of today's date, March 11th, 2020 marks one day after the first reported case of Covid-19 in a neighbouring Caribbean country and there is a strong likelihood that due to similarities with the common flu many non-reported cases of Covid-19 exist in our region and country. At this time also marks a few days into the oil price war between Saudi Arabia and Russia, which coupled with Covid-19 has resulted in an
oil price of $36.37. While both events may be ephemeral in nature, it is in the context of an already weathered Trinidad economy that is cause for
concern. As at January 2020 Trinidad's reserves not including the heritage and stabilization fund, was $6.8 Billion USD. This is down approximately $811 million USD from $7.6 Billion USD in January 2019. The Minister of Finance in a recent press conference estimated that the increase in the budget deficit as a result of low energy prices may be in the region of $3.5 Billion TTD, which if extrapolated correctly may have
a direct foreign exchange impact. However, it is unknown whether the increase in budget deficit also factors an offsetting reduction in cost for importing gasoline since the shutdown of Petrotrin.

We continue to monitor the economic outfall, that may result from Covid-19 and the oil price wars. As usual, on behalf of the Board of Directors, we would like to thank all of DFL's stakeholders including its team members, shareholders, depositors and lenders for their continued support and confidence in DFL.

Andrew Ferguson
Chairman
March 26, 2020

STATEMENT OF THE BOARD

In accordance with Section 37 (1) (b) of the Financial Institutions Act 2008 we hereby submit this statement, signed on behalf of the Board of Directors (the "Board") of Development Finance Limited ("DFL"), that the Board is satisfied that the risk management systems and internal controls are adequate for managing DFL's risks and are being properly applied.

In making this assessment the Board relied on its assessments as recorded in the Minutes of meetings held in 2019, its evaluation of Management's Risk Management capabilities (Compliance and Internal Audit Reports), documented Risk Management Policy and the Auditor's review of Risk disclosure notes in the 2019 Financial Statements.

Dated this 27th day of April 2020

Andrew Ferguson
Chairman

Lionel Seunarine
Director

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of Development Finance Limited ("the Company"), which comprise the statement of financial position as at December 31, 2019, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information;

- Ensuring that the Company 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 Company's assets, detection/prevention of fraud and the achievement of the Company's operational efficiencies;

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

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

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

In preparing these 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 Company 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.

Gary Awai	Stacey Bachoo
Ag. Chief Executive Officer	Chief Accountant
Date: March 27, 2020	Date: March 27, 2020

DIRECTOR'S REPORT

The Directors hereby submit their report and Audited Financial Statements for the year ended December 31, 2019

Financial Results

	TT$'000
Retained Earnings at the beginning of the year	54,731
Profit for the year	5,769
IAS 19 actuarial gains	4,445
Transfer to Statutory Reserve	(577)
Dividends paid	(2,330)
Retained Earnings	62,038

The qualifying capital to risk adjusted assets ratio is 69.68% as compared to 56.23% in 2018.

Total Assets increased by 6.8% from $556 million (2018) to $593 million (2019) driven largely by investment portfolio growth, however the loan portfolio grew marginally. The total liabilities increased by 7% from $342 million (2018) to $367 million (2019), mainly as a result of the fixed deposit growth.

Auditors

The Independent Auditors, KPMG, retired at the General Meeting and have offered themselves for re-appointment.

Ownership

As at December 31, 2019, shareholders of 5% or more ordinary shares were as follows:

	%
• Minister of Finance (Corporation Sole)	49.75
• Maritime General Insurance Company Limited	33.17
• Maritime Life (Caribbean) Limited	16.58

By Order of the Board

Tiffany Pemberton Marquez
Corporate Secretary

EXECUTIVE PROFILES: BOARD OF DIRECTORS

Development Finance's Board of Directors is comprised of highly diversified executives spread over multiple sectors such as the financial services industry, energy industry, insurance industry and government agencies. The Board of Directors of Development Finance is made up of appointees from the private sector, the Government of the Republic of Trinidad & Tobago, DFL Caribbean Holdings and independent directors.

Andrew S. Ferguson - Chairman

Mr Ferguson, from 2007 to 2013 was the Chief Operating Officer of Maritime Life Caribbean Limited. Since 2013 he has been the Chairman and Chief Executive Officer of Maritime Life Caribbean Limited. He is currently the Chairman of Development Finance Limited and has served as the Chairman since 2011. He has served as a Director on the Association of Trinidad and Tobago's Insurance Companies from 2012 to 2018 and served on the Industry Capital Adequacy Committee among Central Bank's representatives.

Mr. Ferguson is a graduate from the Wharton School of Business from the University of Pennsylvania. Mr. Ferguson holds the following industry designations: He is a Fellow of the Life Management Institute, Chartered Property and Casualty Underwriter, Associate in Reinsurance, and Associate in Fidelity and Surety Bonding.

Prakash Dhanrajh

Mr. Dhanrajh holds a BSc Industrial Management from the University of the West Indies and has attended specialized training on Development Banking. His career in the financial sector has involved evaluating and monitoring some of the largest private sector companies in the Region. Has been a CEO for the past 10 years responsible for the Executive Management of Financial Institutions both operational and strategic in T&T, Guyana, Suriname, Grenada and St Lucia. Mr. Dhanrajh has also managed corporate clients in these countries and worked extensively with private sectors companies and associations in these countries.

Mr. Dhanrajh has over 20 years of experience in restructuring and recoveries throughout the Caribbean including receiverships. Worked with receivers all through the region including PricewaterhouseCoopers, Ernst & Young and PKF managing restructurings and complete sale of business that have failed.

Mr. Dhanrajh is presently Director and General Manager of DFL Caribbean Holdings Limited and Managing Director of MICROFIN Caribbean Holdings Limited (Trinidad and Grenada offices).

EXECUTIVE PROFILES: BOARD OF DIRECTORS

Errol Pilgrim

Mr. Pilgrim, a Chartered Certified Accountant was employed in the Public Service and returned as a Permanent Secretary. He previously held Board positions in the Arawak Cement Company Limited, the Trinidad & Tobago Mortgage Finance Company Limited, the Port Authority of Trinidad and Tobago and the University of Trinidad & Tobago.

Suresh Dutta

Mr. Suresh Dutta graduated from Delhi University in 1969 with degree of BSc. (Hons) in Physics and completed his MSc. (Physics) in 1971. In 1983, he did Post Graduate Diploma in Marketing Management from another prestigious University in India.

Mr. Dutta has over 47 years of working experience at various positions and locations in Corporate Sector, at the Executive Director/ CEO/ MD/ Executive Chairman level positions for over 20 years in India and Trinidad & Tobago. After retirement from active service, he has served on the Boards of many companies in Trinidad & Tobago.

Mr. Dutta came to Trinidad in 1996 and was Managing director of Arcelor Mittal Steel Caribbean Limited in Trinidad. In 2001, he joined the Ansa McAl Group and was Executive Chairman/ CEO of three of their companies until 2005. After that he was appointed Sector Head (Services) and was responsible for eight companies in Trinidad, Barbados & USA and was also Chairman of these companies. Mr. Dutta is currently the Chairman of DFL's Product Investment and Credit Committee.

Roger Gomes

Mr. Roger Gomes commenced his working life in the banking sector and after fifteen months, changed careers and jumped into the ACCA professional examinations. He attended the Emile Woolf School of Accountancy in London, England and completing the final exams in June 1987. He joined The Maritime Financial Group in March 1989 as Assistant Accountant for the new finance company within the Group, Fidelity Finance and Leasing Company Limited (Fidelity). After a short period he was appointed Accountant for Fidelity with additional responsibilities for several other companies within the Group. In 1998 he was appointed Director of Nettletons Limited and to date continues to serve in this capacity.

Changes were made in 2007 and he was appointed to the General Manager position within Fidelity, his current substantive position. 2011 saw the Group extending its arms with a significant investment in another non-bank finance company Development Finance Limited (DFL), and he was appointed a Director in 2011. He also serves as a director to other companies which were previously associated with DFL.

EXECUTIVE PROFILES: BOARD OF DIRECTORS

Kaisha Ince

Kaisha Ince is a Barrister and Attorney at Law for the last 29 years in the UK, Trinidad and Tobago and Grenada, and has worked for a number of international firms including Clifford Chance, Swiss Banking Corporation and Citigroup. She holds a Master's Degree in Corporate and Commercial Law from University College, University of London. She is a member of the Bar of England and Wales and admitted to practice in Trinidad and Tobago, Grenada and British Virgin Islands. Ms. Ince has extensive experience primarily in the areas of International Finance, Commercial and Construction law specializing in Infrastructure Projects, Governance, Public Procurement and Public Sector Development Reform.

Ms. Ince was the President and CEO of NIDCO responsible for the implementation and execution of Government of Trinidad and Tobago mega infrastructure projects. During the period 2012-2015, Ms. Ince was a Commonwealth Fund for Technical Co-operation Expert in the role of Senior Commercial Counsel and has provided key legal and commercial advice to the Government of Grenada on investments in the country and financial arrangements to foster and encourage economic development and growth. She is the Senior Governance and Commercial Advisor to the Prime Minister of Grenada in the Prime Minister's Office and Ministry of National Security, Public Administration, Disaster Management, Home Affairs, Information and Implementation as well as the Chairman of Grenada's Citizenship by Investment Committee.

Lionel Seunarine

Mr. Lionel Seunarine has spent over 36 years in banking, in which he has held several senior management positions at First Citizens Bank Limited, formerly National Commercial Bank Limited. Mr. Seunarine's responsibilities in his later years at the bank included guiding and implementing the strategic initiatives of the Commercial Business Centers as it relates to overall management, profitability and growth and leading Special Projects. Mr. Seunarine served as a Board member of the Trinidad & Tobago Civil Aviation Authority. He is currently the Chairman of DFL's Audit and Risk Committee.

Mr. Seunarine holds a Master's of Education and Educational Planning and a Bachelor of Education specializing in Accounting and Marketing from University of Toronto and a Degree in Business Management and Diploma in Business Administration from Ryerson Polytechnic University.

EXECUTIVE PROFILES: BOARD OF DIRECTORS

Ryan Maharaj

Mr. Ryan Maharaj is currently employed as a Senior Business Analyst (Ag.) at the Ministry of Finance since August 2011. Prior to this he was employed at the Board of Inland Revenue in the Audit and Investigation Departments. Mr. Maharaj is a Chartered Accountant and a member of the Institute of Chartered Accountants of Trinidad and Tobago ("ICATT") and Member of the Association of Chartered Certified Accountants ("ACCA"). Mr. Maharaj is also the holder of an MBA in General Management and is a Certified Internal Auditor ("CIA").

Louis Nurse

Dr. Louis Nurse earned a Doctor in Business Administration from Anglia Ruskin University in project Planning and Management and also holds a Master's Degree in Business Administration in Project Management and Finance from Brunell University in England. Dr. Nurse is a graduate of the Henley Business School with a Diploma in Management.

Dr. Nurse is a Project Director an external lecturer in Project Management for the Anglia Ruskin University and the Henley Business School University of Reading. He was previously employed as a Business Analyst, advising the Minister of Finance (Corporation Sole) in Trinidad & Tobago on the strategy for the execution of projects. Dr. Nurse also held the position of Director of the Special Projects Coordinating Unit for the Ministry of Justice until October 2014.

EXECUTIVE PROFILES: EXECUTIVE MANAGEMENT

Gary Awai MBA, CPA CMA - Chief Executive Officer (Ag.)

Mr. Gary Awai has a banking career spanning over 33 years, in which he has held several senior management positions at various local banks including most recently, Deputy CEO at Intercommercial Bank Limited (now JMMB Bank). He is a Chartered Professional Accountant and member of the Society of Management Accountants of Nova Scotia, Canada, holds a Master's in Business Administration from Andrews University, Michigan and Bachelors in Business Administration from the University of New Brunswick, Fredericton, Canada. He has an extensive background in Treasury Risk Management, Strategic Management Accounting, Correspondent Banking, Structured Trade Finance, Compliance, Corporate Finance and Marketing and Sales, with strong emphasis in Treasury Operations, specifically Foreign Exchange and Dealing, where he has spent much of my career to date.

In addition to the above, Gary holds the following posts;

- Director of the Trinidad and Tobago Manufacturer's Association;
- Director of the Chartered Professional Accountant of Canada (CPA Canada) Local Chapter;
- Member of the Academic Council of the University of the West Indies, ROYTEC Campus.

