Financial Statements of

DEVELOPMENT FINANCE LIMITED

December 31, 2017
(Expressed in Thousands Trinidad and Tobago Dollars)

DEVELOPMENT FINANCE LIMITED

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Statement of Management's Responsibilities
Development Finance Limited

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, 2017, the statements of profit or loss, other 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.

Duane Hinkson
Chief Executive Officer

March 26, 2018

Stacey Bachoo
Chief Accountant

March 26, 2018

KPMG
Chartered Accountants
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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, 2017, the statements of profit or loss, other 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, 2017, 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 2017 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 Company's 2017 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 IFRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

KPMG

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, 2018

DEVELOPMENT FINANCE LIMITED

Statement of Financial Position

December 31, 2017
(Expressed in Trinidad and Tobago Dollars)

	Notes	2017	2016
		$'000	**$'000**
ASSETS			
Cash and balances with bank	7	78,800	80,140
Statutory deposit with Central Bank	7	4,920	3,620
Asset held for sale	8	8,324	-
Investment securities	9	210,687	217,034
Loans and advances to customers	10	147,465	133,481
Due from related parties	11	1,203	1,206
Computer software	12	652	109
Furniture and equipment	13	444	575
Other assets	14	13,720	3,424
Post-employment benefits	15	25,643	25,885
Total assets		491,858	465,474
EQUITY AND LIABILITIES			
Equity			
Stated capital	16	136,639	136,639
Reserves	17	27,688	23,065
Retained earnings		51,890	13,408
Total equity		216,217	173,112
Liabilities			
Borrowings	18	184,356	233,500
Customers' deposits	19	80,157	52,872
Other liabilities		11,128	5,990
Total liabilities		275,641	292,362
Total equity and liabilities		491,858	465,474

The accompanying notes on pages 10 to 77 are an integral part of these financial statements.

These financial statements have been approved for issue by the Board of Directors on March 26, 2018 and signed on its behalf by:

Director R. Maharaj Director

DEVELOPMENT FINANCE LIMITED

Statement of Profit or Loss

Year ended December 31, 2017
(Expressed in Trinidad and Tobago Dollars)

	Notes	2017	2016
		$'000	**$'000**
Interest income	21	27,967	23,198
Interest expense	22	(11,000)	(10,977)
Net interest income		16,967	12,221
Gain arising from derecognition of financial assets measured at amortised cost	23	19,822	-
Other income	24	9,084	13,273
Revenue		45,873	25,494
Reversal of impairment loss allowance	25	14,376	439
Recoveries		24	27
General overheads and corporate expenses	26	(13,680)	(12,545)
Profit before taxation		46,593	13,415
Taxation	27	(175)	(112)
Profit for the year		46,418	13,303

The accompanying notes on pages 10 to 77 are an integral part of these financial statements.

DEVELOPMENT FINANCE LIMITED

Statement of Other Comprehensive Income

Year ended December 31, 2017
(Expressed in Trinidad and Tobago Dollars)

	Note	2017	2016
		$'000	$'000
Profit for the year		46,418	13,303
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefits	15	(905)	(808)
Items that are or may be reclassified subsequently to profit or loss			
Unrealised (loss) gains on revaluation of available-for-sale investments		(78)	395
Other comprehensive income		(983)	(413)
Total comprehensive income for the year		45,435	12,890

The accompanying notes on pages 10 to 77 are an integral part of these financial statements.

DEVELOPMENT FINANCE LIMITED

Statement of Changes in Equity

Year ended December 31, 2017
(Expressed in Trinidad and Tobago Dollars)

	Ordinary Shares $'000	Preference Shares $'000	Statutory Reserve $'000	Revaluation Reserve $'000	Contingency for General Banking Risks $'000	Retained Earnings $'000	Total $'000
Balance at December 31, 2016							
Balance at January 1, 2016	**90,039**	**46,600**	**20,250**	**425**	**600**	**2,308**	**160,222**
Transfer to General Banking Risk Reserve	-	-	-	-	65	(65)	-
Transfer to Statutory Reserve	-	-	1,330	-	-	(1,330)	-
	90,039	46,600	21,580	425	665	913	160,222
Profit for the year	-	-	-	-	-	13,303	13,303
Other comprehensive income	-	-	-	395	-	(808)	(413)
Total comprehensive income	-	-	-	395	-	12,495	12,890
Balance at December 31, 2016	**90,039**	**46,600**	**21,580**	**820**	**665**	**13,408**	**173,112**
Balance at December 31, 2017							
Balance at January 1, 2017	**90,039**	**46,600**	**21,580**	**820**	**665**	**13,408**	**173,112**
Transfer to General Banking Risk Reserve	-	-	-	-	60	(60)	-
Transfer to Statutory Reserve	-	-	4,641	-	-	(4,641)	-
	90,039	46,600	26,221	820	725	8,707	173,112
Profit for the year	-	-	-	-	-	46,418	46,418
Other comprehensive income	-	-	-	(78)	-	(905)	(983)
Total comprehensive income	-	-	-	(78)	-	45,513	45,435
Transactions with Owners recorded directly in equity							
Dividends paid	-	-	-	-	-	(2,330)	(2,330)
Balance at December 31, 2017	90,039	46,600	26,221	742	725	51,890	216,217

The accompanying notes on pages 10 to 77 are an integral part of these financial statements.

