



**BANK OF BARODA (TRINIDAD & TOBAGO) LIMITED**  
**FINANCIAL STATEMENTS**  
**31 MARCH 2020**

**Bank of Baroda (Trinidad & Tobago) Limited  
Financial Statement  
31 March 2020**

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## Statement of Management's Responsibilities

Management is responsible for the following:

The Financial Institutions Act, 2008 (the Act), requires that management prepare and acknowledge responsibility for preparation of the financial statements annually, establish and maintain an adequate internal control structure and procedures for financial reporting, safe guarding the assets of the Bank as well as ensuring compliance with the Act.

It is management's responsibility to apply the appropriate accounting policies and make accounting estimates that are reasonable. Management is responsible for ensuring that the statements presented are a fair and true representation of the state of affairs of the Bank which includes ensuring that the information from which the statements are derived are designed and properly monitored in a manner which would allow accurate information to be provided. In addition, management is responsible for ensuring that the information presented is free from material misstatement whether due to fraud or error.

Management accepts responsibility for the annual financial statements as well as the responsibility for the maintenance of the accounting records and internal controls which form the basis of the financial statements. The financial statements of the Bank of Baroda (Trinidad & Tobago) Limited are prepared in accordance with International Financial Reporting Standards and the appropriate accounting policies have been established and consistently applied in a manner which gives a true and fair view of the Bank's financial affairs and operating results.

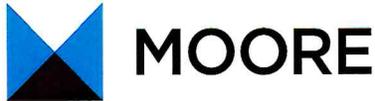
In addition, it is noteworthy to mention that nothing has come to the attention of management to indicate that the Bank will not remain a going concern for the next twelve months from the date of this statement.



(Kare Nagabhushana Rao)  
**Managing Director**  
12 June 2020



(Mahendra Pai)  
**Chief Manager**  
12 June 2020



## **Independent Auditor's Report**

**To the Shareholder,**

**Report - Audit of the Financial Statements of Bank of Baroda (Trinidad & Tobago) Limited**

### **Opinion**

We have audited the financial statements of Bank of Baroda (Trinidad & Tobago) Limited (the Bank), which comprise the statement of financial position as at 31 March 2020, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year ended 31 March 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statement present fairly, in all material respects, the financial position of the Bank as at 31 March 2020, and financial performance and cash flows for the year then ended in accordance with International Financial Reporting 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 auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **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 International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



## **Independent Auditor's Report (Continued)**

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



**Independent Auditor's Report (Continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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 controls that we identify during our audit.

**San Juan  
12 June 2020**

  
**Chartered Accountants**

**Bank of Baroda (Trinidad & Tobago) Limited**  
**Statement of Financial Position**  
**31 March 2020**

	<u>Notes</u>	<u>2020</u> <u>TT\$'000</u>	<u>2019</u> <u>TT\$'000</u>
<b>Assets</b>			
Cash and Cash Equivalents		12,693	11,453
Balances with Central Bank	3	73,931	78,144
Financial Assets	4	139,821	113,549
Loans and Advances	5	143,630	162,484
Property Plant and Equipment	6	1,219	1,450
Tax Receivable		686	686
Deferred Tax Asset	16	176	-
Right-of-use Asset	7	6,557	-
Other Assets		<u>2,512</u>	<u>2,792</u>
<b>Total Assets</b>		<b><u>381,225</u></b>	<b><u>370,558</u></b>
<b>Shareholder's Equity and Liabilities</b>			
<b>Shareholder's Equity</b>			
Stated Capital	8	52,560	52,560
Statutory Reserves	9	972	885
Retained Earnings		<u>7,844</u>	<u>7,059</u>
<b>Total Shareholder's Equity</b>		<b><u>61,376</u></b>	<b><u>60,504</u></b>
<b>Liabilities</b>			
Customer Deposits	10	310,164	303,172
Lease Liabilities	7	6,744	-
Tax Payable		-	2,005
Deferred Tax Liability		-	125
Other Liabilities and Accruals	11	<u>2,941</u>	<u>4,752</u>
<b>Total Liabilities</b>		<b><u>319,849</u></b>	<b><u>310,054</u></b>
<b>Total Shareholder's Equity and Liabilities</b>		<b><u>381,225</u></b>	<b><u>370,558</u></b>

The accompanying notes on pages 11 to 50 form an integral part of these financial statements.

