Financial Statements of

DEVELOPMENT FINANCE LIMITED

December 31, 2023
(Expressed in Thousands of Trinidad and Tobago Dollars)

DEVELOPMENT FINANCE LIMITED

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For the year ended December 31, 2023

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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, 2023, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material 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 IFRS Accounting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date, or up to the date the accompanying financial statements have been authorised for issue, if later. Management affirms that it has carried out its responsibilities as outlined above.

Gary Awai MBA, CPA
Chief Executive Officer

Date: March 27, 2024

Stacey Bachoo FCCA, CA
Chief Accountant

Date: March 27, 2024

KPMG

KPMG Chartered Accountants
Savannah East
11 Queen's Park East
Port-of-Spain
Trinidad and Tobago, W.I
Tel +1 868 612 5764
Web www.kpmg.com/tt

Independent Auditors' Report
To the Shareholders of Development Finance Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Development Finance Limited ("the Company"), which comprise the statement of financial position as at December 31, 2023, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material 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, 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standard Board (IFRS Accounting Standards).

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' International Code of Ethics for Professional Accountants (including International Independence Standards) (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.

Independent Auditors' Report (continued)
To the Shareholders of Development Finance Limited (continued)

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Independent Auditors' Report (continued)
To the Shareholders of Development Finance Limited (continued)

Report on the Audit of the Financial Statements (continued)

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.

KPMG

Chartered Accountants
Port of Spain
Trinidad and Tobago

March 27, 2024

DEVELOPMENT FINANCE LIMITED

Statement of Financial Position

December 31, 2023
(Expressed in Trinidad and Tobago Dollars)

	Notes	2023	2022
		$'000	**$'000**
ASSETS			
Cash and cash equivalents	6	62,224	91,534
Statutory deposit with Central Bank	7	39,081	31,556
Investment securities	8	805,056	680,008
Loans and advances to customers	9	143,724	157,997
Other assets	13	4,881	3,365
Due from related parties	10	1,421	1,383
Computer software	11	1,142	1,269
Furniture and equipment	12	1,833	910
Post-employment benefits	14	29,039	29,413
Total assets		1,088,401	997,435
LIABILITIES AND EQUITY			
Liabilities			
Borrowings	15	303,164	342,221
Customers' deposits	16	520,213	404,145
Other liabilities		3,531	3,286
Total liabilities		826,908	749,652
Equity			
Stated capital	17	136,639	136,639
Reserves	18	31,031	27,193
Retained earnings		93,823	83,951
Total equity		261,493	247,783
Total liabilities and equity		1,088,401	997,435

The accompanying notes on pages 10 to 106 are an integral part of these financial statements.

These financial statements were approved for issue by the Board of Directors on March 25, 2024, and signed on its behalf by:

Director

Director

DEVELOPMENT FINANCE LIMITED

Statement of Profit or Loss

Year ended December 31, 2023
(Expressed in Trinidad and Tobago Dollars)

	Notes	2023	2022
		$'000	**$'000**
Interest income calculated using the effective interest method	20	52,925	41,876
Interest expense	21	(32,106)	(23,119)
Net interest income		20,819	18,757
Other income	22	7,991	8,991
Net (loss) gain arising from derecognition of financial assets measured at amortised cost		(262)	844
Revenue		28,548	28,592
Impairment gain (losses) on financial instruments	23	1,356	(261)
General overheads and corporate expenses	24	(14,872)	(13,821)
Profit for the year		15,032	14,510

The accompanying notes on pages 10 to 106 are an integral part of these financial statements.

DEVELOPMENT FINANCE LIMITED

Statement of Comprehensive Income

Year ended December 31, 2023
(Expressed in Trinidad and Tobago Dollars)

	Notes	2023	2022
		$'000	**$'000**
Profit for the year		15,032	14,510
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plan asset	14	(1,464)	(5,627)
Equity investments at FVOCI – net change in fair value		2,271	(3,038)
Other comprehensive income/(loss)		807	(8,665)
Items that are or may be reclassified subsequently to profit or loss			
Debt investments at FVOCI – net change in fair value		201	(3,951)
Other comprehensive income		1,008	(12,616)
Total comprehensive income for the year		16,040	1,894

The accompanying notes on pages 10 to 106 are an integral part of these financial statements.

DEVELOPMENT FINANCE LIMITED

Statement of Changes in Equity

Year ended December 31, 2023

(Expressed in Trinidad and Tobago Dollars)

	Ordinary Shares $'000	Preference Shares $'000	Statutory Reserve $'000	Revaluation Reserve $'000	Retained Earnings $'000	Total $'000
Balance at January 1, 2022	90,039	46,600	29,567	3,444	78,569	248,219
Transfer to Statutory Reserve	-	-	1,451	-	(1,451)	-
Profit for the year	-	-	-	-	14,510	14,510
Remeasurement of:						
- debt instruments at FVOCI	-	-		(3,951)	-	(3,951)
- equity instruments at FVOCI				(3,038)	-	(3,038)
Reclassification of gain on disposal of equity investments at FVOCI to retained earnings	-	-	-	(280)	280	-
Remeasurement of defined benefit plan asset	-	-	-	-	(5,627)	(5,627)
Total comprehensive income	-	-	1,451	(7,269)	7,712	1,894
Transactions with Owners recorded directly in equity						
Dividends paid	-	-	-	-	(2,330)	(2,330)
Balance at December 31, 2022	**90,039**	**46,600**	**31,018**	**(3,825)**	**83,951**	**247,783**
Balance at January 1, 2023	90,039	46,600	31,018	(3,825)	83,951	247,783
Transfer to Statutory Reserve	-	-	1,503	-	(1,503)	-
Profit for the year	-	-	-	-	15,032	15,032
Remeasurement of						
- debt instruments at FVOCI	-	-	-	201	-	201
- equity instruments at FVOCI	-	-	-	2,271	-	2,271
Reclassification of gain on disposal of equity investments at FVOCI to retained earnings	-	-	-	(137)	137	-
Remeasurement of defined benefit plan asset	-	-	-	-	(1,464)	(1,464)
Total comprehensive income	-	-	1,503	2,335	12,202	16,040
Transactions with Owners recorded directly in equity						
Dividends paid	-	-	-	-	(2,330)	(2,330)
Balance at December 31, 2023	**90,039**	**46,600**	**32,521**	**(1,490)**	**93,823**	**261,493**

The accompanying notes on pages 10 to 106 are an integral part of these financial statements.

DEVELOPMENT FINANCE LIMITED

Statement of Cash Flows

Year ended December 31, 2023
(Expressed in Trinidad and Tobago Dollars)

	Notes	2023	2022
		$'000	**$'000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		15,032	14,510
Adjustments for non-cash items in operating activities	25	(22,388)	(19,073)
Cash outflows before changes in operating assets		(7,356)	(4,563)
Changes in:			
- Loans and advances to customers		14,536	6,384
- Statutory deposit with Central Bank		(7,525)	(10,986)
- Customers' deposits		114,437	84,020
- Due from related parties		(38)	(1)
- Other assets		(1,516)	(167)
- Other liabilities		245	(6,497)
		120,139	72,753
Interest received		47,715	40,058
Interest paid		(30,433)	(21,332)
		17,282	18,726
Net cash from operating activities		130,065	86,916
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(213,300)	(145,234)
Proceeds from sale of investment securities		96,583	25,145
Additions to furniture and equipment and computer software	11,12	(1,394)	(547)
Proceeds from sale of fixed assets		64	-
Net cash used in investing activities		(118,047)	(120,636)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		6,486	162,620
Repayments of borrowings		(45,525)	(104,803)
Dividends paid		(2,330)	(2,330)
Net cash (used in) from financing activities		(41,369)	55,487
Net (decrease) increase in cash and cash equivalents		(29,351)	21,767
Effect of exchange rate fluctuations on cash and cash equivalents held		41	(392)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		91,534	70,159
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	62,224	91,534

The accompanying notes on pages 10 to 106 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	17.08%

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

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

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

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

2. Basis of Preparation

(a) Basis of accounting

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

(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(i).
- Financial assets at fair value through other comprehensive income (FVOCI).

(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). These 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.

2. Basis of Preparation (continued)

(d) Use of estimates and judgements

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

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

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

Accounting Policy 3(b)(x) and Note 8 and 9	Impairment of financial instruments: determination of inputs into the ECL measurement model.
Note 5 (a)	Measurement of the fair value of financial instruments with significant unobservable inputs.
Accounting Policy 3(g) and Note 14	Measurement of defined benefit obligations: key actuarial assumptions

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

Certain new and amended standards came into effect during the current financial year. The Company has assessed them and has adopted those which are relevant to its financial statements:

- *Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2)* from January 1, 2023. The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

  In keeping with the amendments, management updated the financial statements to include material accounting policies (See Note 3) (2022: Significant accounting policies).