Siew Paltoo, BSc.- General Manager, Risk and Controls

Former Managing Director of DFLSA and General Manager of DFL, Siew has more than 32 years of progressively responsible experience directing as many as 800 employees in Companies with revenues in excess of $100 million. He has led Companies from start up, survival, restructuring and growth modes with significant inputs in change management, new revenue generation, process optimization and improvement in efficiencies. Siew has spent nine years at CEO level in areas of Development Finance, Manufacturing and Technical Development and twenty-three years at General Management, Engineering and technical research and development. Among his significant positions, Siew served as CEO of DFLSA, CEO of SME Devfin, CEO of Peake Industries, CEO of Applied Industries, General Manager of DFL, Plant Manager at Ansa Meal, Century Eslon and AML.

Siew holds a BSc in Mechanical Engineering with formal training and GARP certification in Financial Risk and Regulations (2016), advanced credit risk analysis, effective leadership and strategic HRM, client relationship management, advanced plastic processing, industrial relations, plant optimization etc. Siew has had many years of International exposure in areas of sales, marketing and procurement. Siew was appointed General Manager, Risk and Controls in February 2017 and is the head of the Risk and Controls Unit with 2 team members reporting to him.

EXECUTIVE PROFILES: EXECUTIVE MANAGEMENT

Stacey Bachoo, ACCA- Chief Accountant

Ms. Stacey Bachoo is the Chief Accountant of DFL and is the head of the Finance Unit with 3 Assistant Accountants reporting to her. Stacey is a member of the Association of Chartered Certified Accountants ("ACCA") and is responsible for all aspects of financial, management and statutory reporting. She has 14 years of accounting experience in the financial and insurance sectors. Prior to her joining DFL in 2012, Stacey was employed at The Maritime Financial Group, where she held positions from Junior Audit Clerk to Accountant – Treasury Management within various companies.

Tiffany Marquez, BSc.- Corporate Secretary

Ms. Tiffany Marquez has 11 years experience working in privately owned enterprises in the local financial services industry. She specializes in, assessing the adequacy of policies, procedures and internal controls and corporate secretarial functions. Tiffany earned a BSc Management Studies degree from the University of the West Indies, St. Augustine, with a comprehensive range of business specializations. Her training includes Credit Analysis, Client Relationship Management and Strategic Human Resources Management. Tiffany was appointed Corporate Secretary of DFL in 2015 and also holds the position as Director and Secretary at SDATT.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Conditions & Outlook

Global Economy

According to the International Monetary Fund (IMF)[1], the global economy growth declined by 30% from 2.9% in 2019 from 3.6% in 2018 driven in the main by reduced global trade and investment, increased certainty due to trade tensions between the United States (USA) and China, and falling commodity prices. The weaker growth, directly resulted in lower demand and muted inflation with several countries adopting a more relaxed monetary policy stance.

US Economy

U.S. economic growth slowed marginally in 2019 with real gross domestic product (GDP) averaging 2.3%, the lowest level since 2017 and well below market expectation. This deceleration over the previous two years more robust growth was driven in the main by a drag in business investment but buoyed by increased consumer spending.

In 2019, on the backs of strong economic growth in 2017 and 2018, the US unemployment rate fell to 3.5%, its lowest level in 50 years, and average monthly job gains continued to outpace the increases needed over the longer run to provide jobs for new entrants to the labor force.

1 January 2020 IMF World Economic Report (WEO) Update

US Economy Outlook

The near-term economic outlook is for a significant slowing in growth in 2020 due to mandatory lockdown associated with the COVID-19 pandemic. This position is supported by a negative (4.8%) GDP growth in Q1/2020 which has forced the fed funds rate to be reduced to between 0% and 0.25%. The rapid spread of the virus across the country has not as yet filtered down into most of the indicators and introduced greater uncertainty around long-term projections. Unemployment in Q1/2020 crossed 4.5% due to the lockdowns in effect and there is speculation that it could reach as high at 25-30% in the short-run. Core PCE inflation in the near term is projected to remain around current levels supported by weaker oil prices and lower consumer demand. In March 2020, the CARES Act was introduced, which saw some US$2 trillion dollars being allocated to help keep businesses and individuals afloat during this period.

Domestic Economy

According to the Central Bank, economic activity contracted by 1.1 % YoY in 2019 with the main contributor to this outcome being the decline in energy sector contribution of 3.6%.[2] On the non-energy sector side, despite the persistent challenges to obtain needed foreign exchange from the market, improvements were noted in finance, construction, wholesale and retail trade segments. Note that gross official reserves declined to US$6.9 billion representing approximately 7.7 months import cover.

Headline inflation averaged 1.0% in 2019,[3] unchanged from the previous year and driven by a soft labour market which in turn has resulted in no wage growth.

The market liquidity surplus grew further in 2019 and this coupled with a 4.3% slump in business credit being the main drivers of a low interest rate environment. Consumer credit conversely recorded moderate growth mainly from mortgages and debt consolidation loans. Consequently, the Central Bank kept the repo rate unchanged throughout the year at 5.0%.

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2 Reference the Central Bank's Quarterly Index of real Economic Activity (QIEA)
3 Central Bank Annual Economic Survey 2019

Domestic Economy Outlook

Domestic trade has been significantly impacted by the emergence and spread of the corona virus (COVID-19). This situation has been worsened by a slump in oil prices at the end of Q1/2020 driven by disagreements in oil production cuts between Russia and Saudi Arabia. The plummeting oil prices and curtailment activities implemented in most sectors by the government will likely negatively impact profitability of local energy producers due to reductions in operations.

The drop in oil and gas prices in 2020 will significantly reduce government revenues forcing a reduction on planned capital expenditure. This situation will only be further exacerbated by resultant lost tax revenues from domestic companies due to the fall in their profitability. The outlook would be for the budget deficit to slip from the TT$5 billion projected to circa TT$8.5 billion. Other short-term support initiatives introduced by the government to ameliorate the economic impact of the pandemic include, expediting of income tax and VAT refunds to individuals and businesses and grants of up to TT$1,500 to temporarily unemployed persons. In March they also reduced the repo rate by 150 basis points from 5% to 3.5% and the reserve requirement for commercial banks to 14% with the latter action resulting in approximately TT$3.0 billion being made available to bank to assist their clients. With respect to our gross official reserves, the likely situation will be a significant fall off from previous levels which may be offset somewhat by planned withdrawals by the Government from the Heritage and Stabilization Fund.

Balance Sheet

Total assets held and managed by DFL grew 6.8% YoY from TT$555.7 million to TT$593.4 million, driven largely by investment portfolio growth of 37.6% (TT$94.7 million). The loan portfolio closed FYE2019 at TT$123.7 million which was a reduction from the FYE2018 close of TT$152.8 million. This was due to a noticeable decrease in overall market business loan requests, our aggressive recoveries actions combined with unexpected early loan repayments.

Total liabilities also increased noticeably by 7.4% YoY driven mainly by an increase of TT$19.1 million (11.1%) growth in fixed deposits as the Company continued our efforts to diversify our funding sources and reduce our overall cost of funds. During 2019, DFL accessed a US$10 million funding line from Caribbean Development Bank and started drawing down on these funds in December 2019. The majority of the line is expected to be drawn in 2020.

Total equity increased by 5.8% YoY to TT$226.5 million from TT$214.0 million as a result of a positive market value movement associated with the Fair Value Reserve - FVOCI of (TT$4.6 million) related to the Company's AFS fixed income portfolio and TTD equity portfolio in addition to the Preference Share dividend payment of TT$2.3 million. The Company's retained earnings position as at FYE2019 was recorded at TT$62.0 million, which represented a 13.4% (TT$7.3 million) increase over the FYE2018 position of TT$54.7 million. As a result of the above, the Company's capital adequacy ratio at the end of FYE2019 increased to 69.68% from 56.23% in FYE2018. It is noteworthy that this figure is also significantly higher than the market average for local commercial banks and NFI's.

Income Statement & Cash Flows

For the year ending December 31st, 2019, the Company recorded a Net Profit of TT$5.77 million and Total Comprehensive Income of TT$14.80 million. The YOY fall in profit is attributed primarily reduced revenues from the foreign exchange trading which in turn was due to a tightening in the availability of foreign currency.

Net Interest Income increased from TT$10.1 million to TT$13.41 million YoY due to maintaining performing loans status and controlling attrition in the loan portfolio and the astute management of the investment portfolio. YoY funding cost increased from TT$13.44 million to TT$14.95 million, mainly due to the diversification of the funding base of the Company as would be seen in the increase in fixed deposit liabilities from TT$172.66 million to TT$191.77 million.

Non-Interest Income decreased from TT$10.91 million in FYE2018 to TT$5.92 million in FYE2019 mainly due to the significant fall in foreign exchange revenues.

General Overheads and Corporate Expenses increased 6.56% YoY from TT$12.06 million to TT$12.85 million primarily due to lower costs associated with the departure of one executive management member.

Altogether, the above activities resulted in a significant reduction in Operating Profits YoY from TT$5.77 million for FYE2019 as compared to TT$8.96 million for FYE2018.

Corporate Expenditure

General Overheads and Corporate Expenses increased roughly 6.5% YoY from TT$12.1 million to TT$12.9 million mainly driven by HR costs associated by a reduction in the bonus pool as well as the departure of an executive management member.

Liquidity position

The Company's overall cash position decreased with cash and cash equivalents closing at FYE2019 27.9% lower at TT$83.9 million versus TT$116.3 million at FYE2018. This is attributed in the main to the Company investing cash on hand in various investment rated assets. These would have resulted in the Company's liquid asset ratio improving to 57.7% for FYE2019 versus 51.4% in FYE2018.

The Company also comfortably met all its short and long-term debt obligations in FYE2019, whilst diversifying the funding base through deposit liability growth and accessing the long term funding line from Caribbean Development Bank.[4]

4 In Q4 2019 the Caribbean Development Bank (CDB) approved a US$10 million loan to DFL.

Capital expenditure for the year was TT$252 thousand primarily relating to new computer resources (hardware and software) as the Company continued with its IT upgrade project which is expected to be fully implemented in 2020. Given the Company's strong cash position we do not foresee the need for borrowing for CAPEX going forward.

Apart from using its cash resources to fund physical and operating expenses, the Company currently has a mix of funding sources comprising debt securities, multi-lateral loans, short-term loans and customer deposits that are used to fund the Company's loan and investment portfolios. The Company's focus continues to be on building its fixed deposit base as a means of funding source diversification and cost reduction though we are also engaging with the MLA's such as CDB and IDB Invest to discuss additional/new funding options available.

Material transactions with affiliates

There were no major transactions with affiliates during the financial year though the Company's controlling shareholder, The Maritime Financial Group, maintains deposits with the Company and securities arranged by the Company. The Company also holds positions in multiple securities issued by its other substantial shareholder, GORTT, and GORTT-related entities. The Company also conducted multiple foreign exchange transactions with The Maritime Financial Group during the financial year. All transactions with affiliates are conducted at market rates.

Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The accounting policy was routinely revised in Q3 2019.

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

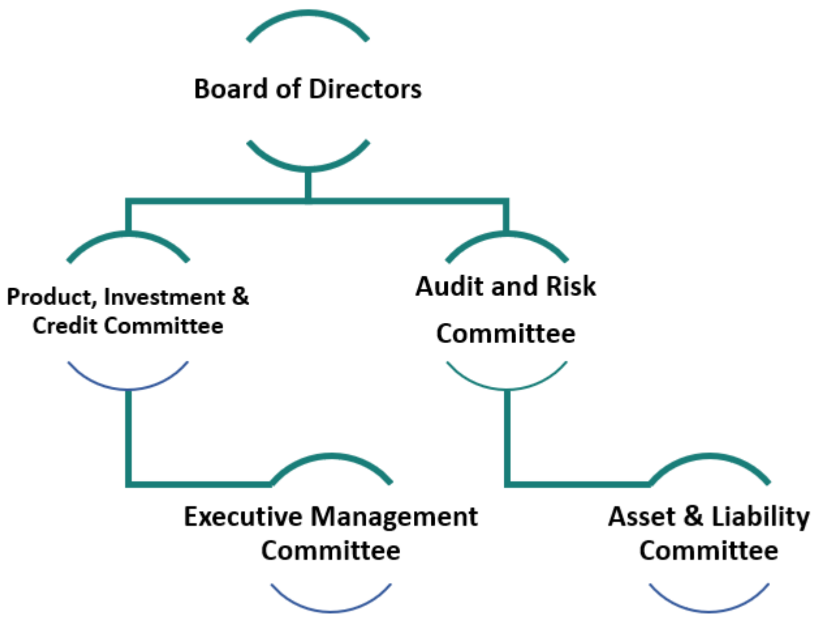
We note that as at January 1, 2019 the Company adopted IFRS 16 – Leases. A number of new standards are also effective from January 1, 2019, but they do not have a material effect on the Company's financial statements.