On 12 June 2020, the Board of Directors of the Bank of Baroda (Trinidad & Tobago) Limited authorised these financial statements for issue.

  
 Kare Nagabhushana Rao  
 Managing Director

  
 Mahendra Pal  
 Chief Manager

**Bank of Baroda (Trinidad & Tobago) Limited**  
**Statement of Comprehensive Income**  
**For the Year Ended 31 March 2020**

	<u>Notes</u>	<u>2020</u> <u>TT\$'000</u>	<u>2019</u> <u>TT\$'000</u>
<b>Interest Income</b>			
Interest on Loans and Advances	<b>12</b>	13,617	19,726
Interest from Financial Assets		<u>1,592</u>	<u>1,065</u>
		15,209	20,791
<b>Interest Expense</b>			
Interest on Customer Deposit		<u>1,329</u>	<u>1,363</u>
<b>Net Interest Income</b>		13,880	19,428
<b>Other Income</b>			
Fees and Commissions	<b>13</b>	753	798
Foreign Currency Trading Gains		1,420	1,737
Other		<u>499</u>	<u>436</u>
<b>Total Other Income</b>		<u>2,672</u>	<u>2,971</u>
<b>Non- Interest Expenses</b>			
Staff Costs	<b>14</b>	6,466	6,657
Advertising and Marketing		55	68
Depreciation of Property, Plant and Equipment		327	385
Depreciation on Right of use Asset		2,058	-
Administrative and Other Expenses	<b>15</b>	<u>6,574</u>	<u>8,036</u>
<b>Total Non-Interest Expenses</b>		<u>15,480</u>	<u>15,146</u>
<b>Other Expenses</b>			
Expected Credit Losses on Financial Assets		18	3
Expected Credit Losses on Loans, Net of Recoveries		130	535
Other Provisions (Cash Losses)		-	(534)
Interest Expense on Lease Liabilities		<u>454</u>	-
<b>Total Other Expenses</b>		<u>602</u>	<u>4</u>
Net Profit for the Year Before Taxation		470	7,249
Taxation	<b>16</b>	<u>(402)</u>	<u>2,481</u>
<b>Total Comprehensive Income for the Year</b>		<u>872</u>	<u>4,768</u>

The accompanying notes on pages 11 to 50 form an integral part of these financial statements.

**Bank of Baroda (Trinidad & Tobago) Limited**  
**Statement of Changes in Equity**  
**For the Year Ended 31 March 2020**

	<b>Stated Capital <u>TT\$'000</u></b>	<b>Statutory Reserve <u>TT\$'000</u></b>	<b>Retained Earnings <u>TT\$'000</u></b>	<b>Total Shareholder Equity <u>TT\$'000</u></b>
<b>Balance at 1 April 2019</b>	52,560	885	7,059	60,504
Transfer to Statutory Reserve	-	87	(87)	-
Total Comprehensive Income for the Year	<u>-</u>	<u>-</u>	<u>872</u>	<u>872</u>
<b>Balance at 31 March 2020</b>	<b><u>52,560</u></b>	<b><u>972</u></b>	<b><u>7,844</u></b>	<b><u>61,376</u></b>
<b>Balance at 1 April 2018</b>	52,560	408	2,165	55,133
IFRS 9 Initial Application Adjustment:				
Loans and Advances	-	-	1,094	1,094
Loan Commitments	-	-	(156)	(156)
Financial Assets	-	-	(11)	(11)
Tax impact of Adjustments	<u>-</u>	<u>-</u>	<u>(324)</u>	<u>(324)</u>
<b>Balance at 31 March 2018 Restated</b>	52,560	408	2,768	55,736
Transfer to Statutory Reserve	-	477	(477)	-
Total Comprehensive Income for the Year	<u>-</u>	<u>-</u>	<u>4,768</u>	<u>4,768</u>
<b>Balance at 31 March 2019</b>	<b><u>52,560</u></b>	<b><u>885</u></b>	<b><u>7,059</u></b>	<b><u>60,504</u></b>

The accompanying notes on pages 11 to 50 form an integral part of these financial statements.