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and were effective January 1, 2023. The adoption of these amendments did not have any impact on the financial statements.

3. Material Accounting Policies

The Company continually applied the following accounting policies to all periods presented in these financial statements. In addition, the Company adopted *Disclosure of Accounting Polices (Amendment to IAS 1 and IFRS Practice Statements 2)* from January 1, 2023. The amendments require the disclosure of ‘material’ rather that “significant’, accounting policies. The amendments did not result in any changes in accounting policies themselves.

(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. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the spot exchange rate at the end of year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined.

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

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

(b) Financial instruments

Financial instruments comprise balances with related parties, cash and cash equivalents, deposits with Central Bank, investment securities, loans and advances to customers, other assets, borrowings (including debt securities issued), customers’ deposits and other liabilities.

3. Material Accounting Policies (continued)

(b) Financial instruments (continued)

(i) Recognition

The Company initially recognises loans and advances to customers, deposits and debt securities issued on the date at which they are disbursed, booked and issued respectively (trade date). 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. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the profit or loss.

(ii) Classification

Financial assets

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

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

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

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

3. Material Accounting Policies (continued)

(b) Financial instruments (continued)

(iii) *Classification* (continued)

Financial assets (continued)

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

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Company has made an irrevocable election at the time of initial recognition to account for equity investments at FVOCI.

Business model assessment

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

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Company's management; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

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

3. Material Accounting Policies (continued)

(b) Financial instruments (continued)

(ii) Classification (continued)

Financial liabilities

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

(iii) Derecognition

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

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

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

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

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Cumulative gains and losses recognised in OCI are transferred to retained earnings on disposal of an investment in an equity instrument.

3. Material Accounting Policies (continued)

(b) Financial instruments (continued)

(iii) Derecognition (continued)

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

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

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

(iv) Modifications of financial assets and financial liabilities

Financial assets

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

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

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

3. Material Accounting Policies (continued)

(b) Financial instruments (continued)

(iv) Modifications of financial assets and financial liabilities (continued)

Financial liabilities

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

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

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

(v) Interest rate benchmark reform

If the basis for determining the contractual cashflows of a financial asset or financial liability measured at amortized cost changes as a result of interest rate benchmark reform, then the Company updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by the interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If the changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Company first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Company applies the policies on accounting for modifications set out above to the additional changes. Management does not consider the impact of this accounting policy to have any material impact on the financial statements for the current year.

3. Material Accounting Policies (continued)

(b) Financial instruments (continued)

(vi) Measurement

Financial assets

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

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

Movements in the carrying amount of financial instruments measured at FVOCI (debt instrument), are taken through OCI, except for the recognition of impairment gains or losses, interest revenues and foreign exchange gains, which are recognised in profit or loss. Interest income from these financial assets is included in interest income using the effective interest rate method.

Where the Company's management has elected to present fair value changes on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payment is established. Impairment losses (and reversal of impairment losses) on equity investments at FVOCI are not reported separately from other changes in fair value.

Financial liabilities

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

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

(b) Financial instruments (continued)

(vii) Amortised cost measurement

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

(viii) Offsetting

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

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

(ix) Designation at fair value through profit or loss

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

(x) Impairment

The Company recognizes loss allowances on a forward looking basis for expected credit losses on the following financial instruments that are not measured at FVTPL:

- financial assets measured at amortised cost;
- financial assets that are debt instruments classified as FVOCI; and
- loan commitments issued.

No impairment loss is recognized on equity investments.

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

- debt investment securities that are determined to have low credit risk at the reporting date; and

3. Material Accounting Policies (continued)

(b) Financial instruments (continued)

(x) Impairment (continued)

- other financial instruments (other than receivables) on which credit risk has not increased significantly since their initial recognition.

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

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

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

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (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);

- Credit impaired financial assets are assessed separately from the non-credit impaired financial assets. The company assesses the PV of estimated future cashflows to compare against the gross carrying amount of the financial asset to determine the impairment;

Restructured financial assets

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

3. Material Accounting Policies (continued)

(b) Financial instruments (continued)

(x) Impairment (continued)

Measurement of ECL (continued)

Restructured financial assets

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

Credit-impaired financial assets

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

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

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1 and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to ‘Stage 3’. Note 4(ii)(d) details how the Company determines whether there has been a SICR.

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

– significant financial difficulty of the borrower or issuer;

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

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

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

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

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

(b) Financial instruments (continued)

(x) Impairment (continued)

Measurement of ECL (continued)

Credit-impaired financial assets (continued)

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

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

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

3. Material Accounting Policies (continued)

(b) Financial instruments (continued)

(x) Impairment (continued)

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a deduction for the appropriate financial instrument;
- where a financial instrument includes both a drawn and an undrawn component and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the revaluation reserve.

Write-off

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

Recoveries of amounts previously written off are included in ‘impairment losses on financial instruments’ in the statement of profit or loss and OCI.

3. Material Accounting Policies (continued)

(b) Financial instruments (continued)

(xi) Designation at fair value through profit or loss

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

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

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

(c) Cash and cash equivalents

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

(d) Loans and advances to customers

(i) Recognition

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

3. Material Accounting Policies (continued)

(d) Loans and advances to customers (continued)

(ii) Classification of impaired loans

A loan or any other financial asset is classified as impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact (that can be estimated reliably) on the future cash flows.

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: 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.

Loans recoverable

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 loan receivable held by the entity is therefore non-recourse. The present value of the estimated future cash flows of a collateral dependent loan includes the cash flows that may result from the realisation of collateral, net of expenses.

3. Material Accounting Policies (continued)

(d) Loans and advances to customers (continued)

(ii) Classification of impaired loans (continued)

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

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

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

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

(iii) Loans with re-negotiated terms

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

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

3. Material Accounting Policies (continued)

(d) Loans and advances to customers (continued)

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

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

(e) Investment securities

Investment securities primarily comprise government bonds and other registered securities. These investments are classified as follows:

- debt investment securities measured at amortised cost- these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt and equity instrument securities mandatorily measured at FVTPL or designated as at FVTPL;
- debt securities measured as at FVOCI;
- equity investment securities designated at FVOCI

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

- interest revenue using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

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

3. Material Accounting Policies (continued)

(f) Borrowings, fixed deposits and repurchase agreements

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

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

Preference shares with mandatory redemptions are classified as a financial liability and are reported at fair value through profit or loss. The Company's preference shares are included in equity as the dividends are not obligatory and the declaration of dividend is at the sole discretion of the Company.

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

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

3. Material Accounting Policies (continued)

(g) *Employee benefits*

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

(i) Defined benefit plans

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

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

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

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

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

(g) ***Employee benefits*** (continued)

(ii) 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.

(iii) Defined contribution plan

The Company also operates a defined contribution pension plan (the Plan) which covers employees employed after 2015. The Company's contribution expense in relation to this Plan for the year amounts to $86 thousand (2022: $76 thousand).

(h) ***Other assets and liabilities***

Other assets are debt obligations owed to the Company by its clients for services provided that have been delivered but not yet paid for, and prepayments paid by the Company in advance for goods and services being received subsequently.

Other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Other liabilities are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

(i) ***Interest***

i. *Effective interest rate*

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

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

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

3. Material Accounting Policies (continued)

(i) Interest (continued)

i. *Effective interest rate* (continued)

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

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

ii. *Calculation of interest income and expense*

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

iii. *Presentation*

Interest income calculated using the effective interest method presented in the statement of profit or loss includes:

- interest on financial assets measured at amortised cost; and
- interest on debt instruments measured at FVOCI.

3. Material Accounting Policies (continued)

(i) Interest (continued)

iv. *Presentation* (continued)

Interest expense presented in the statement of profit or loss includes:
- interest on financial liabilities measured at amortised cost;

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Company's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in other income.

Cash flows related to capitalised interest are presented in the statement of cash flows consistently with interest cash flows that are not capitalised.

(j) 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.

(k) 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 in other expenses in profit or loss.

(l) 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.

3. Material Accounting Policies (continued)

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

At the date of authorisation of these financial statements, certain new and amended standards and interpretations have been issued which were not effective for the current year and which the Company has not early-adopted. The Company has assessed them with respect to its operations and has determined that the following is relevant:

- *Classification of liabilities as current and non-current:* Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 2024. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

  Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the requirement for a right to be unconditional has been removed and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting period. It has now been clarified that a right to defer exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date.

  With the amendments, convertible instruments may become current. In light of this, the amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognised as either equity or a liability separately from the liability component under IAS 32. Generally, if a liability has any conversion options that involve a transfer of the Company's own equity instruments, these would affect its classification as current or non-current. It has now been clarified that a company can ignore only those conversion options that are recognised as equity when classifying liabilities as current or non-current.