CORPORATE GOVERNANCE STRUCTURE

The cornerstones of our Risk, Control and Governance Structure are, Accountability; Transparency; Compliance, Risk Management and Strategy.

The maintenance of these at the highest standard is achieved through a comprehensive framework of policies, procedures and guidelines that define how management must operate the Company in the best interest of all Stakeholders, particularly, Shareholders; Clients; Regulators and Employees.

Current Governance Architecture



The Board of Directors has the overall governance responsibility for the Company and includes a remuneration sub-committee.

The Product, Investment and Credit Committee is responsible for all credit adjudication for Loans and Investments above management limits. It is also responsible for the approval of all new products.

The Audit and Risk Committee has direct oversight over Credit, Market, Operational Risk and Compliance and are the direct reporting line for the internal auditor. They are also responsible for the direction and approval for the external audit function.

The Executive Management Committee has the delegated authority of the Board of Directors to direct and oversee all operations of the Company including the power to review and approve proposals and transactions related to credit in amounts within the limits of its delegated authority.

The Asset and Liability Committee (ALCO) has primarily responsibility for the asset, liability and risk management of the Company. The ALCO devices strategies for handling the Company's needs over the long run and to monitor and manage its interrelated risk exposures on a daily basis.

Financial Statements of

DEVELOPMENT FINANCE LIMITED

December 31, 2019

(Expressed in Thousands Trinidad and Tobago Dollars)

DEVELOPMENT FINANCE LIMITED

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Statement of Management's Responsibilities
Development Finance Limited

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- Ensuring that the Company 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 Company's assets, detection/prevention of fraud and the achievement of the Company's operational efficiencies;

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

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

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

In preparing these 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 Company 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.

Gary Awai	Stacey Bachoo
Ag. Chief Executive Officer	Chief Accountant
Date: March 27, 2020	Date: March 27, 2020

KPMG
Chartered Accountants
Savannah East
11 Queen's Park East
P.O. Box 1328
Port of Spain
Trinidad and Tobago, W.I.

Tel: (868) 612-KPMG
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Independent Auditors' Report
To the shareholders of Development Finance Limited

Opinion

We have audited the financial statements of Development Finance Limited ("the Company"), which comprise the statement of financial position as at December 31, 2019, the statements of profit or loss, comprehensive income, 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 Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Company 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. Other information consists of the information included in the Company's Annual Report but does not include the financial statements and our auditors' report thereon. The Company's 2019 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 identified above when it becomes available 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 judgement and maintain professional skepticism 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.

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

- 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 Company'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 Company'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 Company 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG

Chartered Accountants
Port of Spain
Trinidad and Tobago
March 27, 2020

DEVELOPMENT FINANCE LIMITED

Statement of Financial Position

December 31, 2019
(Expressed in Trinidad and Tobago Dollars)

	Notes	2019	2018
		$'000	**$'000**
ASSETS			
Cash and cash equivalents	6	71,044	106,278
Statutory deposit with Central Bank	7	12,820	10,020
Asset held for sale		-	7,716
Investment securities	8	346,625	251,936
Loans and advances to customers	9	123,692	152,826
Amounts due from related parties	10	1,226	1,200
Computer software	11	835	800
Furniture and equipment	12	541	429
Other assets	13	8,260	1,029
Post-employment benefits	14	28,400	23,472
Total assets		593,443	555,706
LIABILITIES AND EQUITY			
Liabilities			
Borrowings	17	172,310	163,389
Customers' deposits	18	191,767	172,662
Other liabilities		2,885	5,640
Total liabilities		366,962	341,691
Equity			
Stated capital	15	136,639	136,639
Reserves	16	27,804	22,645
Retained earnings		62,038	54,731
Total equity		226,481	214,015
Total liabilities and equity		593,443	555,706

The accompanying notes on pages 10 to 89 are an integral part of these financial statements.

These financial statements have been approved for issue by the Board of Directors on March 26, 2020 and signed on its behalf by:

Director ______________________ Director ______________________

DEVELOPMENT FINANCE LIMITED

Statement of Profit or Loss

Year ended December 31, 2019
(Expressed in Trinidad and Tobago Dollars)

	Notes	2019	2018
		$'000	**$'000**
Interest income calculated using the effective interest method	20	28,355	23,551
Interest expense	21	(14,946)	(13,437)
Net interest income		13,409	10,114
Other income	22	5,917	10,909
Revenue		19,326	21,023
Net impairment loss allowance on financial instruments	23	(610)	95
Recoveries		9	21
General overheads and corporate expenses	24	(12,851)	(12,060)
Profit before taxation		5,874	9,079
Taxation	25	(105)	(104)
Profit for the year		5,769	8,975

The accompanying notes on pages 10 to 89 are an integral part of these financial statements.

DEVELOPMENT FINANCE LIMITED

Statement of Comprehensive Income

Year ended December 31, 2019
(Expressed in Trinidad and Tobago Dollars)

	Notes	2019	2018
		$'000	$'000
Profit for the year		5,769	8,975
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plan asset	14	4,445	(2,725)
Equity investments at FVOCI – net change in fair value		1,053	(1,189)
Other comprehensive income		5,498	(3,914)
Items that are or may be reclassified subsequently to profit or loss			
Debt investments at FVOCI – net change in fair value	26	3,529	(4,752)
Other comprehensive income		9,027	(8,666)
Total comprehensive income for the year		14,796	309

The accompanying notes on pages 10 to 89 are an integral part of these financial statements.

DEVELOPMENT FINANCE LIMITED

Statement of Changes in Equity

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

	Ordinary Shares	Preference Shares	Statutory Reserve	Revaluation Reserve	Contingency for General Banking Risks	Retained Earnings	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at January 1, 2018	**90,039**	**46,600**	**26,221**	**742**	**725**	**51,890**	**216,217**
Adjustment on initial application of IFRS 9	-	-	-	-	-	(181)	(181)
Adjusted balance at January 1, 2018	90,039	46,600	26,221	742	725	51,709	216,036
Transfer to Statutory Reserve	-	-	898	-	-	(898)	-
Profit for the year	-	-	-	-	-	8,975	8,975
Remeasurement of debt and equity instruments at FVOCI	-	-	-	(5,941)	-	-	(5,941)
Remeasurement of defined benefit asset	-	-	-	-	-	(2,725)	(2,725)
Total comprehensive income	-	-	-	(5,941)	-	6,250	309
Transactions with Owners recorded directly in equity							
Dividends paid	-	-	-	-	-	(2,330)	(2,330)
Balance at December 31, 2018	**90,039**	**46,600**	**27,119**	**(5,199)**	**725**	**54,731**	**214,015**
Balance at January 1, 2019	**90,039**	**46,600**	**27,119**	**(5,199)**	**725**	**54,731**	**214,015**
Transfer to Statutory Reserve	-	-	577	-	-	(577)	-
Profit for the year	-	-	-	-	-	5,769	5,769
Remeasurement of debt and equity instruments at FVOCI	-	-	-	4,582	-	-	4,582
Remeasurement of defined benefit asset	-	-	-	-	-	4,445	4,445
Total comprehensive income	-	-	577	4,582	-	9,637	14,796
Transactions with Owners recorded directly in equity							
Dividends paid	-	-	-	-	-	(2,330)	(2,330)
Balance at December 31, 2019	**90,039**	**46,600**	**27,696**	**(617)**	**725**	**62,038**	**226,481**

The accompanying notes on pages 10 to 89 are an integral part of these financial statements.

DEVELOPMENT FINANCE LIMITED

Statement of Cash Flows

Year ended December 31, 2019
(Expressed in Trinidad and Tobago Dollars)

	Notes	2019	2018
		$’000	**$’000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		5,769	8,975
Adjustments for non-cash items in operating activities	26	(8,613)	(16,752)
Cash flows before changes in operating assets		(2,844)	(7,777)
Changes in:			
- Loans and advances to customers		29,827	(4,578)
- Statutory deposit with Central Bank		(2,800)	(5,100)
- Asset held for sale		-	608
- Amounts due from related parties		(26)	3
- Other assets		(51)	12,818
- Other liabilities		(2,662)	(5,614)
- Taxation expense		105	104
		24,393	(1,759)
Interest received		24,528	20,674
Interest paid		(18,062)	(10,915)
Taxation paid		(105)	(104)
		6,361	9,655
Net cash from operating activities		27,910	119
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(92,041)	(41,337)
Proceeds from sale of investment securities		415	2,379
Additions to furniture and equipment and computer software		(330)	(368)
Net cash used in investing activities		(91,956)	(39,326)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net change in customers’ deposits		21,209	83,271
Proceeds from (repayment of) borrowings		9,933	(14,256)
Dividend paid		(2,330)	(2,330)
Net cash from financing activities		28,812	66,685
Net (decrease) increase in cash and cash equivalents		(35,234)	27,478
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		106,278	78,800
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	71,044	106,278

The accompanying notes on pages 10 to 89 are an integral part of these financial statements.

1. General Information

Development Finance Limited (DFL or the Company) is an independent private limited liability company with the following shareholding:

Minister of Finance (Corporation Sole)	49.75%
Maritime General Insurance Company Limited	33.17%
Maritime Life (Caribbean) Limited	16.58%
DFL Caribbean Holdings Limited	0.50%

The address of the Company's registered office is 10 Cipriani Boulevard, Port of Spain.

The Company's principal activities are those of lenders, foreign exchange dealers, debt and equity capital market arrangers, securities dealers and investment and financial advisors to commercial, corporate, industrial, sovereign and institutional entities in Trinidad and Tobago and the wider Caribbean region.

The Company was incorporated in the Republic of Trinidad and Tobago and is registered under the Companies Act, 1995 and under the Securities Act (2012) as a Reporting Issuer, Broker-Dealer and an Underwriter. The Company has been granted Authorised Dealer status under the Exchange Control Act and can accept deposits, grant credit facilities and otherwise deal in foreign currency as it is licensed under the Financial Institutions Act (FIA) 2008 to carry out the classes of business listed below:

i acceptance/confirming house
ii finance house
iii leasing
iv merchant banking
v mortgage lending
vi financial services.

These financial statements were authorised for issue by the Board of Directors on March 26, 2020.

2. Basis of Preparation

(a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

This is the first set of the Company's annual financial statements in which IFRS 16 Leases have been applied. Changes to significant accounting policies are described in Notes 2(e) and 3(p).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Net defined benefit asset is measured as the fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in Note 3(j).
- Financial assets value through other comprehensive income (FVOCI).

2. Basis of Preparation (continued)

(c) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Trinidad and Tobago dollars, which is the Company's functional and presentation currency. Except as otherwise indicated, financial information presented has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are identified below:

Accounting Policy 3(b)(ii)	Financial instrument classifications
Accounting Policy 3(b)(v) and Note 5	Measurement of financial instruments
Accounting Policy 3(j) and Note 14	Post-employment benefits
Note 4	Financial Risk Management

(e) New, revised and amended standards and interpretations that became effective during the year

The Company initially applied IFRS 16 Leases from January 1, 2019. A number of other new standards are also effective from January 1, 2019 but they do not have a material effect on the Company's financial statements.

IFRS 16 Leases

The Company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Accordingly, the comparative information presented for 2018 is not restated- i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IRFS 16 have not generally been applied to comparative information.

2. Basis of Preparation (continued)

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

IFRS 16 Leases (continued)

(i) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC4 *Determining whether an Arrangement contains a lease.* The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3(p).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16.

(ii) As a lessee

As a lessee, the Company leases office premises. The Company previously classified this lease as an operating lease based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company ought to recognize right of use assets and lease liabilities for lease of office premises i.e. this lease is on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand alone price.

The Company has not entered into any new leases during the year ended December 31, 2019.

2. Basis of Preparation (continued)

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

IFRS 16 Leases (continued)

(ii) As a lessee (continued)

Previously, the Company classified property leases as operating leases under IAS 17. On transition for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019.

Right of use assets are measured at either their carrying amounts if IFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular the Company:

- did not recognize right of use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognize right of use assets and liabilities for lease of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right of use assets at the date of initial application; and
- used hindsight when determining the lease term.

Under IAS 17, based on the terms of the lease agreement, there was no impact to the financial statements for the operating lease held.