DEVELOPMENT FINANCE LIMITED

Statement of Cash Flows

Year ended December 31, 2017
(Expressed in Trinidad and Tobago Dollars)

	Notes	2017	2016
		$'000	**$'000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		46,418	13,303
Adjustments for non-cash items in operating activities	28	(37,398)	(23,388)
Cash flows before changes in operating assets		9,020	(10,085)
Changes in:			
- Loans and advances to customers		(13,193)	(12,459)
- Balance with Central Bank		(1,300)	(2,553)
- Asset held for sale		(8,324)	-
- Related party balances		37	-
- Other assets		(10,296)	(1,441)
- Other liabilities		5,104	3,913
Taxation expense		175	112
		(27,797)	(12,428)
Interest received		25,654	21,776
Interest paid		(9,498)	(8,992)
Taxation paid		(175)	(112)
		15,981	12,672
Net cash from (used in) operating activities		(2,796)	(9,841)
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal (acquisition) of investment securities		10,765	(3,390)
Proceeds from sale of investment securities		17,314	4,986
Additions to furniture and equipment and computer software		(933)	(106)
Net cash from investing activities		27,146	1,490
CASH FLOWS FROM FINANCING ACTIVITIES			
Net change in customers' deposits		26,649	33,616
Repayment of debt securities		(50,009)	(16,710)
Dividend paid		(2,330)	-
Net cash (used in) from financing activities		(25,690)	16,906
Net increase in cash and cash equivalents		(1,340)	8,555
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		80,140	71,585
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	78,800	80,140

The accompanying notes on pages 10 to 77 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 as a private limited liability company 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.

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.

(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).
- Investments in equity securities are stated at fair value through profit or loss.
- Available-for-sale financial assets are measured at fair value.

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 critical 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 described in Note 5.

3. Significant Accounting Policies

The Company has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements.

(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.

3. Significant Accounting Policies (continued)

(a) Foreign currency (continued)

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, EIB loans and debt securities and customers' deposits.

(i) Recognition and initial measurement

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.

(ii) Classification

Financial assets

The Company classifies its financial assets into one of the following categories:

- loans and advances to customers and receivables;
- held-to-maturity;
- available-for-sale; and
- fair value through profit or loss; and within this category as:
  - held for trading; or
  - designated at fair value through profit or loss.

- ***Loans and receivables***

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money or services directly to a debtor with no intention of trading the receivable.

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(ii) Classification (continued)

Financial assets (continued)

- ***Held-to-maturity***

  'Held-to-maturity investments' are non-derivative assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

  Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the Company from classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

  - sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
  - sales or reclassifications after the Company has collected substantially all of the asset's original principal; and
  - sales or reclassifications that are attributable to non-recurring isolated events beyond the Company's control that could not have been reasonably anticipated.

- ***Available-for-sale***

  Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

- ***Fair value through profit or loss***

  The Company designates the equity securities at fair value, with fair value changes recognised immediately in profit or loss.

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(ii) Classification (continued)

<u>*Financial liabilities*</u>

The Company classifies its financial liabilities as measured at amortised cost or fair value through profit or loss.

(iii) Derecognition

<u>*Financial assets*</u>

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers 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 the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in the 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 assets are not derecognised. Examples of such transactions are sale-and-repurchase transactions.

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 transferred), 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.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability in the statement of financial position.

<u>*Financial liabilities*</u>

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

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(iv) Offsetting

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Fair value measurement

'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. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received.

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(vi) Fair value measurement (continued)

If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Identification and measurement of impairment

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably. (See Note 3(d)(ii): Classification of impaired loans).

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a Company of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company.

3. Significant Accounting Policies (continued)

(b) Financial instruments (continued)

(vii) Identification and measurement of impairment (continued)

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In general, the Company considers a decline of 20% to be 'significant' and a period of nine months to be 'prolonged'. However, in specific circumstances a smaller decline or a shorter period may be appropriate.

The Company considers evidence of impairment for loans and advances and held-to-maturity investment securities at a specific asset level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses on assets measured at amortised cost are recognised in profit or loss and reflected in an allowance account against loans and advances and/or investment securities.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The Company writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the Board of Directors determines that there is no realistic prospect of recovery.

(viii) 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 20 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.

3. Significant Accounting Policies (continued)

(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.

(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.

3. Significant Accounting Policies (continued)

(d) Loans and advances to customers (continued)

(ii) Classification of impaired loans (continued)

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.

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.

(iv) Specific provision for loan losses

All loans are carried at amortised cost and where required are reduced to that amount by specific provisions for loan losses. Impaired loans are assessed annually at net realisable value discounted to present value based on the contracted loan rate and the expected receipts of regular and terminal cash flows. Statutory and other regulatory or probable loan loss or operational risk requirements, if any, which exceed the amount of specific provisions, are dealt with in the contingency for general banking risks.

(e) Investment securities

Investment securities are initially measured at fair value plus, in the case of investment securities not at fair value through profit or loss, incremental direct transaction costs and subsequently accounted for depending on their classification as either held-to-maturity, fair value through profit or loss or available-for-sale.

Investment securities primarily comprise government bonds and other registered securities that are being held-to-maturity. 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.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Company becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss. Impairment losses are recognised in profit or loss.

Other fair value changes, other than impairment losses, are recognised in OCI and presented in the fair value reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified 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.

During 2017, the Company changed its method of computing depreciation from reducing balancing methods to the straight-line method for the Company's long term assets. The Company determined that the change in depreciation method from reducing balance method to a straight-line method is a change in accounting estimate affected by a change in accounting principle. A change in accounting estimate affected by a change in accounting principle is to be applied prospectively. The change is considered preferable because the straight-line method will more accurately reflect the pattern of usage and the expected benefits of such assets and provide greater consistency. As a result of the change to the straight-line method of depreciating long term assets, depreciation expense increased by $281 thousand in 2017. The expected effect in 2018 is estimated at $1,572 thousand.

(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 reducing balance 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.

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

(h) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax 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. 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) Debt securities and deposits

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

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 deposit, and the underlying asset continues to be recognised in the Company's financial statements.

(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.

3. Significant Accounting Policies (continued)

(j) Employee benefits (continued)

(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.

(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.

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

(j) Employee benefits (continued)

(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 $140 thousand (2016: $210 thousand).

(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

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 the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability and is not revised subsequently. When calculating the effective interest rate, the Company estimates the future cash flows considering all contractual terms of the financial instrument, but not the future credit losses.