  The Company will apply the amended standard for the reporting period starting January 1, 2024, with no significant changes expected.

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
- Operational risk.
- Climate 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 has oversight 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

(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. Country risk, as defined in our Risk Policy, focusses on the following main areas: economic risk, political risk and nationalization, expropriation, convertibility and transferability (NECT) risk. Economic risk, as indicated by the name, relates to the risk of loss associated with downturn in the economy of the country; this is a credit risk and is captured in that area accordingly. Political risk is the risk of loss, whether by default or diminution in investment returns, as a result of political changes or instability in a country. NECT Risk is the risk of, for no apparent reason or with no justification, foreign governments can seize, confiscate or otherwise nationalize or expropriate a company's investment. They can even adopt a series of measures that have the effect of expropriation. In either case, the result is that a firm could lose overseas investments or assets. The correlation between SME risk and Country risk arises from the inability of some countries to increase competitiveness due to delays in improving infrastructure, in delivering appropriately trained entrants to the work force and in creating conditions that allow markets to function effectively. This reduces sustained access by SME to markets and operating finance.

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

(ii) Credit risk

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

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) ***Credit risk*** (continued)

Settlement risk

The Company's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Company mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals.

Management of Credit Risk

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

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

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

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

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

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

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

Management of Credit Risk (continued)

Management also deals with credit 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 and review and risk reassessment of all processes and operations in all functional areas of the company.

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

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(a) Collateral against loans and advances

The Company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets and guarantees. The estimate of fair value is based on a present value of the collateral using a 1 year recovery period minus 10% realisation expenses. Collateral usually is not held against investment securities, and no such collateral was held at December 31, 2023.

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

(b) Credit concentration risk

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

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

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

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii)* *Credit risk (continued)

(b) *Credit concentration risk* (continued)

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

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

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

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

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

   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.

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(b) Credit concentration risk (continued)

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

	2023		2022	
	$'000	**%**	**$'000**	**%**
Manufacturing	15,056	10	19,139	12
Distribution	1,601	1	2,271	1
Tourism	44,994	31	54,258	34
Real estate	35,566	25	35,476	22
Industrial and commercial services	45,890	32	45,164	30
Consumer	617	1	1,689	1
	143,724	100	157,997	100

Sectoral analysis of loan commitments

	2023	2022
	$'000	**$'000**
Industrial and commercial services	3,855	3,775

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) ***Credit risk*** (continued)

(c) *Geographical concentrations of assets and liabilities*

	Total Assets		Total Liabilities	
	$'000	**%**	**$'000**	**%**
As at December 31, 2023				
Trinidad and Tobago	845,928	78	694,488	78
Eastern Caribbean	35,822	3	55,025	3
Guyana and Suriname	8,634	1	64	1
European Union	219	-	-	-
North and South America	197,798	18	77,331	18
Total	1,088,401	100	826,908	100

	Total Assets		Total Liabilities	
	$'000	**%**	**$'000**	**%**
As at December 31, 2022				
Trinidad and Tobago	808,550	81	598,265	80
Eastern Caribbean	44,788	4	49,871	7
Guyana and Suriname	8,638	1	-	-
European Union	15	-	-	-
North and South America	135,444	14	101,516	13
Total	997,435	100	749,652	100

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis

Exposure to credit risk

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

	2023 $'000	2022 $'000
Credit risk recognised on the statement of financial position		
Cash and cash equivalents	62,224	91,534
Deposits with Central Bank	39,081	31,556
Loans and advances to customers	143,724	157,997
Due from related parties	1,421	1,383
Investment securities (excluding equities)		
- Debt instruments measured at FVOCI	102,867	30,026
- Debt instruments measured at amortised cost	669,643	621,914
- Debt instruments measured at FVTPL	3,814	3,529
Other assets	4,881	3,365
	1,027,655	941,304
Credit risk not recognised on the statement of financial position		
Undrawn credit commitments	3,855	3,775
Total credit risk exposure	1,031,510	945,079

Investment securities

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

Cash and cash equivalents and due from related parties

Cash and cash equivalents are held with reputable financial institutions and collateral is held for amounts due from the related party.

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

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

Maximum credit exposure

	2023		
	Stage 1	**Stage 2**	**Total**
	$'000	**$'000**	**$'000**
Loans and Advances to customers			
Rating 5L - 5H: low-fair credit risk	4,931	-	4,931
Rating 4L - 4H: moderate credit risk	18,127	44,242	62,369
Rating 3L - 3H: acceptable-substantial credit	67,018	-	67,018
Rating NR: high credit risk	-	-	-
Total	90,076	44,242	134,318
Less: ECL allowance	(31)	-	(31)
Carrying amount	90,045	44,242	134,287

There were no stage 3 loans and advances to customers.

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Investment securities				
Rating 5L - 5H: low-fair credit risk	43,209	2,342	-	45,551
Rating 4L - 4H: moderate credit risk	196,936	-	-	196,936
Rating 3L - 3H: acceptable-substantial credit	489,737	-	-	489,737
Rating 2L-2H: High credit risk	25,681	-	-	25,681
Rating NR: high credit risk	-	-	1,356	1,356
Total	755,563	2,342	1,356	759,261
Less: ECL allowance	(1,415)	-	(114)	(1,529)
Carrying amount	754,148	2,342	1,242	757,732

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Loans and Advances to customers				
Rating 5L - 5H: low-fair credit risk	5,193	-	-	5,193
Rating 4L - 4H: moderate credit risk	78,893	-	-	78,893
Rating 3L - 3H: acceptable-substantial credit	64,765	-	-	64,765
Total	148,851	-	-	148,851
Less: ECL allowance	(25)	-	-	(25)
Carrying amount	148,826	-	-	148,826

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(d) Credit quality analysis (continued)

Maximum credit exposure (continued)

	2022		
	Stage 1 **$'000**	**Stage 2** **$'000**	**Total** **$'000**
Investment securities			
Rating 6L- 6H very low credit risk	55,907	-	55,907
Rating 5L - 5H: low-fair credit risk	35,197	-	35,197
Rating 4L - 4H: moderate credit risk	407,805	764	408,569
Rating 3L - 3H: acceptable-substantial credit	109,424	-	109,424
Rating 2L-2H: high credit risk	29,510	-	29,510
Rating NR: high credit risk	5,575	-	5,575
Total	643,418	764	644,182
Less: ECL allowance	(2,127)	(764)	(2,891)
Carrying amount	641,291	-	641,291

There were no stage 3 loans and advances to customers.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(e) Amounts arising from ECL

Inputs, assumptions and techniques used in estimating impairment are described below:

Significant increase in credit risk

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

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

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

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

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

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(e) Amounts arising from ECL (continued)

Significant increase in credit risk (continued)

Credit risk grades

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

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

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

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

Corporate and Commercial Exposures

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

- Data from credit reference agencies, press articles, changes in external credit ratings (where applicable), etc.
- Actual and expected significant changes in the financial, economic, political, regulatory and technological environment of the borrower and/or in its business activities;

- Payment records inclusive of overdue status (where applicable);

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(e) Amounts arising from ECL (continued)

Significant increase in credit risk (continued)

Corporate and Commercial Exposures (continued)

- Utilisation of approved credit facilities;
- Requests for and granting of forbearance inclusive of adjustments to previously agreed terms and conditions

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

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

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

Generating the term structure of PD

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

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

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(e) Amounts arising from ECL (continued)

Significant increase in credit risk (continued)

Determining whether credit risk has increased significantly

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

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

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

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

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

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

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(e) Amounts arising from ECL (continued)

Significant increase in credit risk (continued)

Determining whether credit risk has increased significantly (continued)

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

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

(i) Definition of default

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

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

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

- Qualitative: e.g. breaches of covenant;

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

Risk management framework (continued)

(ii) Credit risk (continued)

(e) Amounts arising from ECL (continued)

(i) Definition of default (continued)

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

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

(ii) Incorporation of forward-looking information

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

In calculating the expected credit loss rates, the Company considers historical loss rates for each category of customers and adjusts for forward looking macroeconomic rates.

The Company formulates three economic scenarios: a base case, which is the central scenario and two less likely scenarios, a progressive scenario which is an upside and an adverse scenario which is a down side. The Company central scenario is aligned with information used by the Company for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by the government and monetary authorities where the Company operates.

Loans

For loans, the macroeconomic factors used include GDP growth, unemployment rate, and crude oil production. These factors are chosen based on expert judgment and their potential impact on ECL provisions. Potential scenarios, base, progressive and adverse are assigned weights based on management's judgement of probability of each scenario occurring. Final Forward-Looking Factor score is estimated and multiplied with estimated 1 year ECL to calculated forward looking provisions.