(iii) As a lessor

The Company does not lease any property as a lessor.

(iv) Impact on transition

On transition to IFRS 16, the Company did not recognize additional right-of-use assets and additional lease liabilities due the terms of the lease agreement held. The impact to the financial statements is not material.

3. Significant Accounting Policies

The Company continually applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise (see Note 2(e)).

(a) Foreign currency

Transactions denominated in foreign currencies are translated into the respective functional currencies at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign exchange differences resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(b) Financial instruments

Financial instruments comprise balances with related parties, cash and cash equivalents, investment securities, loans and advances to customers, staff loans, and debt securities and customers' deposits.

(i) Recognition

The Company initially recognises loans and advances to customers, deposits and debt securities issued on the date at which they are disbursed, booked and issued respectively. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(ii) Classification

Financial assets

On initial recognition, the Company classifies its financial assets as measured at: amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(ii) Classification (continued)

Business model assessment (continued)

- how the performance of the portfolio is evaluated and reported to the Company's management; and

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

Financial assets that are held for trading are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payment of principal and interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In considering whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(ii) Classification (continued)

Financial liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss (FVTPL).

(iii) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the sum of:

(i) the consideration received (including any new asset obtained less any new liability assumed); and

(ii) any cumulative gain or loss that had been recognized in other comprehensive income (OCI) is recognised in profit or loss.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred financial assets are not derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Company neither retains nor transfers substantially all of the risks and reward of ownership of a financial asset and it retains control of the financial asset, the Company continues to recognise the financial asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(iii) Derecognition (continued)

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

Financial liabilities

The Company derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in profit or loss.

Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss.

3. **Significant Accounting Policies** (continued)

(b) Financial instruments (continued)

(v) Fair value measurement

Financial assets

Subsequent to initial recognition, all financial assets at FVTPL and FVOCI assets are measured at fair value, based on their quoted market price at the reporting date without any deduction for transaction costs. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

Where the instrument is not actively traded or quoted on recognised exchanges, fair value is determined using discounted cash flow analysis. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date for an instrument with similar terms and conditions.

Financial liabilities

Subsequent to initial recognition all non-trading financial liabilities are measured at amortised cost.

(vi) Amortised cost measurement

Amortised cost is calculated on the effective interest rate method. Premiums, discounts, and initial transaction costs are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(vii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a current legally enforceable right to set off the amounts and it intends to either settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(viii) Designation at fair value through profit or loss

Management designates financial assets and financial liabilities at fair value through profit or loss when the assets or liabilities are managed and reported internally on a fair value basis, or the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(ix) Impairment

The Company recognizes loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- loan commitments issued.

No impairment loss is recognized on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than receivables) on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL is recognized are referred to as 'Stage 1 financial instruments'.

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(ix) Impairment (continued)

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls;
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of the estimated future cash flows;

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition.

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(ix) Impairment (continued)

Measurement of ECL (continued)

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit impaired.

IFRS 9 outlines a ‘three stage’ model; for impairment based on changes in credit quality since initial recognition as summarized 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 Company.

- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is move to ‘Stage 2’ but is not yet deemed to be credit-impaired.

- If the financial instrument is credit-impaired, the financial instrument is then moved to ‘Stage 3’.

Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;

– a breach of contract such as a default or past-due event;

– the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;

– it is becoming probable that the borrower will enter bankruptcy or other probable reorganisation; or

– the disappearance of an active market for a security because of financial difficulties.

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(ix) Impairment (continued)

Measurement of ECL (continued)

Credit-impaired financial assets (continued)

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Company considers the following factors:

- The market's assessment of creditworthiness as reflected in bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance. The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Write-off

Loans and debt securities are written off when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. Recoveries of amounts previously written off are included in ‘impairment losses on financial instruments’ in the statement of profit or loss and OCI.

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(x) Designation at fair value through profit or loss

The Company has designated financial assets and financial liabilities at fair value through profit or loss in either of the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 19 sets out the amount of each class of financial asset or financial liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

(c) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at banks and other short-term highly liquid investments with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(d) Loans and advances to customers

(i) Recognition

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments, other than investment securities, that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term. Loans and advances to customers are classified as loans and receivables. Loans and advances are initially measured at fair value plus incremental direct transaction costs and subsequent to initial recognition loans and advances are measured at amortised cost using the effective interest method.

3. Significant Accounting Policies (continued)

(d) Loans and advances to customers (continued)

(ii) Classification of impaired loans

A loan or any other financial asset is classified as impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact (that can be estimated reliably) on the future cash flows. An impaired loan is a loan where the outstanding amount of the loan (without loan loss provisions) is greater than its fair value measured on the basis of expected cash flows in accordance with the contracted terms of the loan.

Impairment indicates that it is probable that the lender will be unable to collect all amounts due according to the terms of the loan agreement. Unless the loan is fully secured by readily marketable collateral and there is objective evidence that provides reasonable assurance of timely repayment of principal and interest, the Company will determine whether there is objective evidence of an impairment loss by using the following criteria to determine that there is objective evidence of an impairment loss:

- Arrears of either principal or interest for more than 3 months (90 days);
- Indications of insolvency proceedings;
- Un-resolved breaches in loan covenants;
- Adverse economic conditions that correlate historically with defaults in the Company affecting a group of assets including deterioration in the value of collateral.

A loan that is in the process of collection may be classified separately in “Collateral-dependent loans” as it is not impaired if the collection process is intended to be irreversible and the loan is fully secured by readily marketable collateral that based on objective, independent evidence provides adequate assurance of recovery of the loan. The present value of the estimated future cash flows of a collateral dependent loan includes the cash flows that may result from the realisation of collateral, net of expenses.

3. Significant Accounting Policies (continued)

(d) Loans and advances to customers (continued)

(ii) Classification of impaired loans (continued)

Impaired loans may be reclassified as unimpaired based on events occurring after impairment was recognised that justify a reasonable expectation that payments of principal and interest will be made in a timely manner based on a detailed evaluation of the borrower's financial condition by Management and evidence that:

(a) Payment of all past due principal and interest has been received and none of the principal and interest is due and unpaid.

(b) Payments have been received regularly for a reasonable period of time and payments are expected to be made as scheduled.

Loans that are subject to impairment assessment and whose terms have been renegotiated in accordance with standard terms for new loans are no longer considered past due but are treated as new loans.

(iii) Loans with re-negotiated terms

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.

3. Significant Accounting Policies (continued)

(d) Loans and advances to customers (continued)

(iii) Loans with re-negotiated terms (continued)

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

(e) Investment securities

Investment securities primarily comprise government bonds and other registered securities that are being measured at amortised cost. A portion of investment securities is set aside within Bond Redemption Fund to provide for partial redemption of bonds issued by the Company up to 2030. These securities are managed by Trustees by way of Trust Deeds and are not available for other use by the Company.

The ‘investment securities’ caption in the statement of financial position includes:

- debt investment securities measured at amortised cost- these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method; and

- debt securities measured as at FVOCI.

For debt securities measured at FVOCI, gains and losses are recognized in OCI, except for the following, which are recognized in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest revenue using the effective interest method;

- ECL and reversals; and

- foreign exchange gains and losses.

When debt security measured at FVOCI is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

3. Significant Accounting Policies (continued)

(f) Furniture and equipment

All furniture and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss during the financial period in which they are incurred.

Depreciation on other assets is computed on the straight line balance method over the estimated useful lives of the related assets at the following rates:

Furniture and equipment - 12½ % - 25%.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and these are included in profit or loss. The assets' residual value, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

(g) Computer software

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. The amortisation of computer software is computed on the straight line method over the estimated useful lives of the related assets at the rate of 25%. Amortisation methods, useful lives and residual values of assets are reviewed and adjusted if appropriate at each reporting date.

(h) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

3. Significant Accounting Policies (continued)

(h) Impairment of non-financial assets (continued)

The loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Borrowings, fixed deposits and repurchase agreements

Borrowings is one of the Company's source of debt funding. Borrowings are initially measured at fair value minus incremental direct transaction costs and are subsequently measured at amortised cost using the effective interest method.

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss.

Preference shares with mandatory redemptions are classified as a financial liability and are reported at fair value through profit or loss. The Company's preference shares are included in equity.

Fixed deposits are a source of funds for the Company. Deposits are initially measured at fair value and subsequently measured at their amortised cost using the effective interest method.

The estimated fair values of fixed rate deposits are assumed to be equal to their carrying values, since the rates are not materially different from current market rates, which would be the discount rate, and therefore discounting the contractual cash flows would approximate the carrying values.

When the Company sells a financial asset and simultaneously enters into an agreement to repurchase its assets at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a borrowing, and is recognised in the statement of financial position as a payable under a sale and repurchase agreement. Sale and repurchase agreements are subsequently measured at amortized cost.

3. **Significant Accounting Policies** (continued)

(j) Employee benefits

Retirement benefits for employees are provided by a defined benefit scheme, the assets of which are held in a separate trustee-administered fund. The pension plan is funded by contributions from the Company and the employees taking account the recommendations of independent qualified actuaries.

(i) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

3. Significant Accounting Policies (continued)

(j) Employee benefits (continued)

(ii) Other long-term employee benefits

The Company's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(v) Defined contribution plan

The Company also operates a defined contribution pension plan which covers employees employed after 2015. The Company's contribution expense in relation to this Plan for the year amounts to $115 thousand (2018: $207 thousand).

3. Significant Accounting Policies (continued)

(k) Other assets and liabilities

Other assets and liabilities, not classified as financial instruments, are initially recognised and subsequently measured at amortised cost in the statement of financial position with relevant costs recognised in profit or loss.

(l) Interest

i. *Effective interest rate*

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or
– the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

ii. *Amortised cost and gross carrying amount*

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

3. Significant Accounting Policies (continued)

(m) Fees and commissions

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income, including account servicing fees, fund management fees, placement fees and syndication fees, are recognised as the related services are performed. When a loan commitment is not expected to result in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period. Other fees and commission expense relate mainly to transactions and service fees which are expensed as the services are received.

(n) Taxation

The Company is exempt from taxation under the Corporation Tax Act, Chapter 75.02 as amended. However, the Company is required to pay Green Fund Levy which is disclosed as taxation in profit or loss.

(o) Dividends

Dividends are recognised as a liability in the financial statements in the period in which the dividends are approved by the Board of Directors.

(p) Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from January 1, 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into (or changed) on or after January 1, 2019.

3. Significant Accounting Policies (continued)

(p) Leases (continued)

Policy applicable from January 1, 2019 (continued)

The Company acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of its relative standalone price.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

The right-of-use asset is subsequently depreciated using the straight line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. The Company determines its incremental borrowing rate by analysing its borrowings from various external sources. Lease payments included in the measurement of the lease liability comprise only of the fixed payment monthly instalments agreed under the lease.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'Property and Equipment' and lease liabilities in 'Other Liabilities' in the statement of financial position. For the financial period, this impact was not considered to be material for disclosure.

3. Significant Accounting Policies (continued)

(p) Leases (continued)

Short-term leases and leases of low-value assets

The Company did not record any short-term leases and leases of low-value as at December 31, 2019.

Policy applicable before January 1, 2019

As a lessee

The Company did not have any finance leases under IAS 17.

Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position based on the terms of the agreement. Payments made under operating leases were recognized in profit of loss on a straight-line basis over the term of the lease.

(q) New, revised and amended standards and interpretations not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2019 and earlier application is permitted; however, the Company has not early adopted them in preparing these financial statements.

The following amended standards are not expected to have a significant impact on the Company's financial statements.

Standard	**Main Topic**	**Effective Date**
Conceptual Framework	Amendments to References to Conceptual Framework in IFRS Standards is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting. The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.	January 1, 2020

3. Significant Accounting Policies (continued)

(q) New, revised and amended standards and interpretations not yet effective (continued)

Standard	**Main Topic**	**Effective Date**
IFRS 9, Financial instruments, IAS 39 Financial Instruments: recognition and measurement and IFRS 7, Financial instruments: disclosures.	The amendments to IFRS 9, IAS 39 and IFRS 7 amend requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting. The amendments modify some specific hedge accounting requirements to provide relief from potential effects of uncertainty caused by the IBOR reform In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.	January 1, 2020
IAS 1, Presentation of financials statements and IAS 28, Investments in associates and joint ventures	The new Standard provides guidance on the classification of liabilities as current or non-current and introduces narrow-scope amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current.	January 1, 2022
IAS 1, Presentation of Financial Statements and IAS 8, Accounting policies, changes in accounting estimates and errors.	The amended standards provides a definition of material to guide preparers of financial statements in making judgements about information to be included in the financial statements.	January 1, 2022

3. Significant Accounting Policies (continued)

(r) Contingency for general banking risks

The contingency for general banking risks is an appropriation of retained earnings that is not available for distribution to shareholders.