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

Interest income is recognised on an accrual basis in the period in which it is due and in accordance with the underlying loan contract terms and conditions except for loans classified as impaired or for loans classified as non-accrual when in management's judgement there was a deterioration in credit quality that if continued would lead to impairment.

Interest income and expenses presented in profit or loss include interest on financial assets and liabilities measured at amortised cost calculated on an effective interest basis.

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) New standards or amendments and forthcoming requirements

(i) *New and amended standards adopted by the Company*

The following standards have been adopted by the Company for the first time for the financial year beginning on or after January 1, 2017:

- Amendments to IAS 7, *Statement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

3. Significant Accounting Policies (continued)

(p) New standards or amendments and forthcoming requirements (continued)

(i) *New and amended standards adopted by the Company* (continued)

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:

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

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

  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

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

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

3. Significant Accounting Policies (continued)

(p) New standards or amendments and forthcoming requirements (continued)

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Company has not early adopted these new or amended standards in preparing these financial statements.

The new standards listed below are those that could potentially have an impact on the Company's performance, financial position or disclosures in the period of initial application. The potential impact of each standard is discussed below.

Effective January 1, 2018

IFRS 9 Financial Instruments

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted; the Company is therefore required to adopt IFRS 9 from January 1, 2018. The standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial items.

(i) IFRS 9 Implementation Strategy

The Company's IFRS 9 implementation process is governed by a Committee whose members include representatives from risk, finance, operations and IT functions. The Committee meets on a regular basis to challenge key assumptions, approve decisions and monitor the progress of the implementation work across the Company, including evaluation of whether the project has sufficient resources.

The Company is in the process of completing a detailed impact assessment including most of the accounting analysis and will then commence work on the design and build of models, systems, processes and controls.

(ii) Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

3. Significant Accounting Policies (continued)

(p) ***New standards or amendments and forthcoming requirements*** (continued)

(ii) *New standards and interpretations not yet adopted* (continued)

Effective January 1, 2018 (continued)

IFRS 9 Financial Instruments (continued)

(ii) *Classification – Financial assets* (continued)

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at 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 on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at 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 solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

3. Significant Accounting Policies (continued)

(p) New standards or amendments and forthcoming requirements (continued)

(ii) New standards and interpretations not yet adopted (continued)

Effective January 1, 2018 (continued)

IFRS 9 Financial Instruments (continued)

(ii) Classification – Financial assets (continued)

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

A financial asset is classified into one of these categories on initial recognition. However, for financial assets held at initial application, the business model assessment is based on facts and circumstances at that date. Also, IFRS 9 permits new elective designations at FVTPL or FVOCI to be made on the date of initial application and permits or requires revocation of previous FVTPL elections at the date of initial application depending on the facts and circumstances at that date.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Preliminary impact assessment

Based on its preliminary high-level assessment of possible changes to the classification and measurement of financial assets held, the Company's current expectation is that:

- loans and advances to Companies and to customers that are classified as loans and receivables and measured at amortised cost under IAS 39 would in general also be measured at amortised cost under IFRS 9;

- held-to-maturity investment securities measured at amortised cost under IAS 39 would in general also be measured at amortised cost under IFRS 9;

- debt securities that are classified as available for sale under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances;

3. Significant Accounting Policies (continued)

(p) New standards or amendments and forthcoming requirements (continued)

(ii) New standards and interpretations not yet adopted (continued)

Effective January 1, 2018 (continued)

IFRS 9 Financial Instruments (continued)

(ii) Classification – Financial assets (continued)

Preliminary impact assessment (continued)

- equity securities classified as available for sale under IAS 39 that are held for long-term strategic purposes would generally be designated as measured at FVOCI.

The Company's assessment is however on-going and will include a detailed review of the contractual terms of all financial assets. At that stage, the final impact will be determined.

(iii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued

No impairment loss will be recognised on equity investments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events on a financial instrument within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

3. Significant Accounting Policies (continued)

(p) New standards or amendments and forthcoming requirements (continued)

(ii) New standards and interpretations not yet adopted (continued)

Effective January 1, 2018 (continued)

IFRS 9 Financial Instruments (continued)

(iii) Impairment of financial assets (continued)

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component.

The assessment of whether credit risk on a financial asset has increased significantly will be one of the critical judgements in implementing the impairment model of IFRS 9. When assessing this, the Company will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information.

Measurement of ECL

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- *financial assets that are credit-impaired at the reporting date:* the difference between the gross carrying amount and the present value of estimated future cash flows;

3. Significant Accounting Policies (continued)

(p) New standards or amendments and forthcoming requirements (continued)

(ii) New standards and interpretations not yet adopted (continued)

Effective January 1, 2018 (continued)

IFRS 9 Financial Instruments (continued)

(iii) Impairment of financial assets (continued)

Measurement of ECL (continued)

ECLs are a probability-weighted estimate of credit losses and will be measured as follows (continued)

- *undrawn loan commitments:* the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and

- *financial guarantee contracts:* the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Financial assets that are credit-impaired are defined by IFRS 9 in a similar way to financial assets that are impaired under IAS 39.

Preliminary impact assessment

The most significant impact on the Company's financial statements from the implementation of IFRS 9 is expected to result from the new impairment requirements. The Company is not yet able to provide quantitative information about the expected impact, since the Company is in the process of building and testing models, assembling data and calibrating the impairment stage transfer criteria. However, the Company expects loss allowances under IFRS 9 to be larger and more volatile than under IAS 39.

3. Significant Accounting Policies (continued)

(p) New standards or amendments and forthcoming requirements (continued)

(ii) New standards and interpretations not yet adopted (continued)

Effective January 1, 2018 (continued)

IFRS 9 Financial Instruments (continued)

(iv) Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes will generally be presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Company has not designated any financial liabilities as at FVTPL and it has no current intention to do so. The Company's preliminary assessment did not indicate any material impact regarding the classification of financial liabilities under IFRS 9.