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(e) Amounts arising from ECL (continued)

(ii) Incorporation of forward-looking information (continued)

Loans (continued)

DFL assigned weightings to macroeconomic factors to indicate relative significance of each factor to the loan portfolio. The macroeconomic forecast under the three scenarios were determined based on management's expert judgment. The follow macroeconomic variables were used:

- GDP annual growth
- Unemployment rate
- Crude oil production

Investments

For investments, DFL consider Bloomberg DRSK's estimated probability term structure. These PDs incorporate forward looking information.

The scenario probability weightings applied in measuring the ECL are as follows:

	2023			**2022**		
As at 31 December	Upside	Central	Downside	Upside	Central	Downside
Scenario probability Weighting	20%	60%	20%	20%	60%	20%

Periodically, The Company carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios.

The Company has identified key drivers of credit risk and credit losses for financial instruments and, using an analysis of historical data, has estimated relationship between macro-economic data variables and credit risk and credit losses.

The key drivers for credit risk are GDP growth, unemployment rate and oil production. Each macro-economic factor is graded as positive, stable or negative. Each scenario is weighted by the probability of occurring based on management's judgement.

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(e) Amounts arising from ECL (continued)

(ii) Incorporation of forward-looking information (continued)

The table below lists the macroeconomic assumptions used in the base, upside and downside scenarios. The assumptions represent the absolute percentage.

As at 31 December 2023

	GDP growth	Unemployment rate	Oil production
Base assumption	1.0%	1.0%	1.6%
Upside assumption	0.75%	0.75%	0.75%
Downside assumption	1.6%	1.6%	1.6%

As at 31 December 2022

	GDP growth	Unemployment rate	Oil production
Base assumption	1.0%	1.0%	1.6%
Upside assumption	0.75%	0.75%	1.0%
Downside assumption	1.0%	1.6%	1.6%

Sensitivity of ECL to future economic conditions

The ECL are sensitive to judgements and assumptions made regarding formulation of forward-looking scenarios and how such scenarios are incorporated into the calculations. Management performs aa sensitivity analysis on the ECL recognized on material classes of its assets.

(iii) Modified financial assets

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

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

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

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(e) Amounts arising from ECL (continued)

(iii) Modified financial assets (continued)

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

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

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

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

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

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

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(f) Expected credit loss allowance

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

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

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

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

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

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

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

Risk management framework (continued)

(ii) Credit risk (continued)

(f) Expected credit loss allowance (continued)

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

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

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

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

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

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

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(f) Expected credit loss allowance (continued)

External benchmarks used:

	Exposure $'000	**PD**	**LGD**
Investments			
- at amortised cost	658,858	Bloomberg	Basel II Foundation
FVOCI	129,135	DRSK	Approach

The Company assessed credit risk on financial assets classified as "low" which allowed management to measure impairment using a 12-month expected credit loss for qualifying assets. This was also applied to debt securities.

To assess the credit risk on debt securities the Company applies the following methodology:

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

- Investments are currently in Stage 1 and 2.

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

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(f) Expected credit loss allowance (continued)

Loss allowance

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

	2023			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Loans and advances to customers				
Balance at January 1	25	-	-	25
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net measurement of loss allowance	6	-	-	6
New financial assets originated or purchased	-	-	-	-
Financial assets that have been derecognized	-	-	-	-
Write-offs	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Net profit or loss impact (Note 9)	6	-	-	6
Balance at December 31	31	-	-	31

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(f) Expected credit loss allowance (continued)

Loss allowance (continued)

	2022			
	Stage 1 **$'000**	**Stage 2** **$'000**	**Stage 3** **$'000**	**Total** **$'000**
Loans and advances to customers				
Balance at January 1	51	-	-	51
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net measurement of loss allowance	(26)	-	-	(26)
New financial assets originated or purchased	-	-	-	-
Financial assets that have been derecognized	-	-	-	-
Write-offs	-	-	-	-
Foreign exchange and other movements	-	-	-	-
Net profit or loss impact (Note 9)	(26)	-	-	(26)
Balance at December 31	25	-	-	25

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(f) Expected credit loss allowance (continued)

Loss allowance (continued)

	2023			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Investment securities at amortised cost and debt securities measured at FVOCI				
Balance at January 1	2,052	839	-	2,891
New financial assets originated or purchased	402	-	-	402
Transfer to Stage 2	(187)	187	-	-
Net measurement of loss Allowance	(1,764)	-	-	(1,764)
Balance at December 31	503	1,026	-	1,529

	2022		
	Stage 1 $'000	**Stage 2 $'000**	**Total $'000**
Investment securities at amortised cost and debt securities measured at FVOCI			
Balance at January 1	1,765	-	1,765
New financial assets originated or purchased	-	-	-
Net measurement of loss allowance	287	839	1,126
Balance at December 31	2,052	839	2,891

There were no stage 3 investments.

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(f) Expected credit loss allowance (continued)

Loss allowance (continued)

The following table shows reconciliations from opening to the closing balances of the loans and advances to customers by class of financial instrument.

	2023			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Loans and advances to customers				
Balance at January 1	148,851	-	-	148,851
New financial assets originated	13,212	-	-	13,212
Financial assets that have been derecognised	(27,734)	-	-	(27,734)
Foreign exchange and other Movements	(11)	-	-	(11)
Balance at December 31	134,318	-	-	134,318

	2022			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Loans and advances to customers				
Balance at January 1	155,129	-	-	155,129
New financial assets originated	15,112	-	-	15,112
Financial assets that have been derecognised	(21,411)	-	-	(21,411)
Foreign exchange and other movements	21	-	-	21
Balance at December 31	148,851	-	-	148,851

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(f) Expected credit loss allowance (continued)

Loss allowance (continued)

The following table shows reconciliations from opening to the closing balances of the Investment debt securities at FVOCI by class of financial instrument.

	2023			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Investment debt securities measures at FVOCI				
Balance at January 1	28,459	764	-	29,223
Transfer to Stage 2	(1,578)	1,578	-	-
New financial assets originated	78,432	-	-	78,432
Financial assets that have been derecognised	(8,485)	-	-	(8,485)
Fair value and foreign exchange movements	1,233	-	-	1,233
Balance at December 31	98,061	2,342	-	100,403

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(f) Expected credit loss allowance (continued)

Loss allowance (continued)

	2022			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Investment debt securities measures at FVOCI				
Balance at January 1	43,359	-	-	43,359
Transfer to Stage 2	(1,546)	1,546	-	-
New financial assets originated	5,075	-	-	5,075
Financial assets that have been derecognised	(13,000)	-	-	(13,000)
Fair value and foreign exchange movements	(5,429)	(782)	-	(6,211)
Balance at December 31	28,459	764	-	29,223

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(f) Expected credit loss allowance (continued)

Loss allowance (continued)

The following table shows reconciliations from opening to the closing balances of the Investment debt securities at amortised cost by class of financial instrument.

	2023			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Investment debt securities measures at amortised cost				
Balance at January 1	614,959	-	-	614,959
Transfer to stage 2	(1,356)	1,356	-	-
New financial assets originated	134,868	-	-	134,868
Financial assets that have been derecognized	(90,189)	-	-	(90,189)
Foreign exchange and other movements	(780)	-	-	(780)
Balance at December 31	657,502	1,356	-	658,858

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(f) Expected credit loss allowance (continued)

Loss allowance (continued)

	2022			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Investment debt securities measures at amortised cost				
Balance at January 1	494,615	-	-	494,615
New financial assets originated	165,493	-	-	165,493
Financial assets that have been derecognized	(43,583)	-	-	(43,583)
Foreign exchange and other movements	(1,566)	-	-	(1,566)
Balance at December 31	614,959	-	-	614,959

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

- There is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset such that it does not expect to collect all principal and interest due according to the contractual terms of the loan/investment security agreement(s).
- A loan is overdue when more than 90 days in arrears. Impaired loans and advances are in 90 days and over category in the Company's internal credit risk rating system.

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

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(g) 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.

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.

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

(g) Loans with renegotiated terms (continued)

In respect of some of these loans the Company has made concessions that it would not otherwise consider. During 2023, there were no loans with renegotiated terms or a loan which was re-scheduled or restructured (2022: 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.

(h) Collateral held and other credit enhancements

The Company holds collateral and other credit enhancements against certain of its credit exposures. The following table sets out the principal types of collateral held against different types of financial assets.

	Percentage of exposure that is subject to Collateral requirements		Principal type of Collateral held
	2023	**2022**	
Loans and advances to corporate customers			
Mortgages	100	100	Commercial property
Loans	100	100	Commercial properties fixed deposits, debentures and guarantees
Loans and advances to retail customers			
Mortgages	100	100	Residential property
Personal	9	21	Fixed deposits and motor vehicles

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

(ii) Credit risk (continued)

The terms and conditions of the collateral is to secure the principal balances of the exposure. The collateral will be sold only at time of default of the credit exposure.