4. Financial Risk Management

Introduction and overview

The Company's Mission, and the characteristics of the economies in which it operates, makes credit concentrations from time to time unavoidable, in particular, risk inherent in small and medium-sized enterprises (SME risk). Capital risk management is a critical component of financial soundness and cost of capital.

The Company has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Foreign Exchange risks
- Interest rate risks
- Operational risk.

This note presents information about the Company's objectives, policies and processes for measuring and managing risk.

Risk Management Framework

The Board of Directors (the Board) ensures that suitably qualified management and senior staff review and implement the Company's risk management policies that are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits and report to the Board, which has overall responsibility for the establishment and oversight of the Company's risk management framework. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Company's Audit and Risk Committee oversees responsibility for risk management, reviews the adequacy of the risk management framework in relation to the risks faced by the Company and reports to the Board on compliance with the Company's risk management policies and procedures.

4. Financial Risk Management (continued)

Risk Management Framework (continued)

(i) Portfolio SME concentration risk

The Company's risk profile is elevated because its loans are mainly in small and medium-sized enterprises (SME). These are vulnerable to interruptions in the supply chain due to transport facilities, weather, utilities, licensing regimes and natural disasters such as hurricanes and flooding as well as changes in customer preferences due to global influences and variable household incomes. It is noteworthy that the majority of SME loans are to segments that are stable or growing (e.g. distributive trade, real estate, manufacturing and services).

This risk is highly correlated with "Country risk" in terms of governance, economic conditions and the operation of markets. The correlation between SME risk and Country risk arises from the inability of some countries to increase competitiveness due to delays in improving infrastructure, in delivering appropriately trained entrants to the work force and in creating conditions that allow markets to function effectively. This reduces sustained access by SME to markets and operating finance.

The Company manages "Country risk" (as defined above) using conventional country assessments to provide country ratings that are indexed to its assessment of its home country. This, in conjunction with detailed individual assessment, facilitates the determination of a credit score that in turn ultimately influences the pricing of loans.

(ii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of Credit Risk

The Company's Board is responsible for managing credit risk along with the Chief Executive Officer who is responsible for implementing the credit and risk management policy approved by the Board which relies on oversight by the Board's Audit and Risk Committee. Specific management measures include:

- Ensuring that suitably qualified staff is adequately trained in various aspects of credit risk management and providing advice, guidance and specialist skills and training to business units to promote sound techniques and practices.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk

Management of Credit Risk

- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.

- The authorisation structure for the approval of credit and related decisions.

- Limitation of credit concentrations, industry and country risk exposure and reviewing compliance of business units with agreed exposure limits and the credit quality of local portfolios and ensuring that appropriate corrective action is taken where required.

- Developing and maintaining the Company's risk rating and pricing systems and its procedures for determining impairment loss.

Management deals with that risk as follows:

- Management evaluates business proposals using a three-tiered approach that centres on the business enterprise, the macroeconomic and industry environment in which it will operate and the likely effects those factors as well as continuing assessment of key success factors and credit criteria. The results of the evaluations and management's insights and judgements provide the inputs for the credit scoring/risk rating model that takes Country risk and likely loss given default, based on exposure at default, into account to determine the eventual business risk rating (BRR). The security is also evaluated on a separate scale to determine a facility security risk rating (FSRR). Both are then combined to determine the overall composite facility risk rating (CFRR). The eventual loan pricing is then derived from the CFRR. Since the model centers on a normal risk threshold, scores that are higher than statistically derived normal ranges are subject to independent review.

- Management monitors "Business enterprise risk" by regularly reviewing the performance of companies in its portfolio.

- The Company's credit risk is managed primarily at source by the Management and reviewed by the Audit & Risk Committee and the Board.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

Management deals with that risk as follows: (continued)

- The Company has its own internal self-assessment and risk management controls. Loan operations and loan management services are segregated from loan origination and credit appraisal responsibilities.

(a) Collateral against loans and advances

The Company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral usually is not held against investment securities, and no such collateral was held at December 31, 2019.

The Company's policies regarding obtaining collateral have not changed significantly during the period and there has been no significant change in the overall quality of the collateral held by the Company since the prior period.

(b) Credit concentration risk

A risk concentration refers to aggregate exposure to any group of counterparties having similar characteristics that would cause their ability to meet contractual obligations to be affected by similar events including changes in market, industry or economic or other conditions.

While concentrations can improve yields, such aggregate exposure could produce losses large enough to threaten the financial soundness of the Company. Accordingly, concentration of risk in the loan portfolio is measured in terms of capital and reserves.

The probability of incidence and likely impact arising from risk concentrations are both variable and uncertain especially since most of its loans and investments are long term. Risk concentrations of varying types are unavoidable because of the structure, size and characteristics of the economies in which the Company operates and the limitations of small and medium-sized enterprises but are mitigated by the regulatory and internal risk framework which sets obligor and industry exposure limits.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(b) Credit concentration risk (continued)

The Company’s concentration risk management strategy includes the following measures:

1. Identification of likely areas of concentration and assessment of the joint probabilities of default using suitable methodologies and data, where available, and appropriate judgement based on reasonableness in the light of experience.

2. The Board approves aggregate credit limits, in terms of capital and reserves, based on objective criteria and analyses regarding:

   a. Significant exposures to an individual counterparty or group of related counterparties;

   b. Credit exposures to counterparties in the same economic or industry sector;

   c. Credit exposures within the same national economies

3. Establishment of appropriate capital structures and risk-sharing arrangements to carry on lending and investment operations in national economies that have vulnerabilities or resource constraints.

4. The Company’s technical capability and availability of resources to manage its traditional portfolio concentration are reviewed periodically, including access to industry-specific expertise.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(b) Credit concentration risk (continued)

The following table summarizes the sector risk concentration in the loan portfolio.

	2019		2018	
	$'000	**%**	**$'000**	**%**
Manufacturing	13,238	11	8,257	5
Distribution	5,827	5	9,025	6
Tourism	35,023	28	34,842	23
Real estate	29,447	23	28,662	19
Industrial and commercial services	34,566	28	65,096	42
Consumer	5,591	5	6,944	5
Total outstanding	123,692		152,826	

Sectoral analysis of loan commitments

	2019	2018
	$'000	**$'000**
Industrial and commercial services	2,800	9,922
Total outstanding	2,800	9,922

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(c) Geographical concentrations of assets and liabilities

	Total Assets		Total Liabilities	
	$'000	%	$'000	%
As at December 31, 2019				
Trinidad and Tobago	528,631	90	322,165	88
Eastern Caribbean	18,614	3	24,828	7
Guyana and Suriname	8,743	1	-	-
European Union	5,945	1	8,778	2
North and South America	31,510	5	11,191	3
Total	593,443		366,962	
As at December 31, 2018				
Trinidad and Tobago	491,511	88	316,032	93
Eastern Caribbean	18,782	3	2,525	1
Guyana and Suriname	9,215	2	-	-
European Union	10,701	2	14,774	4
North and South America	25,497	5	8,360	2
Total	555,706		341,691	

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis

Exposure to credit risk

The Company's maximum exposure to credit risk before collateral held or credit enhancements is detailed below:

	2019 $'000	2018 $'000
Credit risk recognised on the statement of financial position		
Cash and cash equivalents	71,044	106,278
Deposits with Central Bank	12,820	10,020
Loans and advances to customers	123,692	152,826
Amounts due from related parties	1,226	1,200
Investment securities (excluding equities)		
- Debt instruments measured at FVOCI	124,553	115,461
- Debt instruments measured at amortised cost	193,381	109,838
	526,716	495,623
Credit risk not recognised on the consolidated statement of financial position		
Undrawn credit commitments	2,800	9,922
Total credit risk exposure	529,516	505,545

Investment securities

The credit quality of debt instruments as well as loan commitments are all classified as "Rating 5L - 5H: low-fair credit risk".

Cash and cash equivalents

The Company held cash and cash equivalents and amounts due from related parties of $72,270 (2018: $107,478). Cash and cash equivalents are held with reputable financial institutions and collateral is held for amounts due from the related party.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

The following table sets out information about the credit quality of financial assets measured at amortised cost, without taking into account collateral/other credit enhancement. Unless specifically indicated, for financial assets, the amount in the table represent gross carrying amounts. Explanation of terms "Stage1", "Stage 2" and "Stage 3" is included in Note 3(b)(ix).

Maximum credit exposure

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Loans and Advances to customers				
Rating 5L - 5H: low-fair credit risk	4,497	-	-	4,497
Rating 4L - 4H: moderate credit risk	37,624	-	500	38,124
Rating 3L - 3H: acceptable-substantial credit	77,479	-	-	77,479
Rating NR: high credit risk	-	-	3,588	3,588
Total	119,600	-	4,088	123,688
Less ECL allowance	(18)	-	(671)	(689)
Carrying amount	119,582	-	3,417	122,999

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

	2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Loans and Advances to customers				
Rating 5L - 5H: low-fair credit risk	1,518	-	-	1,518
Rating 4L - 4H: moderate credit risk	67,934	-	-	67,934
Rating 3L - 3H: acceptable-substantial credit	62,629	13,069	2,434	78,132
Rating NR: high credit risk	-	-	4,997	4,997
Total	132,081	13,069	7,431	152,581
Less ECL allowance	(17)	-	(521)	(538)
Carrying amount	132,064	13,069	6,910	152,043

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; with

- The remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company uses three criteria for determining whether there has been a significant increase in credit risk:

- Quantitative test based on movement in PD;
- Quantitative indicators; and
- A backstop of 30 days past due.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

Credit risk grades

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement.

Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit deteriorates so, for example, the difference in risk of default between credit risk grades 5H and 5L is smaller than the difference between credit risk grades 3M and 3L.

Each exposure is allocated to a credit risk rating on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk rating band. The monitoring typically involves use of the following data:

Corporate and Commercial Exposures

- Information obtained during periodic review of customer files – eg. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are; gross profit margin, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, key management changes, etc.

- Data from credit reference agencies, press articles, changes in external credit ratings (where applicable), etc.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

Corporate and Commercial Exposures (continued)

- Actual and expected significant changes in the financial, economic, political, regulatory and technological environment of the borrower and/or in its business activities;
- Payment records inclusive of overdue status (where applicable);
- Utilisation of approved credit facilities;
- Requests for and granting of forbearance inclusive of adjustments to previously agreed terms and conditions

The table below provides an indicative mapping of how the Company's internal credit risk grades relate to PD and, for the corporate portfolio.

The corporate portfolio of the Company is comprised of loans and advances to corporates and other businesses.

Internal Rating	**12-month average PD (%)**
Rating 5L - 5H: low-fair credit risk	0.03
Rating 4L - 4H: moderate credit risk	0.22
Rating 3L - 3H: acceptable-substantial credit risk	1.08
Rating NR : high credit risk	100

Generating the term structure of PD

Credit risk grades are primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

Determining whether credit risk has increased significantly

The Company assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. What is considered significant differs for different types of lending.

As a general indicator, credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Company's quantitative modelling:

- The remaining lifetime PD is determined to have increased by more than 5% of the corresponding amount estimated on initial recognition;

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Company's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experiences.

As a backstop, the Company considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Past due is determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is any evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as a 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Company determines a probation period during which the financial assets required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

Determining whether credit risk has increased significantly (continued)

The Company monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria is capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due;
- The average time between the identification of a significant increase in credit risk and default appears reasonable;
- Exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Definition of default

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held);
- The borrower is more than 90 days past due on any material credit obligation to the Company; or
- It is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

Determining whether credit risk has increased significantly (continued)

Amounts arising from ECL

In assessing whether a borrower is in default, the Company considers indicators that are:

- Qualitative: e.g. breaches of covenant;
- Qualitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the movement of ECL.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at a fair value in accordance with the accounting policy set out in Note 3d(iii).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- Its remaining lifetime PD at the reporting date based on the modified terms; with

- The remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

Modified financial assets (continued)

The Company renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. This is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants.