**Bank of Baroda (Trinidad & Tobago) Limited**  
**Statement of Changes of Cashflow**  
**For the Year Ended 31 March 2020**

	<b>2020</b>	<b>2019</b>
	<b><u>TT\$'000</u></b>	<b><u>TT\$'000</u></b>
<b>Cash Flows from Operating Activities</b>		
Net Profit for the Year Before Taxation	470	7,249
<b>Adjustments to Reconcile Net Profit for the Year Before Taxation to Net Cash generated/(used) in Operating Activities:</b>		
Depreciation of Property Plant and Equipment	327	385
Depreciation of Right of use Asset	2,058	-
Interest Expense on Lease Liabilities	454	-
Expected Credit Losses on Financial Assets	18	3
Expected Credit Losses on Loans, Net of Recoveries	<u>130</u>	<u>535</u>
	3,457	8,172
Changes in Operating Assets and Liabilities:		
Net Change in Balances with Central Bank	4,213	1,059
Net Change in Loans and Advances	18,636	50,883
Net Change in Other Assets and Accrued Income	280	732
Net Change in Customer Deposits	6,992	(59,050)
Net Change in Other Liabilities and Accruals	(1,723)	(3,501)
Taxation Refund	81	-
Taxation Paid	<u>(1,985)</u>	<u>(3,087)</u>
<b>Net Cash Generated from/(Used by) Operating Activities</b>	<u>29,951</u>	<u>(4,792)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of Property Plant and Equipment	(96)	(98)
Acquisition of Investments in Repurchase Agreements	(6,015)	(7,685)
Proceeds from Sale of Repurchase Agreements	7,685	7,588
Proceeds from Sale of Treasury Bills	274,604	240,206
Purchase of Treasury Bills	(302,564)	(267,584)
Lease Repayments	<u>(2,325)</u>	<u>-</u>
<b>Net Cash Flows Used in Investing Activities</b>	<u>(28,711)</u>	<u>(27,573)</u>
<b>Net Change in Cash and Cash Equivalents</b>	<u>1,240</u>	<u>(32,365)</u>
<b>Cash and Cash Equivalents</b>		
Cash and Cash Equivalents at 1 April 2019	11,453	43,818
Net Change in Cash and Cash Equivalents	<u>1,240</u>	<u>(32,365)</u>
Cash and Cash Equivalents at 31 March 2020	<u>12,693</u>	<u>11,453</u>
<b>Represented by:</b>		
Cash in Hand	1,220	1,253
Due from Other Financial Institutions	<u>11,473</u>	<u>10,200</u>
	<u>12,693</u>	<u>11,453</u>

The accompanying notes on pages 11 to 50 form an integral part of these financial statements.

**Bank of Baroda (Trinidad & Tobago) Limited**  
**Notes to the Financial Statements**  
**31 March 2020**

**1. Incorporation and Principal Activity**

Bank of Baroda (Trinidad & Tobago) Limited (the Bank) was incorporated in the Republic of Trinidad and Tobago on 13 March 2006 and commenced commercial operations on 17 October 2007. It is licensed under the Financial Institution Act 2008. The Bank is a wholly owned subsidiary of Bank of Baroda, India. The Bank offers a complete range of banking and financial services. Its registered office is situated at Furness House, 90 Independence Square, Port of Spain, Trinidad and Tobago.

**2. Summary of Significant Accounting Policies**

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent that they have not already been disclosed in the other notes below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**a. Basic Preparation**

(i) Compliance with IFRS

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) and adopted by the Institute of Chartered Accountants of Trinidad and Tobago (ICATT).

(ii) Historical Cost Convention

The financial statements have been prepared on a historical cost basis, except for the following:

- available-for-sale financial assets are measured at fair value up to 31 March 2020.

(iii) New and amended standards adopted by the Bank

The following amendments to published standards took effect for the Bank's accounting periods beginning on or after 1 April 2019.

IFRS 16: Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases (Incentives) and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard removes the IAS 17 requirement for lessees to classify leases as finance leases or operating leases by introducing a single lessee accounting model that requires the recognition of lease assets (right-of-use assets) and lease liabilities on the statement of financial position for most leases.