(v) Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs. The Company's assessment included an analysis to identify data gaps against current processes and the Company is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

(vi) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at January 1, 2018.

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

(p) New standards or amendments and forthcoming requirements (continued)

(ii) New standards and interpretations not yet adopted (continued)

Effective January 1, 2018 (continued)

IFRS 9 Financial Instruments (continued)

(vi) Transition (continued)

The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted; the Company is therefore required to adopt IFRS 15 from January 1, 2018.

The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 11, *Construction Contracts*, IAS 18, *Revenue* and IFRIC 13, *Customer Loyalty Programmes.*

The Company will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity’s performance.

3. Significant Accounting Policies (continued)

(p) New standards or amendments and forthcoming requirements (continued)

(ii) New standards and interpretations not yet adopted (continued)

Effective January 1, 2018 (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Management has assessed that the main impact of this standard is in respect of fees and commission income. The Company earns fee and commission income (other than fees included in the calculation of the effective interest rate) on provision of retail and corporate accompanying services. Based on preliminary review, IFRS 15 is not expected to have a material impact on the timing and recognition of fees and commission income. However, the Company has not yet completed its detailed assessment and the financial impact has not yet been determined.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Effective January 1, 2019

IFRS 16 Leases

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

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

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

3. Significant Accounting Policies (continued)

(p) New standards or amendments and forthcoming requirements (continued)

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

(q) 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 management

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.
- 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.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk management (continued)

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

Credit risk in the Company refers mainly to "Business enterprise risk" which is the probability that an enterprise might fail and not be able to meet its obligations because of poor management or poor judgement or inadequate execution of plans.

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.

- 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) Restructured loans

Loans that are temporarily impaired may be re-scheduled or re-structured when sources of payment are identified and the enterprises are re-structured to remove the causes of loan impairment thus improving viability.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk management (continued)

(a) Restructured loans (continued)

Loans that have been re-structured on concessionary terms resulting in an impairment loss are classified separately as "Loans with re-negotiated terms". Concessionary terms refer to extended capital repayment periods with a moratorium on capital repayment. These concessions may sometimes create an impairment loss unless the interest rate is adjusted to increase the effective interest and maintain the fair value of the loan. Any significant changes in these exposures that arise from abnormal risk during the year or any change in the methods used to measure risk in these exposures are disclosed and reported separately.

(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.

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.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk management (continued)

(b) Credit concentration risk (continued)

The Company’s concentration risk management strategy includes the following measures (continued)

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.

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

	2017		2016	
	$’000	**%**	**$’000**	**%**
Manufacturing	4,100	3	14,786	11
Distribution	23,141	16	23,969	18
Tourism	36,760	25	20,972	16
Real estate	35,530	24	35,935	27
Industrial and commercial services	46,299	31	37,819	28
Consumer	1,635	1	-	-
Total outstanding	147,465		133,481	

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk management (continued)

(c) Geographical concentrations of assets and liabilities

	Total Assets		Total Liabilities	
	$'000	%	$'000	%
As at December 31, 2017				
Trinidad and Tobago	430,798	88	243,933	89
Eastern Caribbean	21,180	4	5,862	2
Guyana and Suriname	10,018	2	-	-
European Union	12,046	2	22,761	8
Other	17,816	4	3,085	1
Total	491,858		275,641	
As at December 31, 2016				
Trinidad and Tobago	395,366	85	247,975	85
Eastern Caribbean	18,905	4	9,170	3
Guyana and Suriname	14,477	3	-	-
European Union	15,367	3	35,217	12
Other	21,359	5	-	-
Total	465,474		292,362	

Sectoral analysis of loan commitments

	2017	2016
	$'000	$'000
Industrial and commercial services	9,135	6,300
Total outstanding	9,135	6,300

4. Financial Risk Management (continued)

(ii) Credit risk management (continued)

(d) Credit quality analysis

	Loans and Advances to Customers		Investment Securities	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Carrying amount	147,465	133,481	210,687	217,034
Individually impaired				
Gross amount	4,716	15,419	-	-
Allowance for impairment	(521)	(14,519)	-	-
Carrying amount	4,195	900	-	-
Past due but not impaired				
Carrying amount	30,441	54,138	-	-
Past due comprises:				
30-60 days	12,001	24,232	-	-
60-90 days	18,401	-	-	-
90-180 days	-	7,551	-	-
180 days +	39	22,355	-	-
Carrying amount	30,441	54,138	-	-
Neither past due nor impaired				
Gross amount	79,907	78,443	210,687	217,034
Loan with renegotiated terms				
Gross carrying amount	32,922	-	-	-

Maximum credit exposure

All loans and advances to customers and investment securities held-to-maturity are measured at amortised cost.

4. Financial Risk Management (continued)

(ii) Credit risk management (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

The maximum exposure to credit risk in the Company (loans plus commitments) at December 31, 2017 without taking account of any collateral held or other credit enhancements was $450 million (2016: $439 million).

Collateral held as security generally includes charges on freehold property and equipment. At present the Company does not pursue any unsecured lending.

Loans that were neither past due nor impaired as at December 31, 2017 amounted to 77% of the total portfolio (2016: 59%).

Loans past due but not impaired as at December 31, 2017 amounted to 21% of the total portfolio (2016: 41%).

In addition to the above, the Company had entered into lending commitments of $9.1 million (2016: $6.3 million) with counterparties.

The Company has issued no financial guarantee contracts in respect of debtors (2016: $289 thousand). The maximum amount payable by the Company, assuming all guarantees are called on, is NIL (2016: $289 thousand).

Impaired loans and investment debt securities

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.

4. Financial Risk Management (continued)

(ii) Credit risk management (continued)

(d) Credit quality analysis (continued)

Past due but not impaired loans and investment debt securities

Past due but not impaired loans and investment debt securities, other than those carried at fair value through profit or loss, 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.