The following tables stratify credit exposures from loans and advances to customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral.

	2023	**2022**
	$'000	**$'000**
LTV ratio		
Less than 50%	436	569
51-70%	-	-
71-90%	21	-
91-100%	-	6,848
More than 100%	133,861	141,434
Total	134,318	148,851

Credit impaired loans Nil in 2023 (2022: Nil).

(i) Offsetting financial assets and liabilities

There were no financial assets and liabilities offset during the year (2022: NIL).

4. Financial Risk Management (continued)

Risk management framework (continued)

(iii) Operational risk

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

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

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

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

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

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

4. Financial Risk Management (continued)

Risk management framework (continued)

(iv) Risk related to use of financial instruments

(a) Interest rate risk

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

Interest rate management

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

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

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

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

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

(a) *Interest rate risk* (continued)

Interest rate management (continued)

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

2023

	Due on Demand	Due in One Year	Due in Two to Five Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash and cash equivalents	62,224	-	-	-	-	62,224
Statutory deposit at Central Bank	-	-	-	-	39,081	39,081
Investment securities	-	121,717	213,534	437,259	3,814	776,324
Loans and advances to customers	-	135,388	71	1,141	7,124	143,724
Due from related parties	-	-	-	-	1,421	1,421
Other assets	-	4,882	-	-	-	4,882
	62,224	261,987	213,605	438,400	51,440	1,027,656
Liabilities						
Borrowings	77,331	70,418	31,396	124,019	-	303,164
Customers' deposits	-	281,824	238,389	-	-	520,213
Other liabilities	-	3,531	-	-	-	3,531
	77,331	355,773	269,785	124,019	-	826,908
Net gap	(15,107)	(93,786)	(56,180)	314,381	51,440	200,748
Cumulative gap	(15,107)	(108,893)	(165,073)	149,308	200,748	-

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

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

(a) Interest rate risk (continued)

Interest rate management (continued)

2022

	Due on Demand	Due in One Year	Due in Two to Five Years	Over 5 Years	Non-Interest Bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash and cash equivalents	91,534	-	-	-	-	91,534
Statutory deposit at Central Bank	-	-	-	-	31,556	31,556
Investment securities	-	132,799	115,754	406,916	-	655,469
Loans and advances to customers	-	149,698	126	1,046	7,127	157,997
Due from related parties	-	-	-	-	1,383	1,383
Other assets	-	3,365	-	-	-	3,365
	91,534	285,862	115,880	407,962	40,066	941,304
Liabilities						
Borrowings	101,138	141,783	4,000	95,300	-	342,221
Customers' deposits	-	235,672	168,473	-	-	404,145
Other liabilities	-	3,286	-	-	-	3,286
	101,138	380,741	172,473	95,300	-	749,652
Net gap	(9,604)	(94,879)	(56,593)	312,662	40,066	191,652
Cumulative gap	(9,604)	(104,483)	(161,076)	151,586	191,652	

The result of the sensitivity analysis for cashflow risk conducted as at December 31, on the impact on net profits before tax is based on floating rate financial assets. The sensitivity on equity is calculated by revaluing the fixed rate FVOCI financial assets for the gross effects of the assumed changes in interest rates. The correlation of a number of variables will have an impact on the risk. Movements in these variables are non-linear and are assessed individually.

Change in interest rate	**Effect on PBT**		**Effect on equity**	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Increase of 1%	33	22	1,035	328
Decrease of 1%	(33)	(22)	(1,035)	(328)

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

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

As at December 31, 2023, had equity prices increased/decreased by 1% with all variables held constant, effect is as follows:

Change in market prices	Effect on PBT		Effect on equity	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Increase of 1%	287	245	287	245
Decrease of 1%	(287)	(245)	(287)	(245)

(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.

(i) 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 adequate liquidity levels.

This is effectively managed by primarily matching long-term borrowings to the bond redemption funds which secure floating rate bonds and also, new loan disbursements, arranging fixed deposits. The Company continues to manage its liquidity risk .There is no material uncertainty that may cast doubt on its ability to continue as a going concern.

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.

(Expressed in Thousands of Trinidad and Tobago Dollars)

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

Risk management framework (continued)

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

(b) Liquidity risk(continued)

(i) Liquidity risk management(continued)

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, 2023

	Carrying Value $'000	*Gross Nominal Inflow (Outflow) $'000	1 to 12 Months $'000	1 to 5 Years $'000	5 to 10 Years $'000	Over 10 Years $'000
Cash and cash equivalents	62,224	62,224	62,224	-	-	-
Statutory deposit with Central Bank	39,081	39,081	39,081	-	-	-
Investment securities	805,056	989,234	89,099	291,154	474,066	134,915
Loans and advances to customers	143,724	264,090	24,902	79,129	102,473	57,586
Due from related parties	1,421	1,421	1,421	-	-	-
Other assets	4,881	4,881	4,881	-	-	-
Borrowings	(303,163)	(362,931)	(158,888)	(35,398)	(168,645)	-
Customers' deposits	(520,213)	(548,754)	(290,395)	(258,359)	-	-
Other liabilities	(3,531)	(3,531)	(3,531)	-	-	-
Net gap	229,480	445,715	(231,206)	76,526	407,894	192,501

***Undiscounted cash flows include estimated interest payments.

The Company's margin loan balance is secured by US assets in name of the Company, custodied with an international Broker in name of the Company. The net liquidation value of the assets in the account is more than the margin loan balance outstanding, there is no fixed principal repayment amount and no specified maturity date. The Company can also liquidate their government bonds to cover the shortfall. The historical trend for maturity of customers' deposits indicates they are usually renewed, hence this should not impact the liquidity of the Company.

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

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

(b) Liquidity risk (continued)

(i) Liquidity risk management (continued)

As at December 31, 2022

	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	91,534	91,534	91,534	-	-	-
Statutory deposit with Central Bank	31,556	31,556	31,556	-	-	-
Investment securities	680,008	717,886	79,393	227,080	276,480	134,933
Loans and advances to customers	157,997	245,632	38,364	76,876	59,894	70,498
Due from related parties	1,383	1,383	1,383	-	-	-
Other assets	3,365	3,365	3,365	-	-	-
Borrowings	(342,221)	(394,407)	(133,681)	(107,135)	(151,083)	(2,508)
Customers' deposits	(404,145)	(425,222)	(239,371)	(185,851)	-	-
Other liabilities	(3,286)	(3,286)	(3,286)	-	-	-
Net gap	216,191	268,441	(130,743)	10,970	185,291	202,923

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

(ii) Financial assets pledged as collateral

Financial assets are pledged as collateral as part of borrowing and securitisation facilities under terms that are usual and customary for such activities.

The following represents the total financial assets recognised in the statement of financial position that have been pledged as collateral for liabilities.

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

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

(b) Liquidity risk (continued)

(ii) Financial assets pledged as collateral (continued)

	Encumbered $'000	Un-encumbered $'000	Total $'000
December 31, 2023			
Investment securities	284,599	520,457	805,056
Loans and advances	13,200	130,524	143,724
	297,799	650,981	948,780
December 31, 2022			
Investment securities	418,165	261,844	680,008
Loans and advances	10,637	147,360	157,997
	428,802	409,204	838,005

(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:

	2023					
	TT $'000	US $'000	EURO $'000	GBP $'000	GUY $'000	Total $'000
Financial assets	634,839	452,298	1	4	1,259	1,088,401
Financial liabilities	(608,148)	(218,760)	-	-	-	(826,908)
Net assets	26,691	233,538	1	4	1,259	261,493

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

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

(c) Foreign currency risk (continued)

	2022					
	TT	**US**	**EURO**	**GBP**	**GUY**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets	571,624	423,549	995	4	1,263	997,435
Financial liabilities	(550,642)	(199,010)	-	-	-	(749,652)
Net assets	20,982	224,539	995	4	1,263	247,783

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**	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Increase of 1%	2,195	2,669	3,043	2,669
Decrease of 1%	(2,083)	(2,669)	(2,889)	(2,669)

(d) Capital risk management

The Company's lead regulator, the Central Bank of Trinidad and Tobago, sets and monitors capital requirement for the Company.

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.

(Expressed in Thousands of Trinidad and Tobago Dollars)

4. Financial Risk Management (continued)

Risk management framework (continued)

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

(d) Capital risk management (continued)

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 - as implemented by the Central Bank of Trinidad and Tobago. The required information is filed with the regulatory authority on a monthly basis. These financials present capital ratios calculated using the new Basel 11 rules.

The following table summarises the composition of regulatory capital and the ratios for the Company as at December 31, 2023. The Company has complied with all the externally imposed capital requirements to which it is subject.