For financial assets modified, the estimate of PD reflects whether the modification has improved or restored the Company's ability to collect interest and principal and the Company's previous experience. As part of this process, the Company evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, re-negotiated terms is a qualitative indicator of a significant increase in credit risk and an expectation of default may constitute evidence that an exposure is credit-impaired (see Note 3(b)(ix) A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

Modified financial assets (continued)

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower’s extension options) over which it is exposed to credit risk, even if for credit risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

Modified financial assets (continued)

The Company can cancel them with immediate effect, but this contractual right is not enforced in the normal day-to-day management, but only when the Company becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Company expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- Instrument type;
- Credit risk gradings;
- Collateral type;
- LTV ratio for retail mortgages;
- Date of initial recognition;
- Remaining term to maturity;
- Industry; and
- Geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Company has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows:

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

Modified financial assets (continued)

External benchmarks used

	Exposure $'000	**PD**	**LGD**
Investments - Held at amortised cost	193,381	Bloomberg DRSK	Basel II Foundation Approach

The Company uses the optional practical expedient to assess credit risk on financial assets classified as "low" which allowed management to measure impairment using a 12-month expected credit loss for qualifying assets. The practical expedient was applied to debt securities.

To assess the credit risk on debt securities the Company.

Risk ratings for investments is based on the external ratings from S&P or Moody's. Where an investment is unrated, ratings are based on internal assessment mapped to the S&P rating to derive a suitable equivalent credit rating with associated PD. The Company's PD estimation for investments exposures is done using *Bloomberg Credit Risk DRSK* function. Bloomberg Credit Risk DRSK function provides quantitative estimates of an issuer's default probabilities.

All investments are currently in stage 1.

The Company considers Bloomberg DRSK's estimated probability term structure. These PDs incorporate forward looking information.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

Modified financial assets (continued)

Loss allowance

The following table shows reconciliations from opening to the closing balances of the loss allowance by class of financial instrument.

	2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Loans and advances to customers				
Balance at January 1	17	-	521	538
Transfer to Stage 1	(14)	-	14	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net measurement of loss allowance	-	-	151	151
New financial assets originated or purchased	-	-	-	-
Financial assets that have been Derecognized	-	-	-	-
Write-offs	-	-	-	-
Foreign exchange and other Movements	-	-	-	-
Net profit or loss impact (Note 9)	-	-	151	151
Balance at December 31	3		686	689

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

Modified financial assets (continued)

Loss allowance (continued)

	2018			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Loans and advances to customers				
Balance at January 1	-	-	521	521
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net measurement of loss allowance	17	-	-	17
New financial assets originated or purchased	-	-	-	-
Financial assets that have been Derecognized	-	-	-	-
Write-offs	-	-	-	-
Foreign exchange and other Movements	-	-	-	-
Net profit or loss impact (Note 9)	17	-	-	17
Balance at December 31	17	-	521	538

4. **Financial Risk Management** (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

Modified financial assets (continued)

Loss allowance (continued)

	2019 Stage 1 $'000	2018 Total $'000
Investment securities at amortised cost and debt securities measured at FVOCI		
Balance at January 1	193	165
Net measurement of loss allowance	459	28
Balance at December 31	652	193

Impaired loans and advances and investment securities (debt)

The Company regards loans and advances or investment debt securities as impaired in the following circumstances:

- There is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset such that it does not expect to collect all principal and interest due according to the contractual terms of the loan/investment security agreement(s).

- A loan is overdue when more than 90 days in arrears. Impaired loans and advances are in 90 days and over category in the Company's internal credit risk rating system.

Past due but not impaired loans and investment debt securities, are those for which contractual interest or principal payments are past due, but the Company believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Company.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

Modified financial assets (continued)

Impaired loans and investment securities (debt) (continued)

Loans with renegotiated terms

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 3(d)(iii).

The Company renegotiates loans to customers in financial difficulties (referred to as 'restructuring activities') to maximize collection opportunities and minimize the risk of default. Under the Company's restructuring loan policy, loan restructuring is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the loan restructuring policy. Restructured loans are reported to the Audit and Risk Committee along with the non-performing loans.

For the purposes of disclosures in these financial statements, 'loans with renegotiated terms' are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Company has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Company had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, earlier repayment or until it is written off.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Modified financial assets (continued)

Loans with renegotiated terms (continued)

Irrespective of whether loans with renegotiated terms have been derecognised or not, they remain disclosed as impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and there are no other indicators of impairment.

In respect of some of these loans the Company has made concessions that it would not otherwise consider. During 2019, there were no loans with renegotiated terms or a loan which was re-scheduled or restructured (2018: NIL).

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be impaired when there is evidence that the risk of not receiving contractual cash flows has reduced significantly.

(e) Offsetting financial assets and liabilities

There were no financial assets and liabilities offset during the year (2018: NIL).

(f) Financial assets pledged as collateral

Financial assets are pledged as collateral as part of sales and repurchases and securitisation transactions under terms that are usual and customary for such activities. The Company receives and gives collateral in the form of marketable securities of:

1. Sales-and-repurchase agreements;
2. Securities borrowing.

(g) Transfer of financial assets

In the ordinary course of business, the Company enters into transaction that result in the transfer of financial assets, primarily debt securities. In accordance with the accounting policy set out in Note 3(b)(iii), the transferred financial assets continue to be recognised in their entirety. The Company transfers financial assets that are not derecognised in their entirety through the following transactions: sales and repurchase of securities and securitisation activities.

4. Financial Risk Management (continued)

Risk management framework (continued)

(iii) Operational risk

Operational risk refers to the probability of financial loss from causes associated with the functioning of the Company's business processes, personnel, technology and infrastructure and also from external factors other than credit, market and liquidity risks. Operational risk is an inevitable consequence of the execution of the Company's business processes.

The management of operational risk involves making appropriate judgements that balance risk and return by taking positive measures and instituting controls to avoid financial losses and damage to the Company's reputation while maintaining overall cost effectiveness.

The Company employs an overall system management approach to maintain a culture of integrity, diligence and alertness while avoiding control procedures that restrict initiative and creativity. This requires a commitment by senior management to openness and honesty and to the implementation of controls designed to address operational risk.

This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Adherence to business philosophies and corporate values;
- Compliance monitoring and reporting;
- Internal self-assessment and operational reviews;
- Reporting and analysis of operational losses including "near misses";
- Training and professional development in internal control systems and procedures;
- Development of contingency plans;
- Segregation of duties in critical aspects of loan management, information systems and expense control including the independent authorisation of transactions and access to systems; and
- Independent investigations by senior managers with professional experience in relevant fields.

Compliance with standards is supported by Board overview of a programme of systematic, periodic assessment of areas of likely operational risks identified and prioritised by management responsible for Risk Management and by internal audit (outsourced). The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to Management and the Audit and Risk Committee.

4. Financial Risk Management (continued)

Risk management framework (continued)

(iv) Risk related to use of financial instruments

(a) Interest rate risk

Interest rate risk is the risk of loss from fluctuations in future cash flows or fair values of financial instruments because of a change in market interest rates.

Interest rate management

Movements in interest rates may adversely or positively affect net interest income which is the difference between interest income and the cost of funding. This risk is mitigated by matching interest rates on assets with interest rates on corresponding liabilities.

Generally, these rates are coordinated by standard asset/liability management practices. However, this may be altered because of strategy or circumstances. In particular, the Company is exposed to interest rate risk because of movements in interest rates and:

a. differences in the times at which interest rate movement occur (Timing risk);
b. uncorrelated changes in interest rate indices (Index risk); and
c. fixed income debt in US$ on-lent at floating rates (Basis risk).

4. Financial Risk Management (continued)

Risk management framework (continued)

(iv) Risk related to use of financial instruments (continued)

(a) Interest rate risk (continued)

Interest rate management (continued)

The following table summarises carrying amounts of assets and liabilities on the statement of financial position, in order to arrive at the Company's interest rate gap on the earlier of contractual repricing or maturity dates:

2019

	Due on Demand	Due in One Year	Due in Two to Five Years	Over 5 Years	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Assets					
Cash and cash equivalents	71,044	-	-	-	71,044
Investment securities	-	51,390	51,817	243,418	346,625
Loans and advances to customers	-	122,166	251	1,275	123,692
Amounts due from related parties	-	1,226	-	-	1,226
Other assets	-	989	-	-	989
	71,044	175,771	52,068	244,693	543,576
Liabilities					
Borrowings	-	169,864	2,446	-	172,310
Customers' deposits	-	135,871	55,896	-	191,767
Other liabilities	-	2,885	-	-	2,885
	-	308,620	58,342	-	366,962
Net gap	71,044	(132,849)	(6,274)	244,693	176,614
Cumulative gap	71,044	(61,805)	(68,079)	176,614	-

4. Financial Risk Management (continued)

Risk management framework (continued)

(iv) Risk related to use of financial instruments (continued)

(a) Interest rate risk (continued)

Interest rate management (continued)

2018

	Due on Demand	Due in One Year	Due in Two to Five Years	Over 5 Years	Total
	$'000	$'000	$'000	$'000	$'000
Assets					
Cash and cash equivalents	106,074	204	-	-	106,278
Investment securities	-	133,569	38,251	80,116	251,936
Loans and advances to customers	1,980	140,896	515	9,435	152,826
Amounts due from related parties	-	1,200	-	-	1,200
Other assets	-	1,029	-	-	1,029
	108,054	276,898	38,766	89,551	513,269
Liabilities					
Borrowings	-	161,032	2,357	-	163,389
Customers' deposits	-	128,599	44,063	-	172,662
Other liabilities	-	5,640	-	-	5,640
	-	295,271	46,420	-	341,691
Net gap	108,054	(18,373)	(7,654)	89,551	171,578
Cumulative gap	108,054	89,681	82,027	171,578	-

The results of the sensitivity analysis conducted as at December 31 on the impact on net profits before tax and on equity as a consequence of a reasonably possible change in interest rates at that date, are presented below:

Change in interest rate	Effect on PBT		Effect on equity	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Increase of 1%	(36)	32	(36)	32
Decrease of 1%	36	(32)	36	(32)

4. **Financial Risk Management** (continued)

Risk management framework (continued)

(iv) Risk related to use of financial instruments (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Liquidity risk management

The objective is to ensure that adequate funding is in place to meet its planned portfolio growth requirements, while managing holding costs and interest rate exposures. The Company will maintain minimum liquidity levels.

This is effectively managed by primarily matching long-term borrowings to the bond redemption funds which secure floating rate bonds and also, by new loan disbursements, arranging fixed deposits and maintaining tertiary lines of liquidity where feasible.

The following represents the Company's asset and liability maturity profile, based on their undiscounted cash flows, highlighting separately the short term of 12 months and less. The profile reflects the Company's business as a long term lender. The balances include both principal and interest cash flows over the remaining term to maturity and therefore would differ from the carrying amounts in the Company's statement of financial position.

As at December 31, 2019

	Carrying Value	***Gross Nominal Inflow (Outflow)**	**1 to 12 Months**	**1 to 5 Years**	**5 to 10 Years**	**Over 10 Years**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	71,044	71,044	71,044	-	-	-
Statutory deposit with Central Bank	12,820	12,820	12,820	-	-	-
Investment securities	346,625	492,377	74,956	115,290	224,177	77,954
Loans and advances to customers	123,692	156,360	27,739	47,425	25,654	55,542
Amounts due from related parties	1,226	1,226	1,226	-	-	-
Other assets	989	989	989	-	-	-
Borrowings	(172,310)	(196,960)	(73,968)	(122,992)	-	-
Customers' deposits	(191,767)	(198,705)	(138,421)	(54,397)	(5,887)	-
Other liabilities	(2,885)	(2,885)	(2,885)	-	-	-
Net gap	189,434	336,266	(26,500)	(14,674)	243,944	133,496

***** Undiscounted cash flows include estimated interest payments.

4. Financial Risk Management (continued)

Risk management framework (continued)

(iv) Risk related to use of financial instruments (continued)

(b) Liquidity risk (continued)

Liquidity risk management (continued)

As at December 31, 2018

	Carrying Value $'000	***Gross Nominal Inflow (Outflow) $'000**	**1 to 12 Months $'000**	**1 to 5 Years $'000**	**5 to 10 Years $'000**	**Over 10 Years $'000**
Cash and cash equivalents	106,278	106,278	106,278	-	-	-
Statutory deposit with Central Bank	10,020	10,020	10,020	-	-	-
Investment securities	251,936	344,411	70,619	78,545	144,815	50,432
Loans and advances to customers	152,826	230,223	34,298	77,979	51,463	66,483
Amounts due from related parties	1,200	1,200	1,200	-	-	-
Other assets	1,029	1,029	1,029	-	-	-
Borrowings	(163,389)	(223,696)	(36,444)	(42,289)	(87,654)	(57,309)
Customers' deposits	(172,662)	(178,148)	(130,459)	(47,689)	-	-
Other liabilities	(5,640)	(5,640)	(5,640)	-	-	-
Net gap	181,598	285,677	50,901	66,546	108,624	59,606

***** Undiscounted cash flows include estimated interest payments.

(c) Foreign currency risk

The reporting currency of the Company is the Trinidad and Tobago dollar. The aggregate amount of assets and liabilities denominated in the respective currencies are as follows:

	2019					
	TT $'000	**US $'000**	**EURO $'000**	**GBP $'000**	**GUY $'000**	**Total $'000**
Assets	412,053	177,639	2	1,937	1,812	593,443
Liabilities	(244,649)	(122,313)	-	-	-	(366,962)
Net assets	167,404	55,326	2	1,937	1,812	226,481

4. Financial Risk Management (continued)

Risk management framework (continued)

(iv) Risk related to use of financial instruments (continued)

(c) Foreign currency risk (continued)

	2018					
	TT $'000	**US $'000**	**EURO $'000**	**GBP $'000**	**GUY $'000**	**Total $'000**
Assets	399,121	145,821	3	1,906	8,855	555,706
Liabilities	(236,000)	(105,691)	-	-	-	(341,691)
Net assets	163,121	40,130	3	1,906	8,855	214,015

The management of foreign currency risk against exchange gap limits is further supplemented by monitoring the sensitivity of the possible impact on net profits before tax and on equity relative to fluctuations in foreign exchange rates to the TT dollar.