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)

(ii) Credit risk management (continued)

(d) Credit quality analysis (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 2017, there was 1 loan with renegotiated terms or a loan which was re-scheduled or restructured (2016: 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 and there are no other indicators of impairment.

Allowances for impairment

The Company establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan and investment debt security portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and, for assets measured at amortised cost. Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

Write-off policy

The Company writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when the Board determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, write-off decisions generally are based on a product-specific past due status.

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.

4. Financial Risk Management (continued)

(ii) Credit risk management (continued)

(d) Credit quality analysis (continued)

<u>*Write-off policy*</u> (continued)

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, 2017 (2016: no collateral held).

An estimate made at the time of borrowing of the fair value of collateral and other security enhancements held against loans and advances to customers is $314 million (2016: $366 million).

Details of financial and non-financial assets obtained by the Company during the year by taking possession of collateral held as security against loans and advances as well as calls made on credit enhancements and held at the year ended December 31, 2017 is $8,324 thousand (2016: NIL).

The Company's policy is to pursue timely realization of the collateral in an orderly manner. The Company generally does not use the non-cash collateral for its own operations.

(e) Offsetting financial assets and liabilities

There were no financial assets and liabilities offset during the year (2016: 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 asserts that are not derecognised in their entirety through the following transactions: sales and repurchase of securities and securitisation activities.

4. Financial Risk Management (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)

(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)

(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:

2017

	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	78,800	-	-	-	78,800
Investment securities	16,993	107,407	29,753	56,534	210,687
Loans and advances to customers	2,688	103,582	1,669	39,526	147,465
Due from related parties	-	1,203	-	-	1,203
Other assets	-	13,720	-	-	13,720
	98,481	225,912	31,422	96,060	451,875
Liabilities					
Debt securities	-	182,336	2,020	-	184,356
Customers' deposits	-	59,944	20,213	-	80,157
Other liabilities	-	11,128	-	-	11,128
	-	253,408	22,233	-	275,641
Net gap	98,481	(27,496)	9,189	96,060	176,234
Cumulative gap	98,481	70,985	80,174	176,234	-

4. Financial Risk Management (continued)

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

(a) Interest rate risk (continued)

Interest rate management (continued)

2016

	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	80,140	-	-	-	80,140
Investment securities	34,228	126,305	18,583	37,918	217,034
Loans and advances to customers	3,873	80,001	1,674	47,933	133,481
Due from related parties	-	1,206	-	-	1,206
Other assets	-	1,956	-	1,468	3,424
	118,241	209,468	20,257	87,319	435,285
Liabilities					
Debt securities	-	229,878	3,622	-	233,500
Customers' deposits	-	38,451	14,403	18	52,872
Other liabilities	-	5,990	-	-	5,990
	-	274,319	18,025	18	292,362
Net gap	118,241	(64,851)	2,232	87,301	142,923
Cumulative gap	118,241	53,390	55,622	142,923	-

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**	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Increase of 1%	11	(43)	11	(43)
Decrease of 1%	(11)	43	(11)	43

4. Financial Risk Management (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, 2017

	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	78,800	78,800	78,800	-	-	-
Investment securities	210,687	284,063	80,668	60,910	88,421	54,064
Loans and advances to customers	147,465	236,842	26,719	74,542	61,647	73,934
Due from related parties	1,203	1,203	1,203	-	-	-
Other assets	13,720	13,720	13,720	-	-	-
Debt securities	(184,356)	(251,843)	(48,665)	(49,972)	(91,119)	(62,087)
Customers' deposits	(80,157)	(82,235)	(60,298)	(21,937)	-	-
Other liabilities	(11,128)	(11,128)	(11,128)	-	-	-
Net gap	176,234	269,422	81,019	63,543	58,949	65,911

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

4. Financial Risk Management (continued)

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

(b) Liquidity risk (continued)

Liquidity risk management (continued)

As at December 31, 2016

	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	80,140	80,140	80,140	-	-	-
Investment securities	217,034	248,203	133,821	36,968	77,414	-
Loans and advances to customers	133,481	198,572	24,012	75,171	42,966	56,423
Due from related parties	1,206	1,206	1,206	-	-	-
Other assets	3,424	3,424	3,424	-	-	-
Debt securities	(233,500)	(250,166)	(157,272)	(92,894)	-	-
Customers' deposits	(52,872)	(53,367)	(38,402)	(14,944)	(21)	-
Other liabilities	(5,990)	(5,990)	(5,990)	-	-	-
Net gap	142,923	222,022	40,939	4,301	120,359	56,423

* 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:

	2017					
	TT $'000	US $'000	EURO $'000	GBP $'000	GUY $'000	Total $'000
Assets	369,991	118,921	-	2,201	745	491,858
Liabilities	(193,460)	(80,117)	(2,064)	-	-	(275,641)
Net assets	176,531	38,804	(2,064)	2,201	745	216,217

4. Financial Risk Management (continued)

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

(c) Foreign currency risk (continued)

	2016					
	TT $'000	**US $'000**	**EURO $'000**	**GBP $'000**	**GUY $'000**	**Total $'000**
Assets	335,642	127,135	-	1,959	738	465,474
Liabilities	(218,955)	(69,787)	(3,620)	-	-	(292,362)
Net assets	116,687	57,348	(3,620)	1,959	738	173,112

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**	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Increase of 1%	191	956	191	956
Decrease of 1%	(232)	(957)	(232)	(957)

(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)

(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, 2017. The Company has complied with all the externally imposed capital requirements to which it is subject.