**Bank of Baroda (Trinidad & Tobago) Limited**  
**Notes to the Financial Statements**  
**31 March 2020**

**2. Summary of Significant Accounting Policies (Continued)**

**a. Basic Preparation (continued)**

*(iii) New and amended standards adopted by the Bank (continued)*

Also, lessees will now separately recognise interest expense on the lease liability and depreciation expense on the right-of-use asset in Statement of Comprehensive Income.

Lessor accounting is substantially unchanged from accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Bank adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 April 2019), without restatement of comparative amounts. The Bank elected to apply the practical expedient to not reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into on or before the transition date, the Bank relied on its assessment made applying IAS 17 and IFRIC 4.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Bank used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics,
- Reliance on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 April 2019,
- Exclude initial direct costs for the measurement of the right-of-use asset at the date of initial application,
- Apply the exemption not to recognise right-of-use assets and lease liabilities for leases less than 12 months of lease term remaining as of date of initial application,
- Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On adoption of IFRS 16, the Bank recognised right-of-use assets and lease liabilities in relation to leases of commercial office space, which had previously been classified as operating leases. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2020. On adoption of IFRS 16, the Bank recognised right-of-use assets of \$8,615,000.

**Bank of Baroda (Trinidad & Tobago) Limited**  
**Notes to the Financial Statements**  
**31 March 2020**

**2. Summary of Significant Accounting Policies (Continued)**

**a. Basic Preparation (continued)**

*(iii) New and amended standards adopted by the Bank (continued)*

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The lessee's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6%.

On adoption of IFRS 16, the Bank recognized lease liabilities of \$8,615,000 in the statement of financial position. The following table reconciles the minimum lease commitments disclosed in the Bank's 31 March 2020 annual financial statements to the amount of lease liabilities recognized on 1 April 2019:

	<b>1 April 2019</b>
	<u><b>TT\$'000</b></u>
Minimum Operating Lease Commitments as at 31 March 2019	4,529
Adjustments Relating to Extension Options and Short-Term Leases not recognised	<u>5,241</u>
Undiscounted Lease Payments	9,770
Less: Effect of Discounting using the Incremental Borrowing Rate as at the Date of Initial Application	<u>(1,155)</u>
Lease Liabilities Recognised as at 1 April 2019	<u><b>8,615</b></u>

**b. Critical Accounting Estimates and Judgements**

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included below together with information about the basis of calculation for each affected line item in the financial statements.

**Bank of Baroda (Trinidad & Tobago) Limited**  
**Notes to the Financial Statements**  
**31 March 2020**

**2. Summary of Significant Accounting Policies (Continued)**

***b. Critical Accounting Estimates and Judgements (continued)***

(i) Estimation of the impairment loss on the loan portfolio

Measurement of the expected credit loss allowance under IFRS 9

The measurement of the Expected Credit Loss (ECL) Allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the expected losses which may arise). A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk,
- Choosing appropriate models and assumptions for the measurement of ECL,
- Establishing forward-looking scenarios and evaluating the appropriateness of the relationships, weightings, and overall outcome of statistical analysis, and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

ECL calculations are shown in Notes 4 and 5. Had there been a 5% shift in the average ECL rate for all financial instruments at amortised cost, the Bank's ECL allowance would have been higher by \$237,000.

(ii) *Income Taxes*

Judgement is required in determining provisions for income taxes and there are some transactions and calculations for which the ultimate tax determination is uncertain.

When appropriate, particularly where the ultimate tax determination is uncertain, management also obtains opinions or advice from leading tax advisors and regularly reassesses its strategy in relation to such exposures.

**c. Foreign Currency**

(i) *Functional and Presentation Currency*

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the 'functional currency').

**Bank of Baroda (Trinidad & Tobago) Limited**  
**Notes to the Financial Statements**  
**31 March 2020**

**2. Summary of Significant Accounting Policies (Continued)**

**c. Foreign Currency (continued)**

*(i) Functional and Presentation Currency (continued)*

The financial statements are presented in Trinidad and Tobago dollars which is the Bank's functional and presentation currency.

*(ii) Transactions and Balances*

Transactions in foreign currencies are initially recorded at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at the rate of exchange ruling on the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

**d. Financial Instruments under IFRS 9**

The Bank's financial instruments comprises debt instruments, including loans and advances, treasury bills, repurchase agreements, cash equivalents, customers' deposits and some amounts included within other assets and liabilities.