	2023	**2022**
	$'000	**$'000**
Total risk adjusted assets	1,102,787	912,801
Total core capital	247,951	237,098
Allowable supplementary capital	15,032	14,510
Qualifying capital	262,983	251,608
Capital ratios		
- Core capital to total risk adjusted assets	22.48%	25.97%
- Total qualifying capital to total risk adjusted	23.85%	27.56%

The minimum capital adequacy requirement is 15%.

(e) Climate-related risk

'Climate-related risks' are potential negative impacts on the Company arising from climate change. Climate-related risks have an impact on the principal risk categories discussed above (i.e. credit, liquidity, market and operational risks).

The Company distinguishes between physical risks and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels.

4. Financial Risk Management (continued)

Risk management framework (continued)

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

(e) Climate-related risk (continued)

Transition risks arise as a result of measures taken to mitigate the effects of climate change and transition to a low-carbon economy eg. Changes to law and regulations, litigations due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand.

Management does not consider there to be any material impact to the financial statements in relation to this risk.

5. Fair Value of Financial Instruments

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

(a) Valuation models

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

5. Fair Value of Financial Instruments (continued)

(a) Valuation models (continued)

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

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

(j) Valuation framework

The Company has an established control framework for the measurement of fair values. This framework is an independent office and reports to the Chief Accountant, and which has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements. Specific controls include:

- Verification of observable pricing;
- Re-performance of model valuations;
- A review and approval process for new models and changes to models;
- Quarterly calibration and back-testing of models against observed market transactions;
- Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by a committee of senior management.

When third party information, such as broker quotes or pricing, is used to measure fair value, the independent office assesses and documents the evidence obtained from the third parties to support the conclusion that the valuations meet the requirements of IFRS Standards. This includes:

- Verifying the broker or pricing services is approved by the committee of senior management for use in pricing the relevant type of instrument;

(Expressed in Thousands of Trinidad and Tobago Dollars)

5. Fair Value of Financial Instruments (continued)

(b) Valuation framework (continued)

- Understanding how the fair value has been arrived at, the extent to which it represents actual market transactions and whether it represents a quoted price in an active market for an identical instrument;
- When prices for similar instruments are used to measure fair value, understanding how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- If a number of quotes for the same financial instrument have been obtained, then understanding how fair value has been determined using these quotes.

Significant valuation issues are reported to the Audit and Risk Committee.

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

The following financial instruments were measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	Level 1 $'000	Level 2 $'000	Total $'000
As at December 31, 2023			
Equity securities	28,732	-	28,732
Debt securities	5,029	99,188	104,217
	33,761	99,188	132,949
As at December 31, 2022			
Equity securities	24,539	-	24,539
Debt securities	4,838	27,914	32,752
	29,372	27,914	57,291

The valuation technique used for the Level 2 securities are traded market prices for similar securities.

(Expressed in Thousands of Trinidad and Tobago Dollars)

5. Fair Value of Financial Instruments (continued)

(d) Financial instruments not measured at fair value

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

	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Amount
	$'000	$'000	$'000	$'000	$'000
As at December 31, 2023					
Financial Assets					
Investment securities	647,455	-	-	647,455	657,683
Loans and advances to customers due from related parties	-	1,421	-	1,421	1,421
Other assets	-	4,881	-	4881	4,881
Financial Liabilities					
Borrowings	-	-	(303,164)	(303,164)	(303,164)
Customers' deposits	-	-	(520,213)	(520,213)	(520,213)
Other liabilities	-	(3,531)	-	(3,531)	(3,531)
As at December 31, 2022					
Financial Assets					
Investment securities	597,163	-	-	597,163	613,234
Loans and advances to customers	-	-	157,997	157,997	157,997
Due from related parties	-	1,383	-	1,383	1,383
Other assets	-	3,365	-	3,366	3,365
Financial Liabilities					
Borrowings	-	-	(342,221)	(342,221)	(342,221)
Customers' deposits	-	-	(404,145)	(404,145)	(404,145)
Other liabilities	-	(3,286)	-	(3,286)	(3,286)

(Expressed in Thousands of Trinidad and Tobago Dollars)

5. Fair Value of Financial Instruments (continued)

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

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

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

Other assets and liabilities are short-term in nature and are taken to be equivalent to the fair value.

6. Cash and Cash Equivalents

	2023 $'000	2022 $'000
Cash and balances with banks:		
- Local currency	46,629	36,464
- Foreign currency	15,595	55,070
	62,224	91,534

7. Statutory deposit with Central Bank

The Financial Institutions Act, 2008 (the Act) requires that every non-bank financial institution licensed under Section 57 of 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, 2023, and 2022, the Company has complied with the above requirement.

	2023 $'000	2022 $'000
Statutory deposit with Central Bank	39,081	31,556

(Expressed in Thousands of Trinidad and Tobago Dollars)

8. Investment Securities

	2023 $'000	2022 $'000
Investment securities measured at amortised cost:		
- Government bonds and state owned enterprises debt securities	453,685	422,424
- Corporate debt securities	205,173	192,535
	658,858	614,959
Impairment allowance:	(1,175)	(1,725)
	657,683	613,234
Investment securities measured at FVOCI:		
- Government bonds and state owned enterprises debt securities	53,592	14,975
- Corporate debt securities	46,811	14,248
- Equity securities	28,732	24,539
	129,135	53,762
Investment securities measured at FVTPL:		
- Corporate debt securities	3,814	3,529
Total investment securities	790,632	670,525
Accrued interest	14,424	9,483
	805,056	680,008
Movement in impairment loss allowance for debt instruments at amortized cost and FVOCI:		
Balance at January 1	2,891	1,765
Net remeasurement of impairment loss allowance	(550)	287
Net remeasurement of FVOCI impairment	(812)	839
Balance as at December 31	1,529	2,891

(Expressed in Thousands of Trinidad and Tobago Dollars)

8. Investment Securities (continued)

Equity investments securities designated as FVOCI.

The following table shows investments in equity securities for which the Company has elected to present the changes in fair value in OCI. The election was made because the investments are expected to be held for the long term.

	Fair values at 31 December 2023	Dividend Income 2023
Equity securities -ordinary shares	28,732	658

	Fair values at 31 December 2022	Dividend Income 2022
Equity securities -ordinary shares	24,539	743

Some equity investments were disposed of during the year ended 31 December 2023 $271 (2022: $1,408). There were transfers of $137 cumulative gains and losses within equity relating to these investments (2022: $282). The change in fair value on these investments was ($2,134 gain) for the year ended 31 December 2023 (2022: $3,318 loss).

Securitizations

Certain securitization transactions result in the Company derecognizing the transferred financial assets in their entirety. Under the arrangement the Company collects a percentage of the cashflows as a fee. Potentially, a loss may occur if the costs the Company incurs exceeds the fees receivable or if the Company does not perform in accordance to the agreement.

(Expressed in Thousands of Trinidad and Tobago Dollars)

9. Loans and Advances to Customers

	2023 $'000	2022 $'000
Principal	134,318	148,851
Impairment loss allowance	(31)	(25)
	134,287	148,826
Accrued interest	2,313	2,044
Loan recoverable	7,124	7,127
	143,724	157,997
Movement in impairment loss allowance:		
Balance at beginning of year	25	51
Net remeasurement of impairment loss allowance (Note 23)	6	(26)
Balance at end of year	31	25

10. Related Party Balances and Transactions

(a) Identity of related parties

A party is related to the Company if:

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

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

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

(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.

(Expressed in Thousands of Trinidad and Tobago Dollars)

10. Related Party Balances and Transactions

(b) Related party balances

	2023 $'000	2022 $'000
(i) Due from related and associated companies:		
DevCap Fund Management Limited (a)	2,725	2,725
Caribbean Development Capital Limited (b)	221	183
	2,946	2,908
Impairment loss allowance	(1,525)	(1,525)
	1,421	1,383

(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. Interest rates on balance due from related party is 0% with repayment upon sale of collateral. DevCap Fund Management Limited is connected to the Company through common directors.

(b) This is an unsecured balance.

	2023 $'000	2022 $'000
(ii) Loans and advances		
Caribbean Development Capital Limited (a)	12,683	12,683
Key management personnel (b)	326	323
	13,009	13,006

These amounts are included in "Loans and advances to customers".

(a) The demand loan was issued at DFL's prime interest rate less 425 bps, with a floor rate of 5%, this rate is subject to quarterly review and reset, a moratorium of principal and interest for 24 months from December 2021 during which interest will accrue. Thereafter, repayable via lumpsum payments of principal and interest with outstanding interest and principal to be fully liquidated at expiry of the loan agreement. Caribbean Development Capital Limited is connected to the Company through common directors.

(b) The loans with key management personnel are partially secured with a rate of 6%.