	2017 $'000	2016 $'000
Total risk adjusted assets	346,065	295,511
Total core capital	169,075	159,953
Allowable supplementary capital	47,142	13,159
Qualifying capital	216,217	173,112
Capital ratios		
- Core capital to total risk adjusted assets	48.86%	54.13%
- Total qualifying capital to total risk adjusted	62.48%	58.58%

5. Use of Accounting Estimates and Judgements

Management discusses with the Audit and Risk Committee the development, selection and disclosure of the Company's critical accounting policies and their application and assumptions made relating to major estimation uncertainties.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Judgements

Judgements made by management in the application of IFRS that have significant effect on the financial statements are discussed below:

Financial asset and financial liability classification

The Company's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

5. Use of Accounting Estimates and Judgements (continued)

Judgements (continued)

Financial asset and financial liability classification (continued)

In classifying financial assets or financial liabilities as "fair value through profit or loss", the Company has determined that it meets the description of trading assets and liabilities set out in accounting policy 3(b)(ii).

In designating financial assets or financial liabilities as available-for-sale, the Company has determined that it has met the criteria for this classification set out in accounting policy 3(b)(ii).

In classifying financial assets as held-to-maturity, the Company has determined that it has both the positive intention and ability to hold the assets until maturity date as required by accounting policy 3(b)(ii).

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the next financial year to amounts reported as at and for the year ended December 31, 2017 is included below:

(a) Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(b)(vii) and 3(d)(ii).

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the credit risk function.

5. Use of Accounting Estimates and Judgements (continued)

Assumptions and estimation uncertainties (continued)

(b) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3(b)(vi). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on expected cash flows based on recent history, uncertainty of market factors and other risks affecting the specific instrument.

(c) Measurement of defined benefit obligations

The key actuarial assumptions which underpin the fair value of the Company's defined benefit obligations are described in Note 15.

6. 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)(vi).

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.

6. 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.

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

The following financial instruments were measured at fair value:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair Value $'000
As at December 31, 2017				
Equity securities	16,993	-	-	16,993
Debt securities	28,448	52,315	12,516	93,279
	45,441	52,315	12,516	110,272
As at December 31, 2016				
Equity securities	3,667	-	-	3,667
Debt securities	8,929	27,687	-	36,616
	12,596	27,687	-	40,283

(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.

6. Fair Value of Financial Instruments (continued)

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

	Level 1	Level 2	Level 3	Fair Value	Total Carrying Amount
	$'000	$'000	$'000	$'000	$'000
As at December 31, 2017					
Assets					
Investment securities	60,669	40,901	-	101,570	98,893
Loans and advances to customers	-	147,465	-	147,465	147,465
Liabilities					
Debt securities	(184,356)	-	-	(184,356)	(184,356)
Customers' deposits	(80,157)	-	-	(80,157)	(80,157)
As at December 31, 2016					
Assets					
Investment securities	177,581	-	-	177,581	175,835
Loans and advances to customers	-	129,301	-	129,301	133,481
Liabilities					
Debt securities	(233,500)	-	-	(233,500)	(233,500)
Customers' deposits	(52,872)	-	-	(52,872)	(52,872)

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

	2017 $'000	2016 $'000
7. Cash and Cash Equivalents		
Cash and balances with banks:		
- Local currency	56,037	63,389
- Foreign currency	22,763	16,751
	78,800	80,140
Statutory deposit with Central Bank	4,920	3,620
	83,720	83,760

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, 2017 and 2016, the Company has complied with the above requirement.

8. Assets Held for Sale

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 fair value of the asset was determined by an Independent Valuator.

9. Investment Securities

	2017 $'000	2016 $'000
Held-to-maturity :		
- Government bonds and state owned enterprises debt securities	46,405	40,890
- Corporate debt securities	52,488	134,945
	98,893	175,835
Available-for-sale:		
- Government bonds and state owned enterprises debt securities	36,547	6,626
- Corporate debt securities	56,732	29,990
	93,279	36,616
Fair value through profit or loss:		
- Equity securities	16,993	3,667
Accrued interest	1,522	916
Provision for impairment loss	-	-
	210,687	217,034

Movement in impairment loss allowance:

	2017 $'000	2016 $'000
Balance at January 1	-	-
Written off	-	(1,697)
Specific provision made during the year (Note 25)	-	1,697
Balance at December 31	-	-

Bond redemption funds

Bond redemption funds of $68,030 thousand (2016: $126,348 thousand) secure the floating rate bonds (Note 18) 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 $20.04 million (2016: Nil) are pledged to secure the repurchase agreements (see Note 18). Interest rates on these repos range from 2.10% to 4.00% in 2017 (2016: Nil).

10. Loans and Advances to Customers

	2017 $'000	2016 $'000
Principal	147,195	147,494
Impairment loss allowance	(521)	(14,519)
	146,674	132,975
Accrued interest	791	506
	147,465	133,481
Movement in impairment loss allowance		
Balance at beginning of year	14,519	21,070
Write-offs	-	(4,693)
Specific provision made during the year (Note 25)	-	918
Provisions no longer required (Note 25)	(13,998)	(2,776)
Balance at end of year	521	14,519

There was no collective impairment provisions during the year (2016: NIL).

11. 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;

11. 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.

(b) Related party balances

	2017 $'000	2016 $'000
Due from related parties are analysed as follows:		
CDN Management Services Limited	-	508
Caribbean Microfinance Trinidad & Tobago Limited	3	-
DevCap Fund Management Limited (a)	2,725	2,725
	2,728	3,233
Impairment loss allowance	(1,525)	(2,027)
	1,203	1,206
Due to related parties:		
CDN Management Services Limited*	(34)	-

*These amounts are included within "other liabilities".

	2017	2016
	$'000	**$'000**

11. Related Party Balances and Transactions (continued)

(b) Related party balances (continued)

Movement in impairment loss allowance:

	2017	2016
Balance at beginning of year	2,027	2,027
Provisions no longer required (Note 25)	(502)	-
Balance at end of year	1,525	2,027

These amounts are unsecured and repayable as disclosed below:

(a) 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.