*Classification*

From 1 April 2019, the Bank classifies all debt instruments at Amortized Cost (AC).

The classification for debt instruments depends on the Bank's business model for managing those assets. It also requires the Bank to examine the contractual terms of the cash flows, i.e. whether these represent 'Solely Payments of Principal and Interest' (SPPI).

The business model reflects how the Bank manages the assets in order to generate cash flows. An assessment is made at a portfolio level and includes an analysis of factors such as:

- The stated objective and policies of the portfolio and the operation of those in practice. More specifically whether the Bank's objective is to:
  - receive cash flows from primarily holding the instruments ("hold to collect"),
  - receive cash flows from both holding and selling the instruments ("hold to collect and sell"),
  - receive cash flows from short term trading ("held for trading").

**Bank of Baroda (Trinidad & Tobago) Limited**  
**Notes to the Financial Statements**  
**31 March 2020**

**2. Summary of Significant Accounting Policies (Continued)**

**d. Financial Instruments under IFRS 9 (continued)**

*Classification (continued)*

- Past experience on how the cash flows for these assets were collected.
- Determination of performance targets for the portfolio, how evaluated and reported to key management personnel.
- Consideration of historical sales and forecasted liquidity requirements.

The Bank also assesses whether cash flows represent solely payment of principal and interest (SPPI test). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss (or "held for trading").

Having considered the above, the Bank's financial instruments display both of the following characteristics:

- All are held to collect cash flows,
- All meet the SPPI test.

Accordingly, all financial instruments are classified at Amortized Cost (AC).

The Bank reclassifies debt investments when and only when its business model for managing those assets changes.

*Recognition and Derecognition*

Financial instruments are recognized on trade-date, which is the date on which the Bank commits to purchase or sell the asset. Generally, there are no significant timing delays between the trade date and the settlement date. Loans and advances approved and not yet disbursed are disclosed as loan commitments.

## **2. Summary of Significant Accounting Policies (Continued)**

### *d. Financial Instruments under IFRS 9 (continued)*

#### *Recognition and Derecognition (continued)*

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all the risks and rewards of ownership.

#### *Measurement*

At initial recognition, the Bank measures a financial instrument at its fair value plus transaction costs that are directly attributable to the acquisition of the financial instrument.

Financial instruments that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortized cost. Interest income from financial assets is included within 'interest income' and interest expense on customers' deposits is included within 'interest expense', both using the effective interest rate method.

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognized in the Statement of Comprehensive Income.

**Bank of Baroda (Trinidad & Tobago) Limited**  
**Notes to the Financial Statements**  
**31 March 2020**

**2. Summary of Significant Accounting Policies (Continued)**

*d. Financial Instruments under IFRS 9 (continued)*

*Measurement (continued)*

Any gain or loss arising on derecognition is recognized directly in the Statement of Comprehensive Income and presented in 'other income' together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the Statement of Comprehensive Income.

*Impairment*

From 1 April 2019, the Bank assesses on a forward-looking basis the ECL associated with its debt instruments carried at amortized cost.

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

- Stage 1

This category comprises instruments which are performing in accordance with the contractual terms and conditions and display no deterioration in credit risk since initial recognition. This category also includes those financial instruments with low credit risk such as Treasury Bills and Repos.

- Stage 2

This category includes instruments which display a significant increase in credit risk (SICR) since initial recognition but have not yet defaulted. To assess whether there is a significant increase in credit risk, the Bank compares the risk of a default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. As a practical expedient, the Bank assumes that a SICR has occurred if contractual payments are more than 30 days past due.

- Stage 3

This category includes instruments that are in default. As a practical expedient, loans and advances with contractual payments more than 90 days past due are assumed to be in default. A default on a Treasury Bill or Repo occurs when the issuer has missed a single payment of principal and/or interest.

## **2. Summary of Significant Accounting Policies (Continued)**

### *d. Financial Instruments under IFRS 9 (continued)*

#### *Impairment (continued)*

ECL is measured as follows:

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.
- Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. The Bank utilised a probability-weighted assessment of macroeconomic factors which it believes will have an impact on forward-looking rates. These factors include unemployment and GDP.