(Expressed in Thousands of Trinidad and Tobago Dollars)

10. Related Party Balances and Transactions

(b) Related party balances

	2023 $'000	2022 $'000
(iii) Investment securities		
Fidelity Finance and Leasing Company Limited	708	618

These are included in "Investment securities".

These are fixed deposits held with various fixed rates ranging from 2.70% to 2.85% with maturity dates within from 2026 to 2028. Fidelity Finance and Leasing Company Limited is connected to the Company through common directors and shareholders.

	2023 $'000	2022 $'000
(iv) Deposits		
Maritime Life (Caribbean) Limited (a)	10,156	10,160
Key management personnel (b)	1,096	566
	11,252	10,726

These are included in "Customer's deposits".

(a) This is issued at a rate of 4.00% with a maturity date in 2024. Maritime Life (Caribbean) Limited is connected to the Company by significant share ownership.

(b) These are issued various fixed rates ranging from 3.00% to 4.25% with maturity dates within from 2025 to 2028.

	2023 $'000	2022 $'000
These amounts are unsecured and repayable and are disclosed below:		
Due to related parties:		
CDN Management Services Limited*	(33)	(33)

CDN Management Services Limited is connected to the Company through common Directors.

*These amounts are included within "other liabilities".

(Expressed in Thousands of Trinidad and Tobago Dollars)

10. Related Party Balances and Transactions (continued)

(c) Related party transactions

A number of transactions have been entered into with related parties in the normal course of business.

Related party transactions include but are not limited to the following:

- Pension plan payments
- Foreign exchange transactions
- Fixed deposits issued
- Loans and advances issued
- Investments transactions

	2023 $'000	**2022 $'000**
(i) Outstanding balances		
Loans – Key management personnel and related parties	13,009	13,006
Investments – related parties	708	618
Receivables – related parties	1,421	1,383
	15,138	15,007

As at December 31, 2023, these balances are allocated to stage 1 of the ECL model and a loss allowance of $Nil (2022: $45) was recognised in profit or loss in respect of these balances.

(ii) Deposits and other liabilities		
Deposits with key management personnel	1,096	566
Deposits with significant shareholders	10,156	10,160
	11,252	10,726

	2023 $'000	**2022 $'000**
Income and expenses:		
Income		
Maritime Life (Caribbean) Limited (shareholder)	1,477	983
Maritime General Insurance Company Limited (shareholder)	1,687	1,503
Related parties	38	46
Directors, key management personnel and their immediate relatives	67	35
	3,269	2,567

(Expressed in Thousands of Trinidad and Tobago Dollars)

10. Related Party Balances and Transactions (continued)

(c) Related party transactions (continued)

Expenses excluding key management personnel

Maritime Life (Caribbean) Limited (shareholder)	620	406
Related parties	15	-
Directors, key management personnel and their immediate relatives	1,156	1,135
	1,791	1,541

(d) Transactions with key management personnel

	2023 $'000	2022 $'000
Key management personnel compensation:		
Salaries and other short-term benefits	3,027	3,582

11. Computer Software

	2023 $'000	2022 $'000
Opening net book amount at January 1	1,269	1,153
Additions	17	237
Amortisation charge	(144)	(121)
Closing net book amount at December 31	1,142	1,269

(Expressed in Thousands of Trinidad and Tobago Dollars)

12. Furniture and Equipment

	Furniture and Equipment $'000
Year ended December 31, 2023	
Opening net book amount	910
Additions	1,377
Disposals	(8)
Depreciation charge	(446)
Closing net book amount	1,833
At December 31, 2023	
Cost	8,729
Additions	1,377
Disposals	(260)
Accumulated depreciation	(8,013)
Closing net book amount	1,833
Year ended December 31, 2022	
Opening net book amount	860
Additions	310
Depreciation charge	(260)
Closing net book amount	910
At December 31, 2022	
Cost	8,419
Additions	310
Accumulated depreciation	(7,819)
Closing net book amount	910

(Expressed in Thousands of Trinidad and Tobago Dollars)

13. Other Assets

	2023 $'000	2022 $'000
Other receivables and prepayments	4,881	3,365

14. Post-employment Benefits

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

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

The Company is not expected to contribute to the Plan in 2024.

(i) The amounts recognised in the statement of financial position are as follows:

	2023 $'000	2022 $'000
Present value of obligation	(30,578)	(28,549)
Fair value of plan assets	59,617	57,962
Asset in the statement of financial position	29,039	29,413

(Expressed in Thousands of Trinidad and Tobago Dollars)

14. Post-employment Benefits (continued)

	2023 $'000	2022 $'000
(ii) Movement of amounts recognised in the statement of financial position:		
Asset recognised in the statement of financial position at January 1	29,413	33,940
Income recognised in profit or loss	1,090	1,100
Actuarial losses recognised in OCI	(1,464)	(5,627)
Asset in the statement of financial position	29,039	29,413
(iii) Changes in the fair value of plan assets		
Opening fair value of plan assets	57,962	62,932
Expected return on plan assets	3,325	3,408
Benefits paid	(2,235)	(1,955)
Actuarial gains (losses) on plan assets	565	(6,423)
Closing fair value of plan assets	59,617	57,962
(iv) Changes in the present value of the obligation		
Opening present value of obligation	28,549	28,992
Current service cost	347	455
Interest cost	1,622	1,562
Benefits paid	(2,235)	(1,955)
Expenses	266	291
Actuarial losses (gains) arising from:		
Changes in demographic assumptions	1,717	-
Changes in financial assumptions	-	(918)
Experience adjustments	312	122
Closing fair value of obligation	30,578	28,549
(v) The amounts recognised in profit or loss are as follows:		
Current service cost	347	455
Interest cost	1,622	1,562
Expected return on plan assets	(3,325)	(3,408)
Expenses	266	291
Total included in employee costs (Note 24)	(1,090)	(1,100)
Expected return on plan assets	3,325	3,408
Actuarial gains (losses) on plan assets	565	(6,423)
Actual return on plan assets	3,890	(3,015)

(Expressed in Thousands of Trinidad and Tobago Dollars)

14. Post-employment Benefits (continued)

	2023 $'000	2022 $'000
(vi) Actuarial gains and losses recognised in other comprehensive income		
Remeasurement (gains) losses – Assets	(565)	6,423
Remeasurement losses – Experience adjustments	312	122
Remeasurement gains – Economic	-	(918)
Remeasurement losses – Demographic	1,717	-
	1,464	5,627

(vii) The principal actuarial assumptions used were:

	2023	2022
Discount rate	5.85%	5.85%
Future salary increases	5.50%	5.50%
Mortality		
pre-retirement	Nil	Nil
Post-retirement	GAM 94'	GAM94'

	2023	2022
(viii) Asset allocation:		
The major categories of the plan assets are:		
Foreign Investments	47%	40%
Local Equities	20%	25%
Government securities	21%	20%
Corporate securities	7%	7%
Mutual Funds	2%	2%
Other	3%	6%
	100%	100%

	2023 $'000	2022 $'000
Actual return on Plan assets	3,890	(3,015)

The asset values as at December 31, 2023, were provided by the Plan's Investment Manager. Overseas equities have quoted prices in active markets. Local equities also have quoted prices but the market is relatively illiquid. The Investment Manager calculates the fair value of the Government bonds and corporate bonds by discounting expected future proceeds using a constructed yield curve.

(Expressed in Thousands of Trinidad and Tobago Dollars)

14. Post-employment Benefits (continued)

(viii) Asset allocation (continued)

The Plan's assets are invested in accordance with a strategy agreed with the Plan's Trustees and Management Committee. This strategy is largely dictated by statutory constraints (at least 80% of the assets must be invested in Trinidad and Tobago and no more than 50% in equities) and the availability of suitable investments. There are no asset-liability matching strategies used by the Plan.

(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	(3,477)	4,310
Salary growth	744	(651)

The weighted average duration of the obligation is 14 years.

(x) Experience history:

Amounts for the current period are as follows:

	2023 $'000	2022 $'000	2021 $'000	2020 $'000	2019 $'000
Defined benefit obligation	(30,578)	(28,549)	(28,992)	(29,830)	(29,637)
Plan assets	59,617	57,962	62,932	58,870	58,037
Surplus	29,039	29,413	33,940	29,040	28,400
Experience adjustments on Plan liabilities (gains) losses	312	122	513	(230)	(166)
Changes in financial assumption	1,717	(918)	(1,633)	-	-
Net remeasurements on on Plan liabilities (gains) losses	2,029	(796)	(1,120)	(230)	166)
Experience adjustments on Plan assets (losses) gains	565	(6,423)	3,002	(310)	4,279

(Expressed in Thousands of Trinidad and Tobago Dollars)

15. Borrowings

	2023 $'000	2022 $'000
Short-term borrowings (a)	76,964	121,138
Long-term borrowings (b)	223,661	218,586
	300,625	339,724
Accrued interest	2,539	2,497
	303,164	342,221

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.