(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
- Office maintenance
- Foreign exchange transactions

	2017 $'000	2016 $'000
Income and expenses:		
Other income		
Significant shareholders	1,099	694
Directors, key management personnel and their immediate relatives	2	17
Expenses		
Significant shareholders	(1,639)	(1,551)
Directors, key management personnel and their immediate relatives	-	-

11. Related Party Balances and Transactions (continued)

(d) Transactions with key management personnel

	2017 $'000	2016 $'000
(i) Key management personnel compensation:		
Salaries and other short-term benefits	5,566	3,985

(ii) Home mortgage loans:

Fully secured home mortgage loans provided under a Board approved programme available to all employees have remaining maturities ranging from one to thirty years. Interest rates charged on balances outstanding from related parties are at market rates.

	2017 $'000	2016 $'000
Loans outstanding at January 1	-	1,520
Loan repayments during the year	-	(52)
Loans outstanding at December 31 (Note 14)	-	1,468

These amounts are included within other assets.

No impairment losses have been recorded against balances outstanding during the period with key management personnel and no specific allowance has been made for impairment losses on balances with key management personnel and their immediate relatives at year end.

12. Computer Software

	2017 $'000	2016 $'000
Opening net book amount at January 1	109	85
Additions	569	48
Amortisation charge	(26)	(24)
Closing net book amount at December 31	652	109

13. Furniture and Equipment

	Furniture and Equipment $'000	Total $'000
Year ended December 31, 2017		
Opening net book amount	575	575
Additions	364	364
Depreciation charge	(495)	(495)
Closing net book amount	444	444
At December 31, 2017		
Cost/valuation	7,026	7,026
Additions	364	364
Accumulated depreciation	(6,946)	(6,946)
Closing net book amount	444	444
Year ended December 31, 2016		
Opening net book amount	692	692
Additions	58	58
Depreciation charge	(175)	(175)
Closing net book amount	575	575
At December 31, 2016		
Cost/valuation	6,968	6,968
Additions	58	58
Accumulated depreciation	(6,451)	(6,451)
Closing net book amount	575	575

14. Other Assets

	2017 $'000	2016 $'000
Home mortgage loans (Note 11)	-	1,468
Other receivables and prepayments*	13,844	1,956
	13,844	3,424
Provision for impairment (Note 25)	(124)	-
	13,720	3,424

*Included within "other receivables and prepayments" includes an amount due for $9.38 million related to loan settlements received after year end.

15. Post-employment Benefit

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 2018.

	2017 $'000	2016 $'000
(i) The amounts recognised in the statement of financial position are as follows:		
Present value of obligation	(29,116)	(28,904)
Fair value of plan assets	54,759	54,789
Asset in the statement of financial position	25,643	25,885

15. Post-employment Benefit (continued)

	2017 $'000	2016 $'000
(ii) Movement of amounts recognised in the statement of financial position:		
Asset recognised in the statement of financial position at January 1	25,885	26,014
Income recognised in profit or loss	663	679
Actuarial loss recognised in OCI	(905)	(808)
Asset in the statement of financial position	25,643	25,885
(iii) Changes in the fair value of plan assets		
Opening fair value of plan assets	54,789	54,484
Expected return on plan assets	2,697	2,678
Benefits paid	(1,681)	(1,856)
Actuarial loss on plan assets	(1,046)	(517)
Closing fair value of plan assets	54,759	54,789
(iv) Changes in the present value of the obligation		
Opening present value of obligation	28,904	28,470
Current service cost	429	395
Interest cost	1,419	1,392
Benefits paid	(1,681)	(1,856)
Expenses	186	212
Actuarial (gains) loss	(141)	291
Closing fair value of obligation	29,116	28,904
(v) The amounts recognised in profit or loss are as follows:		
Current service cost	429	395
Interest cost	1,419	1,392
Expected return on plan assets	(2,697)	(2,678)
Expenses	186	212
Total included in employee costs (Note 26)	(663)	(679)
Expected return on plan assets	2,697	2,678
Actuarial loss on plan assets	(1,046)	(517)
Actual return on plan assets	1,651	2,161

15. Post-employment Benefit (continued)

(vi) Actuarial loss recognised in other comprehensive income

	2017 $'000	2016 $'000
Fair value of plan assets	(1,046)	(517)
Present value of obligation	141	(291)
	(905)	(808)

(vii) The principal actuarial assumptions used were:

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

	2017	2016
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

	2017	2016
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:

	2017	2016
The major categories of the plan assets are:		
Local equities	34%	34%
Government securities	23%	27%
Mutual Funds	2%	2%
Other	41%	37%
	100%	100%

15. Post-employment Benefit (continued)

(viii) Asset allocation: (continued)

	2017 $'000	2016 $'000
Actual return on Plan assets	1,651	2,161

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	(3,606)	4,513
Salary growth	503	(431)

The weighted average duration of the obligation is 16 years.

(x) Experience history:

Amounts for the current period are as follows:

	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Defined benefit obligation	(29,116)	(28,904)	(28,470)	(28,124)	(29,090)
Plan assets	54,759	54,789	54,484	56,695	56,161
Surplus	25,643	25,885	26,014	28,571	27,071
Experience adjustments on Plan liabilities (gains) loss	(141)	291	63	(946)	(1,039)
Remeasurement gain	-	-	-	-	-
Net experience adjustments on Plan liabilities (gains) loss	(141)	291	63	(946)	(1,039)
Experience adjustments on Plan assets (loss) gain	(1,046)	(517)	(3,535)	(750)	3,559

	2017 $'000	2016 $'000
16. 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.

17. 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 available-for-sale investments.

18. Borrowings

	2017 $'000	2016 $'000
Short-term borrowings	10,580	7,500
Long-term borrowings (a)	152,864	224,519
	163,444	232,019
Repurchase agreements (b)	20,046	-
	183,490	232,019
Accrued interest	866	1,481
	184,356	233,500

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.