The formula for ECL is generally the 'Probability of Default' (PD) multiplied by the Exposure at Default' (EAD) multiplied by the 'Loss Given Default' (LGD). An adjustment is made to reflect the time value of money by considering the original effective interest rate on the individual instruments. The overall models involved the use of various PD, EAD and LGD tables which were then applied to individual instruments based on several pre-determined criteria, including type, time to maturity, whether they are in Stages 1, 2 or 3 and other indicators.

The process in arriving at the individual components of EGL and the forward-looking adjustments involved critical estimates and judgements. This is discussed further in Note 2(b).

#### *Modification of Loans*

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to the amounts the borrower is expected to be able to pay,
- Whether any substantial new terms are introduced that substantially affects the risk profile of the loan

**Bank of Baroda (Trinidad & Tobago) Limited**  
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**2. Summary of Significant Accounting Policies (Continued)**

*d. Financial instruments under IFRS 9 (continued)*

*Modification of Loans (continued)*

- Significant extension of the loan term,
- Significant change in the interest rate,
- Significant changes to collateral, other security or credit enhancements.

If the terms are substantially different, the Bank derecognizes the original financial asset and recognizes a "new" asset at the fair value and recalculates the new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in the statement of changes in comprehensive income. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

*Derecognition other than a Modification*

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

**e. Cash and Cash Equivalents**

Cash and cash equivalents include currency notes and coins on hand, balances held with other financial institutions, which are highly liquid financial assets with less than 90 days to maturity from the date of acquisition, are subject to insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

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**2. Summary of Significant Accounting Policies (Continued)**

**f. Related Parties**

A party is related to the Bank, if:

- (i) Directly, or indirectly through one or more intermediaries, the party:
  - a. is controlled by, or is under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries),
  - b. has a direct or indirect interest in the Bank that gives it significant influence, or
  - c. has joint control over the Bank,
- (ii) the party is an associate of the Bank,
- (iii) the party is a joint venture in which the Bank is a venture partner,
- (iv) the party is a member of the key management personnel of the Bank or its parent,
- (v) the party is a close member of the family of any individual referred to in (i) and (iv),
- (vi) the party is an entity that is controlled, jointly controlled, or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Bank, or of any entity that is a related party of the Bank.

A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

The Bank has a related party relationship with its directors and key management personnel, representing certain senior officers of the Bank, its parent company and all their affiliates.

A number of banking transactions are entered into with related parties into the normal course of business.

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**2. Summary of Significant Accounting Policies (Continued)**

**g. Property, Plant and Equipment**

Property, Plant and Equipment are stated at cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on furniture and equipment, which consist of machinery and office equipment, is provided on the reducing balance method at various rates sufficient to write off the assets over their estimated useful lives. All depreciation on property, plant and equipment are computed using the reducing balance method except for depreciation on computer equipment which is written off using the straight-line method.

The rates used are as follows:

Leasehold Improvements	-10%
Furniture, Fittings and Equipment, Motor Vehicles	-25%
Computer Equipment	-33 1/3%
ATM	-25%

The asset's residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with their carrying amount and are taken into account in determining operating profit.

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting date.

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**2. Summary of Significant Accounting Policies (Continued)**

**h. Provisions**

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

**i. Revenue Recognition**

**(i) Interest Income and Expense**

Interest income and expense are recognised in the statement of comprehensive income for all interest-bearing instruments on an accrual basis using the effective interest rate method based on the actual purchase price.

Interest income and expense are calculated by applying the effective interest rate to the gross carrying amount of a financial asset or financial liability except for financial assets that subsequently become credit impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income includes coupons earned on fixed income investment and trading securities as well as accrued discount and premium on treasury bills and other discounted instruments.

**(ii) Fees and Commission Income**

Unless included in the effective interest calculation, fees and commissions are recognized on an accrual basis as the service is provided. Commissions and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, are recognized on completion of the underlying transaction. The Bank also makes foreign exchange gains on the sale and purchase of foreign currency.