(a) Short-term borrowings

	Interest Rate %	2023 $'000	2022 $'000
Margin account (i)	5.1-6.10	76,960	101,138
Credit card	25.2	4	-
Demand loan (ii)	5.00	-	20,000
		79,964	121,138

(i) This represents a portfolio margin account secured by assets held with an international Broker. Interest rate is variable based on a Reference benchmark rate determined by a combination of internationally reference rates, bank deposit rates and dynamic interbank rates determined from foreign exchange and money markets. There is no fixed principal repayment amount, and there is no specified maturity date.

(Expressed in Thousands of Trinidad and Tobago Dollars)

15. Borrowings (continued)

(b) Long-term borrowings

	Interest Rate %	2023 $'000	2022 $'000
TT$ Floating Rate Bonds (iii)	6.00	70,000	70,000
TT$ Fixed Rate Bonds (iv)	2.75-4.25	99,300	99,300
US$ Floating Rate Loan (v)	4.90-5.50	54,361	49,286
		223,661	218,586

(ii) A secured revolving demand loan, interest rate is variable based on the lender's prime lending rate less 250bps per annum, interest is payable monthly for the drawn portion. A standby fee is paid monthly for any unused portion and principal repayment is allowed at any time.

(iii) This represents a TTD debt issued in one tranche, interest is variable based on an average of commercial banks' prime lending rate with a maturity date in 2024, and is secured by a sinking fund managed by a Trustee.

(iv) This represents a TTD debt issued in 4 tranches, interest rate is fixed with maturity dates in July 2028 to July 2032, and are secured by pledged assets.

(v) This represents a USD loan issued by a multi-lateral financial institution, interest is variable based the lender's proprietary interest rate. Moratorium on principal payments ended September 2023, thereafter amortised principal repayments will be made. Maturity date in September 2033, and is secured by a specified portion of loans and advances made for specific purposes.

16. Customers' Deposits

	2023 $'000	2022 $'000
Customers' deposits	513,778	399,341
Accrued interest	6,435	4,804
	520,213	404,145
Sectoral analysis		
Corporate customers	85,044	108,634
Retail customers	428,734	290,707
	513,778	399,341

(Expressed in Thousands of Trinidad and Tobago Dollars)

17. Stated Capital

	2023 $'000	2022 $'000
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 preference shares	26,600	26,600
200,000 non-cumulative, non-voting, Non-redeemable convertible preference shares	20,000	20,000
	136,639	136,639

Schedule Item (5d) 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.

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.

The payment of dividends is at the discretion of the Company for both ordinary and preference shares.

(Expressed in Thousands of Trinidad and Tobago Dollars)

18. 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.

Revaluation reserve

The revaluation reserve includes the net change in fair value of debt and equity investments measured at FVOCI.

19. Classification of Financial Assets and Financial Liabilities

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

	FVTPL	FVOCI Debt	FVOCI Equity	Amortised Cost	Total Carrying Amount
	$'000	$'000	$'000	$'000	$'000
2023					
Financial Assets					
Cash and cash equivalents	-	-	-	62,224	62,224
Statutory deposit with Central Bank	-	-	-	39,081	39,081
Investment securities	3,814	102,867	28,731	669,644	805,056
Loans and advances to customers	-	-	-	143,724	143,724
Due from related parties	-	-	-	1,421	1,421
Other assets	-	-	-	4,881	4,881
Total financial assets	3,814	102,867	28,731	920,975	1,056,387
Financial Liabilities					
Borrowings	-	-	-	303,164	303,164
Customers' deposits	-	-	-	520,213	520,213
Other liabilities	-	-	-	3,531	3,531
Total financial liabilities	-	-	-	826,908	826,908

(Expressed in Thousands of Trinidad and Tobago Dollars)

19. Classification of Financial Assets and Financial Liabilities (continued)

	FVTPL	FVOCI Debt	FVOCI Equity	Amortised Cost	Total Carrying Amount
	$'000	$'000	$'000	$'000	$'000
2022					
Financial Assets					
Cash and cash equivalents	-	-	-	91,534	91,534
Statutory deposit with Central Bank	-	-	-	31,556	31,556
Investment securities	3,529	30,026	24,539	621,914	680,008
Loans and advances to customers	-	-	-	157,997	157,997
Due from related parties	-	-	-	1,383	1,383
Other assets	-	-	-	3,365	3,365
Total financial assets	3,529	30,026	24,539	907,749	965,843
Financial Liabilities					
Borrowings	-	-	-	342,221	342,221
Customers' deposits	-	-	-	404,145	404,145
Other liabilities	-	-	-	3,286	3,286
Total financial liabilities	-	-	-	749,652	749,652

(Expressed in Thousands of Trinidad and Tobago Dollars)

20. Interest Income Calculated Using The Effective Interest Method

	2023 $'000	2022 $'000
Loans and cash advances to customers	11,181	11,885
Investment securities:		
- FVOCI	5,757	2,992
- Amortised cost	35,915	26,919
Other investment income	72	80
	52,925	41,876

21. Interest Expense

	2023 $'000	2022 $'000
Borrowings	16,507	11,453
Customers' deposits	15,590	11,666
Repurchase agreements	9	-
	32,106	23,119

22. Other Income

	2023 $'000	2022 $'000
Net foreign exchange translation (losses) gains	(41)	392
Profit from trading in foreign exchange	6,285	6,859
Fee income	722	754
Realised losses on securities measured at FVOCI	-	(38)
Dividends on equity securities measured at FVOCI	658	742
Other income	80	140
Fair value gains on investments	287	142
	7,991	8,991

(Expressed in Thousands of Trinidad and Tobago Dollars)

23. Impairment (Gain) Losses on Financial Instruments

	2023 $'000	2022 $'000
Impairment charge (credit) for the year		
- Loans	6	(26)
- Investments	(1,362)	287
	(1,356)	261

24. General Overheads and Corporate Expenses

	2023 $'000	2022 $'000
Included in general overheads and corporate expenses are the following:		
Corporate marketing and business development	703	792
Regulatory and professional fees and expenses	4,134	3,319
Accommodation and communication	661	828
General corporate expenses	2,615	2,357
Employee costs:		
- Personnel	7,055	7,106
- Defined benefit pension fund income (Note 14)	(1,090)	(1,100)
Depreciation and amortisation	590	381
Green Fund Levy	204	138
	14,872	13,821

(Expressed in Thousands of Trinidad and Tobago Dollars)

25. Adjustments for Non-Cash Items in Operating Activities

	2023 $'000	2022 $'000
Depreciation and amortisation (Note 11 and 12)	590	381
(Decrease) increase in impairment loss allowance (Note 23)	(1,356)	261
Post-employment benefit income (Note 14)	(1,090)	(1,100)
Fair value gains on investments at FVTPL (Note 22)	287	142
Interest income (Note 20)	(52,925)	(41,876)
Interest expense (Note 21)	32,106	23,119
	(22,388)	(19,073)

26. Analysis of Changes in Financing During the Year

	Borrowings $'000
Balance at January 1, 2023	342,221
Changes from financing cash flows	
Proceeds from issue of borrowings	6,486
Repayment of borrowings	(45,525)
Total changes from financing cash flows	(39,039)
The effect of changes in foreign exchange rates	
Changes in fair value	(60)
Other changes	
Interest expense	16,516
Interest paid	(16,474)
Total liability-related other changes	(18)
Balance at December 31, 2023	303,164

(Expressed in Thousands of Trinidad and Tobago Dollars)

26. Analysis of Changes in Financing During the Year (continued)

	Borrowings **$'000**
Balance at January 1, 2022	283,628
Changes from financing cash flows	
Proceeds from issue of borrowings	162,620
Repayment of borrowings	(104,803)
Total changes from financing cash flows	57,817
The effect of changes in foreign exchange rates	
Changes in fair value	147
Other changes	
Interest expense	11,453
Interest paid	(10,824)
Total liability-related other changes	776
Balance at December 31, 2022	342,221

27. Dividends

The following amounts were recognized as distributions to equity holders of the Company during the years ended December 31, 2023.

	2023	**2022**
Dividends: 5% on preference shares	2,330	2,330

After the reporting date, there were no proposed dividends by the Board of Directors.

28. Events after the Reporting Date

The Company has evaluated events occurring after December 31, 2023, in order to assess and determine the need for potential recognition or disclosure in these financial statements. Such events were evaluated through March 27, 2024, the date these financial statements were available to be issued. Based upon this evaluation, the Company has determined that there are no subsequent events that requires adjustment to or disclosure in these financial statements.