18. Borrowings (continued)

(a) Long-term borrowings

	Interest Rate %	2017 $'000	2016 $'000
TT$ Floating Rate Bonds	5.16-6.08	105,000	161,000
Euro Fixed Rate Loan	3.00	2,061	3,622
US$ Fixed Rate Loan	2.00	-	4,957
US$ Floating Rate Bonds	3.80-6.25	45,803	54,940
		152,864	224,519

(b) Repurchase agreement

The securities sold under the repurchase agreements are included in the financial instruments disclosed in Note 9. Interest rates on these repos range from 2.10% to 4.00% in 2017.

19. Customers' Deposits

	2017 $'000	2016 $'000
Customers' deposits	79,521	52,368
Accrued interest	636	504
	80,157	52,872
Sectoral analysis		
Corporate	29,957	22,307
Individuals	49,564	30,061
	79,521	52,368

20. 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
2017					
Assets					
Cash and cash equivalents	-	-	-	78,800	78,800
Investment securities	16,993	93,279	-	98,893	209,165
Loans and advances to customers	-	-	-	146,674	146,674
Due from related parties	-	-	-	1,203	1,203
Total financial assets	16,993	93,279	-	325,570	435,842
Liabilities					
Borrowings	-	-	-	183,490	183,490
Customers' deposits	-	-	-	79,521	79,521
Total financial liabilities	-	-	-	263,011	263,011
2016					
Assets					
Cash and cash equivalents	-	-	-	80,140	80,140
Investment securities	3,667	36,616	-	175,835	216,118
Loans and advances to customers	-	-	-	132,975	132,975
Due from related parties	-	-	-	1,206	1,206
Total financial assets	3,667	36,616	-	390,156	430,439
Liabilities					
Borrowings	-	-	-	232,019	232,019
Customers' deposits	-	-	-	52,368	52,368
Total financial liabilities	-	-	-	284,387	284,387

	2017	2016
	$'000	$'000

21. Interest Income

	2017 $'000	2016 $'000
Loans and cash advances to customers	16,094	9,511
Investment securities	11,557	13,557
Other investment income	316	130
	27,967	23,198

22. Interest Expense

	2017 $'000	2016 $'000
Borrowings	9,550	10,221
Customers' deposits	1,351	756
Repurchase agreements	99	-
	11,000	10,977

23. Gains arising from derecognition of financial assets measured amortised cost

During the year ended December 31, 2017, the Company restructured a particular loan measured at amortised cost. The existing loan was derecognised and the renegotiated loan was recognised as a new loan in accordance with the accounting policy set out in Note 3(d)(iii).

24. Other Income

	2017 $'000	2016 $'000
Net foreign exchange translation (loss) gains	(104)	1,747
Profit from trading in foreign exchange	5,772	7,142
Fee income	553	430
Gain on securities trading	1,470	1,925
Other income*	1,582	312
Brokerage fees	-	1,888
Fair value losses on equity securities at FVTPL	(189)	(171)
	9,084	13,273

* Included within other income is a loan purchased at a discount resulting in a gain of $1,452 thousand.

	2017 $'000	2016 $'000
25. Reversal of Impairment Loss Allowance		
Loans		
Specific provisions made during the year (Note 10)	-	918
Provisions no longer required (Note 10)	(13,998)	(2,776)
	(13,998)	(1,858)
Other assets		
Specific provisions made during the year	124	-
Provisions no longer required	-	(278)
Related Party		
Provisions no longer required (Note 11)	(502)	-
Investments		
Specific provisions made during the year (Note 9)	-	1,697
Net credit for the year	(14,376)	(439)

	2017 $'000	2016 $'000
26. General Overheads and Corporate Expenses		
Included in general overheads and corporate expenses are the following:		
Corporate marketing and business development	733	108
Regulatory and professional fees and expenses	2,622	2,094
Assurance, business process improvement and compliance	121	121
Accommodation and communication	1,012	1,557
General corporate and ICT expenses	608	663
Employee costs:		
- Personnel	8,726	8,482
- Defined benefit pension fund income (Note 15)	(663)	(679)
Depreciation and amortisation	521	199
	13,680	12,545

	2017	2016
	$'000	$'000

27. Taxation

	2017 $'000	2016 $'000
Green Fund Levy	(175)	(112)

28. Adjustments for Non-Cash Items in Operating Activities

	2017 $'000	2016 $'000
Depreciation and amortisation	521	199
Unrealised losses on available-for-sale investments	(78)	395
Reversal of impairment loss allowance (Note 25)	(14,376)	(439)
Post-employment benefit income (Note 15)	(663)	(679)
Net foreign exchange translation losses (gains) (Note 24)	104	(1,747)
Interest income (Note 21)	(27,967)	(23,198)
Interest expense (Note 22)	11,000	10,977
	(31,459)	(14,492)
Net interest credited to bond redemption funds	(5,939)	(8,896)
	(37,398)	(23,388)

29. Contingent Liabilities

During 2017, the Company has not entered into any customs bonds on behalf of its clients neither had it provided any contract performance bonds on a fully secured basis with mortgages on properties and other assets (2016: NIL).

The maximum amount payable by the Company, assuming all guarantees are called on, is Nil (2016: $289 thousand).

The Company has established a reserve fund for the repayment of any shortfall in principal upon redemption at maturity to the Securitised Industrial Bondholders (SIBs) equivalent to ten percent (10%) of the amount in issue at maturity. Interest on the reserve fund will accrue for the benefit of the Company and will be paid to the Company annually.

The Trustee of the reserve fund shall pay over to the Company any surplus remaining in the reserve fund after redemption of the Bonds.

30. Events after the Reporting Date

There are no events occurring after the statement of financial position date and before the date of approval of the financial statements by the Board of Directors that require adjustment to or disclosure in these financial statements.

31. Earnings per Share

	2017	**2016**
Basic and diluted earnings per share ($)	0.34¢	0.10¢
Number of shares (’000) (Note 16)	136,639	136,639