The results of the sensitivity analysis conducted as at December 31 on the possible impact on net profits before tax and on equity of fluctuations of the foreign exchange rates relative to the TT dollar are presented below.

Change in currency rate	**Effect on PBT**		**Effect on equity**	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Increase of 1%	366	84	366	84
Decrease of 1%	(366)	(133)	(366)	(133)

(d) Capital risk management

The Company's capital risk management policies seeks to achieve several objectives:

- Compliance with capital requirements as set by the Central Bank of Trinidad and Tobago
- Ensure the Company's ability to continue as a going concern
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Company's management. The Company employs techniques derived from the guidelines developed by the Basel Committee on Banking Supervision - Basel I 1998 Capital Accord as implemented by the Central Bank of Trinidad and Tobago. The required information is filed with the regulatory authority on a monthly basis.

4. Financial Risk Management (continued)

Risk management framework (continued)

(iv) Risk related to use of financial instruments (continued)

(d) Capital risk management (continued)

The following table summarises the composition of regulatory capital and the ratios for the Company as at December 31, 2019. The Company has complied with all the externally imposed capital requirements to which it is subject.

	2019	**2018**
	$'000	**$'000**
Total risk adjusted assets	325,041	380,636
Total core capital	217,461	212,964
Allowable supplementary capital	9,020	1,051
Qualifying capital	226,481	214,015
Capital ratios		
- Core capital to total risk adjusted assets	66.90%	55.95%
- Total qualifying capital to total risk adjusted	69.68%	56.23%

The minimum capital adequacy requirement is 15%.

5. Fair Value of Financial Instruments

The fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

(a) Valuation models

The Company's accounting policy on fair value measurements is discussed in accounting policy 3(b)(v).

The Company 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.

5. Fair Value of Financial Instruments (continued)

(a) Valuation models (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.

Due to the judgement used in applying a wide range of acceptable valuation techniques and estimations in the calculation of fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based upon market conditions at a specific point in time and may not be reflective of future fair values.

(b) Financial instruments measured at fair value – fair value hierarchy

The following financial instruments were measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. The fair values, include any differences between the transaction price and the fair value on initial recognition when the fair value is based on valuation technique that uses unobservable inputs.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair Value $'000
As at December 31, 2019				
Equity securities	26,361	-	-	26,361
Debt securities	123,642	911	-	124,553
	150,003	911	-	150,914
As at December 31, 2018				
Equity securities	24,738	-	-	24,738
Debt securities	69,623	33,652	12,186	115,461
	94,361	33,652	12,186	140,199

5. Fair Value of Financial Instruments (continued)

(c) Financial instruments not measured at fair value

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair Value $'000	Total Carrying Amount $'000
As at December 31, 2019					
Assets					
Cash and cash equivalents	71,044	-	-	71,044	71,044
Statutory deposit with Central bank	12,820	-	-	12,820	12,820
Investment securities	193,381	-	-	193,381	193,381
Loans and advances to customers	-	123,688	-	123,688	123,688
Due from related parties	1,226	-	-	1,226	1,226
Liabilities					
Borrowings	(172,310)	-	-	(172,310)	(172,310)
Customers' deposits	(191,767)	-	-	(191,767)	(191,767)
As at December 31, 2018					
Assets					
Cash and cash equivalents	106,278	-	-	106,278	106,278
Statutory deposit with Central bank	10,020	-	-	10,020	10,020
Investment securities	109,838	-	-	109,838	109,838
Loans and advances to customers	-	152,581	-	152,581	152,581
Due from related parties	1,200	-	-	1,200	1,200
Liabilities					
Borrowings	(163,389)	-	-	(163,389)	(163,389)
Customers' deposits	(172,662)	-	-	(172,662)	(172,662)

5. Fair Value of Financial Instruments (continued)

(c) Financial instruments not measured at fair value (continued)

Where available, the fair value of loans and advances and investment securities are based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes interest rates and prepayment rates. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include information obtained from other market participants, which includes observed primary and secondary transactions.

The fair value of borrowings and customers' deposits are estimated using discounted cash flow techniques, applying the rates that are offered for borrowings of similar maturities and terms. The fair value of cash and cash equivalents is the amount payable at the reporting date.

6. Cash and Cash Equivalents

	2019 $'000	2018 $'000
Cash and balances with banks:		
- Local currency	45,536	63,691
- Foreign currency	25,508	42,383
- Short term fixed deposits – local currency	-	204
	71,044	106,278

7. Statutory deposit with Central Bank

The Financial Institutions Act, 2008 requires that every non-bank financial institution licensed under the Act in the Republic of Trinidad and Tobago hold and maintain a non - interest bearing deposit account, to be called a reserve account, with the Central Bank of Trinidad and Tobago, equivalent to 9% of the total deposit liabilities of that institution.

As at December 31, 2019 and 2018, the Company has complied with the above requirement.

	2019 $'000	2018 $'000
Statutory deposit with Central Bank	12,820	10,020

	2019 $'000	2018 $'000
8. Investment Securities		
Investment securities measured at amortised cost:		
- Government bonds and state owned enterprises debt securities	105,465	56,178
- Corporate debt securities	87,916	53,660
	193,381	109,838
Investment securities measured at FVOCI:		
- Government bonds and state owned enterprises debt securities	97,507	64,297
- Corporate debt securities	27,046	51,164
- Equity securities	26,361	24,738
	150,914	140,199
Total investment securities	344,295	250,037
Impairment loss allowance	(652)	(193)
Accrued interest	2,982	2,092
	346,625	251,936
Movement in impairment loss allowance:		
Balance at January 1	193	-
Net remeasurement of impairment loss allowance	-	165
Specific provision made during the year (Note 23)	459	28
Balance at December 31	652	193

8. Investment Securities (continued)

Bond redemption funds

Bond redemption funds of $72,826 thousand (2018: $70,035 thousand) secure the floating rate debt instrument (Note 17) and are invested in local securities issued by the Government of the Republic of Trinidad and Tobago and deposit certificates issued by local commercial banks and other various investments. These funds are managed by the various Trustees for the several Bond Issues and are to be used exclusively for the redemption of specific bonds.

Investment securities totalling $2,290 thousand (2018: $12,970 thousand) are pledged to secure the repurchase agreements (see Note 17). Interest rates on these repos range from 3.35% to 4.00 % in 2019 (2018: 2.80% to 4.00%)

	2019	2018
	$'000	$'000
9. Loans and Advances to Customers		
Principal	123,688	152,581
Impairment loss allowance	(689)	(538)
	122,999	152,043
Accrued interest	693	783
	123,692	152,826
Movement in impairment loss allowance:		
Balance at beginning of year	538	521
Net remeasurement of impairment loss allowance	-	16
Specific provisions made during the year (Note 23)	151	1
Balance at end of year	689	538

10. Related Party Balances and Transactions

(a) Identity of related parties

A party is related to the Company if:

(a) The party is a subsidiary or an associate of the Company;

(b) The party is, directly or indirectly, either under common control or subject to significant influence with the Company or has significant or joint control of the Company;

(c) The party is a close family member of a person who is part of key management personnel or who controls the Company;

10. Related Party Balances and Transactions (continued)

(a) Identity of related parties

A party is related to the Company if (continued)

(d) The party is controlled or significantly influenced by a member of key management personnel or by a person who controls the Company;

(e) The party is a joint venture in which the Company is a venture partner;

(f) The party is a member of the Company's or its parent's key management personnel;

(g) The party is a post-employment benefit plan for the Company's employees;

(h) The party, or any member of a group of which it is a part, provides key management personnel services to the Company or its Parent.

	2019 $'000	2018 $'000
(b) Related party balances		
Due from related parties:		
DevCap Fund Management Limited	2,751	2,725
	2,751	2,725
Impairment loss allowance	(1,525)	(1,525)
	1,226	1,200

These amounts are unsecured and repayable as disclosed below:

Funds advanced to DevCap Fund Management Limited will be repaid from the sale of property held as security by the Company. A partial provision exists.

Due to related parties:		
CDN Management Services Limited*	(33)	(34)

*These amounts are included within "other liabilities".

	2019 $'000	2018 $'000

10. Related Party Balances and Transactions (continued)

(b) *Related party balances* (continued)

	2019 $'000	2018 $'000
Movement in impairment loss allowance:		
Balance at beginning and end of year	1,525	1,525

(c) *Related party transactions*

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

Related party transactions include but are not limited to the following:
- Pension plan payments
- Foreign exchange transactions

	2019 $'000	2018 $'000
Income and expenses:		
Other income		
Significant shareholders	883	2,077
Directors, key management personnel and their immediate relatives	10	10
Expenses		
Significant shareholders	(1,789)	(1,112)
Directors, key management personnel and their immediate relatives	(1,490)	(11)

(d) *Transactions with key management personnel*

	2019 $'000	2018 $'000
Key management personnel compensation:		
Salaries and other short-term benefits	4,887	4,896

	2019 $'000	2018 $'000

11. Computer Software

	2019 $'000	2018 $'000
Opening net book amount at January 1	800	652
Additions	77	225
Amortisation charge	(42)	(77)
Closing net book amount at December 31	835	800

12. Furniture and Equipment

	Furniture and Equipment $'000	Total $'000
Year ended December 31, 2019		
Opening net book amount	429	429
Additions	252	252
Depreciation charge	(140)	(140)
Closing net book amount	541	541
At December 31, 2019		
Cost/valuation	7,531	7,531
Additions	252	252
Accumulated depreciation	(7,242)	(7,242)
Closing net book amount	541	541
Year ended December 31, 2018		
Opening net book amount	444	444
Additions	143	143
Depreciation charge	(158)	(158)
Closing net book amount	429	429
At December 31, 2018		
Cost/valuation	7,390	7,390
Additions	143	143
Accumulated depreciation	(7,104)	(7,104)
Closing net book amount	429	429

	2019 $'000	2018 $'000
13. Other Assets		
Other receivables and prepayments	989	1,029
Property available for sale	7,271	-
	8,260	1,029

The Company enforces its power of sale agreements over various types of collateral, as a consequence of failure by borrowers or counterparties to honour its financial obligations. During 2017, the Company took possession of an income generating asset in lieu of debt. The asset is located in Suriname and a real estate agency was immediately engaged to monetize the asset in the shortest possible time. The asset held was last valued by an independent valuator in 2017, and is now recorded as a non-current asset. This asset was previously classified as an asset held for sale in accordance with the relevant accounting standard. For this financial year end, the asset no longer meets the requirements to be classified as such.

14. Post-employment Benefits

The Company contributes to a defined benefit pension plan (the Plan), which entitles a retired employee to receive an annual pension payment. The Plan is funded by the Company and certain employees, the assets of the Plan being managed separately by the Trustee. The funding requirements are based on the pension fund's actuarial measurement performed by an independent qualified actuary.