**j. Accounting for leases – where the Bank is the lessee**

*Policy applicable from 1 April 2019*

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

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified

## **2. Summary of Significant Accounting Policies (Continued)**

*j. Accounting for leases – where the Bank is the lessee (continued)*

*Policy applicable from 1 April 2019 (continued)*

- The Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

*The Bank as a lessee*

The Bank mainly leases various commercial office space used in its operations. Rental contracts for these leases are typically made for fixed periods but may have extension options, which are described below. Some contracts contain lease and non-lease components, which are accounted for as separate components based on the standalone prices stated in the contracts.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

The Bank applies a single recognition and measurement approach to all leases, except for short-term leases and leases of low-value assets. At lease commencement date, the Bank recognizes a right-of-use asset and a lease liability in the statement of financial position.

The right-of-use asset is initially measured at cost, which comprises the initial measurement of the lease liability, any initial direct costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequent to initial measurement, the right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

## **2. Summary of Significant Accounting Policies (Continued)**

*j. Accounting for leases – where the Bank is the lessee (continued)*

*The Bank as a lessee (continued)*

*Policy applicable from 1 April 2019 (continued)*

If the Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The Bank also assesses the right-of-use asset for impairment when such indicators exist. The Bank does not revalue any of its right-of-use assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the lease commencement date, discounted using the interest rate implicit in the lease. If the interest rate implicit in the lease cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. Lease payments included in the measurement of the lease liability comprise the following:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives,
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date,
- Lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option; and
- Penalty payments for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made.

The Bank remeasures the lease liability when there is a change in future lease payments arising from a change in an index or rate, or if the Bank changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of income if the carrying amount of the right-of-use asset has been reduced to zero. Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments. The Bank did not have any variable lease payments that do not depend on an index or a rate for the period ended 31 March 2020.

**Bank of Baroda (Trinidad & Tobago) Limited**  
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**2. Summary of Significant Accounting Policies (Continued)**

*j. Accounting for leases – where the Bank is the lessee (continued)*

*The Bank as a lessee (continued)*

*Policy applicable from 1 April 2019 (continued)*

The Bank applies the short-term lease recognition exemption to its short-term leases i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets to leases that are considered to be below value. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

*Policy applicable before 1 April 2019*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor were classified as operating leases in previous years under IAS 17. Payments made under operating leases were charged to the profit or loss on a straight-line basis over the period of the lease.

**k. Employees Benefits**

*Short-term*

Employee benefits are all forms of consideration given by the Bank in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave, and non-monetary benefits such as medical care and loans; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognized in the following manner: short-term employee benefits are recognized as a liability, net of payments made, and charged as expense

**l. Taxation**

Current income tax is calculated on the basis of the applicable tax law in the respective jurisdiction and is recognized in the statement of comprehensive income for the period except to the extent it relates to items recognized directly in equity. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**Bank of Baroda (Trinidad & Tobago) Limited**  
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**2. Summary of Significant Accounting Policies (Continued)**

*l. Taxation (continued)*

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by at the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

The principal temporary differences arise from depreciation on property, plant and equipment, and tax losses carried forward.

Deferred tax assets relating to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**m. Stated capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction net of tax, from the proceeds.

**n. Comparative Information**

Where necessary, comparatives have been adjusted to conform with changes in presentation in the current year.

**3. Balances with Central Bank**

In accordance with the Financial Institutions Act, 2008, the Bank is required to hold and maintain, as a non-interest-bearing deposit with the Central Bank of Trinidad & Tobago, a cash reserve balance equivalent to 17% of total prescribed liabilities.

**Bank of Baroda (Trinidad & Tobago) Limited**  
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**3. Balances with Central Bank**

	<b>2020</b>	<b>2019</b>
	<b><u>TT\$'000</u></b>	<b><u>TT\$'000</u></b>
Primary Reserve	39,125	47,488
Other Deposits	<u>34,806</u>	<u>30,656</u>
	<b><u>73,931</u></b>	<b><u>78,144</u></b>

**4. Financial Assets**

Financial Assets at Amortised Cost:		
Repurchase Agreements	6,015	7,685
Treasury Bills	<u>133,839</u>	<u>105,878</u>
	139,854	113,563
Less Provision for Expected Credit Losses	<u>(33)</u>	<u>(14)</u>
	<b><u>139,821</u></b>	<b><u>113,549</u></b>

The following is a movement analysis of the ECL provision:

Balance at Beginning of Year	(14)	(11)
Net Changes to Provisions during the Year	<u>(19)</u>	<u>(3)</u>
Balance at End of Year	<u>(33)</u>	<u>(14)</u>
Effective ECL Loss Rate	0.024%	0.012%

Repurchase agreements and Treasury Bills mature within one year and are considered low risk financial Instruments. Accordingly, these instruments were classified as Stage 1 as of the date of initial application and the balance sheet date. There were no transfers among staging categories during the year.