The Plan exposes the Company to actuarial risks such as longevity risk, currency risk, interest rate risk and market risk.

The Company is not expected to contribute to the Plan in 2020.

	2019 $'000	2018 $'000
(i) The amounts recognised in the statement of financial position are as follows:		
Present value of obligation	(29,637)	(29,442)
Fair value of plan assets	58,037	52,914
Asset in the statement of financial position	28,400	23,472

	2019 $'000	2018 $'000
14. Post-employment Benefits (continued)		
(ii) Movement of amounts recognised in the statement of financial position:		
Asset recognised in the statement of financial position at January 1	23,472	25,643
Income recognised in profit or loss	483	554
Actuarial gain (losses) recognised in OCI	4,445	(2,725)
Asset in the statement of financial position	28,400	23,472
(iii) Changes in the fair value of plan assets		
Opening fair value of plan assets	52,914	54,759
Expected return on plan assets	2,601	2,692
Benefits paid	(1,757)	(1,826)
Actuarial gain (losses) on plan assets	4,279	(2,711)
Closing fair value of plan assets	58,037	52,914
(iv) Changes in the present value of the obligation		
Opening present value of obligation	29,442	29,116
Current service cost	461	451
Interest cost	1,445	1,428
Benefits paid	(1,757)	(1,826)
Expenses	212	259
Actuarial (gains) loss	(166)	14
Closing fair value of obligation	29,637	29,442
(v) The amounts recognised in profit or loss are as follows:		
Current service cost	461	451
Interest cost	1,445	1,428
Expected return on plan assets	(2,601)	(2,692)
Expenses	212	259
Total included in employee costs (Note 24)	(483)	(554)
Expected return on plan assets	2,601	2,692
Actuarial gain (loss) on plan assets	4,279	(2,711)
Actual return on plan assets	6,880	(19)

	2019 $'000	2018 $'000

14. Post-employment Benefits (continued)

(vi) Actuarial gains and losses recognised in other comprehensive income

	2019 $'000	2018 $'000
Fair value of plan assets	4,279	(2,711)
Present value of obligation	166	(14)
	4,445	(2,725)

(vii) The principal actuarial assumptions used were:

There are no asset/liability matching strategies used by the Plan.

	2019	2018
Discount rate	5.00%	5.00%
Future salary increases	5.00%	5.00%
Expected return on plan assets	3.00%	3.00%
Post retirement mortality		
Group annuitants mortality table 1994		
Pre-retirement mortality, withdrawal from service	Nil	Nil
Future pension increases	Nil	Nil
Proportion of employees opting for early retirement	Nil	Nil

The overall expected rate of return is the weighted average of the expected returns of the expected various categories of plan assets held.

(viii) Asset allocation:

	2019	2018
The major categories of the plan assets are:		
Local equities	31%	30%
Government securities	21%	23%
Mutual Funds	2%	2%
Other	46%	45%
	100%	100%

14. Post-employment Benefits (continued)

	2019 $'000	2018 $'000
(viii) Asset allocation (continued)		
Actual return on Plan assets	6,880	(19)

All equities have quoted prices in active markets. The fair value of Government and other securities are calculated by discounting expected future proceeds using a constructed yield curve.

(ix) Sensitivity of present value of defined benefit obligation:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	1% Increase ($'000)	1% Decrease ($'000)
Discount rate	(3,555)	4,432
Salary growth	531	(457)

The weighted average duration of the obligation is 15 years.

(x) Experience history:

Amounts for the current period are as follows:

	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Defined benefit obligation	(29,637)	(29,442)	(29,116)	(28,904)	(28,470)
Plan assets	58,037	52,914	54,759	54,789	54,484
Surplus	28,400	23,472	25,643	25,885	26,014
Experience adjustments on Plan liabilities (gains) loss	(166)	14	(141)	291	63
Remeasurement gain	-	-	-	-	-
Net experience adjustments on Plan liabilities (gains) loss	(166)	14	(141)	291	63
Experience adjustments on Plan assets gain (loss)	4,279	(2,711)	(1,046)	(517)	(3,535)

	2019 $'000	2018 $'000
15. Stated Capital		
Authorised		
Unlimited number of ordinary shares of no par value		
Issued and fully paid		
60,300,393 ordinary shares of no par value	90,039	90,039
266,000 non-redeemable, non-cumulative, non-voting - 5% preference shares	26,600	26,600
200,000 non-cumulative, non-voting, convertible preference shares	20,000	20,000
	136,639	136,639

Schedule Item (4d) of the Company's Articles of Incorporation states that the 266,000 non-cumulative, non-voting preference shares will not, on a winding up of or other repayment of capital, entitle the holders to have the assets of the Company available for distribution among the preference shareholders.

The 200,000 non-cumulative, non-voting convertible preference shares carry a fixed non-cumulative preferential dividend at an interest rate of 5% per annum. This payment ranks after the non-redeemable preference shares but in priority to the Company's ordinary shares in the declaration of dividends.

On a winding up, the holders of these preference shares are entitled to receive their share of the assets of the Company available for distribution among shareholders in preference to ordinary shareholders and will be entitled to the repayment of their capital payment in priority to ordinary shareholders.

These preference shares are at the original subscription price of $20 million plus any accrued dividends. The option to redeem or convert can be exercised at any time at the sole discretion of the holders at a price of $1.00 per ordinary share.

16. Reserves

Statutory reserve

The Financial Institutions Act (2008) requires a financial institution to transfer annually a minimum of 10% of its net profit after taxation to a statutory reserve account until the balance on this reserve is equal to the paid up capital of the financial institution. The reserve is not available for distribution.

Contingency for general banking risks

The contingency for general banking risks is based on a minimum of 0.5% of the year-end loan portfolio allocated to SME portfolio risk.

Revaluation reserve

The revaluation reserve includes the unrealized gain on revaluation of investments measured at FVOCI.

17. Borrowings

	2019 $'000	2018 $'000
Short-term borrowings	11,191	8,359
Long-term borrowings (a)	157,855	141,626
	169,046	149,985
Repurchase agreements (b)	2,250	12,343
	171,296	162,328
Accrued interest	1,014	1,061
	172,310	163,389

The Company's borrowings are mainly long term and are measured at amortised cost. Borrowings are covered by various forms of loan agreements. These include Trust Deeds related to bond issues on capital markets and finance contracts with international institutions. The Company has complied with all terms and conditions of all borrowings and all payments have been made as contracted. The finance contracts with international institutions include operational benchmarks related to the purposes of the loan based on projections and assumptions. Changes in market conditions and implementation issues beyond the control of the Company may delay the achievement of such benchmarks and deadlines.

17. Borrowings (continued)

(a) Long-term borrowings

	Interest Rate %	2019 $'000	2018 $'000
TT$ Floating Rate Bonds	5.33-6.44	105,000	105,000
US$ Floating Rate Bonds	4.50-6.25	52,855	36,626
		157,855	141,626

(b) Repurchase agreement

The securities sold under the repurchase agreements are included in the financial instruments disclosed in Note 8. Interest rates on these repos range from 3.35% to 4.00% in 2019 (2018: 2.80% to 4.00%).

18. Customers' Deposits

	2019 $'000	2018 $'000
Customers' deposits	189,663	171,200
Accrued interest	2,104	1,462
	191,767	172,662
Sectoral analysis		
Corporate	71,518	85,439
Individuals	118,145	85,761
	189,663	171,200

19. Classification of Financial Assets and Financial Liabilities

The following table provides a reconciliation between line items in the statement of financial position and the categories of financial instruments:

	FVTPL	FVOCI Debt	FVOCI Equity	Amortised Cost	Total
	$'000	$'000	$'000	$'000	$'000
2019					
Financial Assets					
Cash and cash equivalents	-	-	-	71,044	71,044
Statutory deposit with Central Bank	-	-	-	12,820	12,820
Investment securities	-	124,553	26,361	193,381	344,295
Loans and advances to customers	-	-	-	123,688	123,688
Due from related parties	-	-	-	1,226	1,226
Total financial assets	-	124,553	26,361	402,159	553,073
Financial Liabilities					
Borrowings	-	-	-	172,310	172,310
Customers' deposits	-	-	-	191,767	191,767
Total financial liabilities	-	-	-	364,077	364,077
2018					
Financial Assets					
Cash and cash equivalents	-	-	-	106,278	106,278
Statutory deposit with Central Bank	-	-	-	10,020	10,020
Investment securities	-	115,461	24,738	109,838	250,037
Loans and advances to customers	-	-	-	152,581	152,581
Due from related parties	-	-	-	1,200	1,200
Total financial assets	-	115,461	24,738	379,917	520,116
Financial Liabilities					
Borrowings	-	-	-	163,389	163,389
Customers' deposits	-	-	-	172,662	172,662
Total financial liabilities	-	-	-	336,051	336,051

20. Interest Income Calculated Using The Effective Interest Method

	2019 $'000	2018 $'000
Loans and cash advances to customers	12,406	11,214
Investment securities:		
- FVOCI	8,594	8,277
- Amortised cost	7,059	4,060
Other investment income	296	-
	28,355	23,551

21. Interest Expense

	2019 $'000	2018 $'000
Borrowings	8,732	8,994
Customers' deposits	6,135	3,477
Repurchase agreements	79	966
	14,946	13,437

22. Other Income

	2019 $'000	2018 $'000
Net foreign exchange translation gains	95	283
Profit from trading in foreign exchange	5,143	11,274
Fee income	447	516
Loss on securities trading	(415)	(1,473)
Other income	647	309
	5,917	10,909

23. Reversal of Impairment Loss Allowance

	2019 $'000	2018 $'000
Loans		
Specific provisions made during the year (Note 9)	151	1
Other assets		
Provisions no longer required	-	(124)
Investments		
Specific provisions made during the year (Note 8)	459	28
Net credit for the year	610	(95)

24. General Overheads and Corporate Expenses

	2019 $'000	2018 $'000
Included in general overheads and corporate expenses are the following:		
Corporate marketing and business development	254	820
Regulatory and professional fees and expenses	2,637	2,567
Assurance, business process improvement and compliance	-	124
Accommodation and communication	462	1,036
General corporate and ICT expenses	1,237	864
Employee costs:		
- Personnel	8,562	6,968
- Defined benefit pension fund income (Note 14)	(483)	(554)
Depreciation and amortisation	182	235
	12,851	12,060

	2019 $'000	2018 $'000
25. Taxation		
Green Fund Levy	(105)	(104)

	2019 $'000	2018 $'000
26. Adjustments for Non-Cash Items in Operating Activities		
Depreciation and amortisation	182	235
Unrealised losses (gains) on investments measured at FVOCI	4,582	(5,941)
Increase in (reversal of) impairment loss allowance (Note 23)	610	(95)
Post-employment benefit income (Note 14)	(483)	(554)
Net foreign exchange translation gains (Note 22)	(95)	(283)
Interest income (Note 20)	(28,355)	(23,551)
Interest expense (Note 21)	14,946	13,437
	(8,613)	(16,752)

27. Contingent Liabilities

In the normal course of business, various commitments and contingent liabilities are outstanding which are not reflected in the financial statements. These include commitments to extend credit, which, in the opinion of management, do not represent unusual risk, and no material losses are anticipated as a result of these transactions.

During 2019, the Company has not entered into any commitments or require disclosure of contingent liabilities.

28. Events after the Reporting Date

The Company has evaluated events occurring after December 31, 2019 in order to assess and determine the need for potential recognition or disclosure in these financial statements. Such events were evaluated through March 26, 2020, the date these financial statements were available to be issued. Based upon this evaluation, the Company has determined the following subsequent event requires disclosure:

In March 2020, a global pandemic was declared by the World Health Organization related to the novel coronavirus disease 2019 (COVID-19). COVID-19 and the actions being taken to respond to same has already begun to impact individuals and businesses in the markets and communities where the Company operates. These impacts currently or in the near future may, among others, include:

- Reductions in earnings, and productivity;
- Delays in collections;
- Reduced hours of operations in facilities;
- Delays in projects and planned business expansions, including those of customers;
- Capital market disruptions;
- Supply chain disruptions;
- Unavailability of Company personnel; and
- Reduced business and economic activity due to disruptions in tourism, sports, cultural and other leisure activities.

The Company does not have an estimate of the potential impact of these or other factors related to COVID-19 and no provision for such has therefore been made in its 2019 results.

29. Earnings per Share

	2019	2018
Basic and diluted earnings per share ($)	0.04¢	0.07¢
Number of shares ($'000) (Note 15)	136,639	136,639