The fair value of repurchase agreements and treasury bills approximate their cost since the securities will mature within the next year and the rates are not materially different from the market rate.

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**5. Loans and Advances**

	<b>2020</b>	<b>2019</b>
	<b><u>TT\$'000</u></b>	<b><u>TT\$'000</u></b>
Performing and Underperforming Loans	122,806	151,956
Non-Performing Loans	<u>25,494</u>	<u>16,700</u>
	148,300	168,656
Less Provision for Loan Losses	<u>(4,669)</u>	<u>(6,172)</u>
	<b><u>143,630</u></b>	<b><u>162,484</u></b>

<b>5.1 Provision for Loan Losses</b>	<b>Average ECL Rate</b>	<b>Carrying Amount</b>	<b>Expected Credit Loss</b>
	<b>%</b>	<b><u>TT\$'000</u></b>	<b><u>TT\$'000</u></b>
<b>a) Analysis of Average ECL Rates by Loan Category</b>			
<b>As at 31 March 2020</b>			
Advances under Stage 1	0.14%	91,267	(129)
Advances under Stage 2	0.67%	29,253	(196)
Advances under Stage 3	<u>15.64%</u>	<u>27,780</u>	<u>(4,344)</u>
Subtotal per above	3.15%	148,300	(4,669)
Loan Commitments (Note 10)	<u>0.36%</u>	<u>6,418</u>	<u>(23)</u>
<b>Total</b>	<b><u>3.57%</u></b>	<b><u>154,718</u></b>	<b><u>(4,692)</u></b>
<b>As at 31 March 2019</b>			
Advances under Stage 1	0.27%	113,469	(305)
Advances under Stage 2	0.87%	38,487	(335)
Advances under Stage 3	<u>33.13%</u>	<u>16,700</u>	<u>(5,532)</u>
Subtotal per above	3.66%	168,656	(6,172)
Loan Commitments (Note 10)	<u>1.47%</u>	<u>7,536</u>	<u>(111)</u>
<b>Total</b>	<b><u>3.57%</u></b>	<b><u>176,192</u></b>	<b><u>(6,283)</u></b>

**Bank of Baroda (Trinidad & Tobago) Limited**  
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**5. Loans and Advances (Continued)**

**b) Movement Analysis of ECL by Loan Category**

	<b>Advances under Stage 1 <u>TT\$'000</u></b>	<b>Advances under Stage 2 <u>TT\$'000</u></b>	<b>Advances under Stage 3 <u>TT\$'000</u></b>	<b>Total <u>TT\$'000</u></b>
<b>Year Ended 31 March 2020</b>				
Balance at Beginning of the Year	(305)	(335)	(5,532)	(6,172)
Net Changes to Provisions and Reclassifications	<u>176</u>	<u>139</u>	<u>1,188</u>	<u>1,503</u>
Balance at End of the Year	<u>(129)</u>	<u>(196)</u>	<u>(4,344)</u>	<u>(4,669)</u>
<b>Year Ended 31 March 2019</b>				
Balance at Beginning of the Year as Reported Under IAS 39	-	(1,623)	(10,013)	(11,636)
Amount adjusted to Opening Retained Earnings Date of Initial Application of IFRS 9	<u>(254)</u>	<u>1,348</u>	<u>-</u>	<u>1,094</u>
Opening ECL under IFRS 9	(254)	(275)	(10,013)	(10,542)
Net Changes to Provisions and Reclassifications	<u>(51)</u>	<u>(60)</u>	<u>4,481</u>	<u>4,370</u>
<b>Balance at End of the Year</b>	<b><u>(305)</u></b>	<b><u>(335)</u></b>	<b><u>(5,532)</u></b>	<b><u>(6,172)</u></b>

	<b>2020 <u>TT\$'000</u></b>	<b>2019 <u>TT\$'000</u></b>
<b>b) Expenses</b>		
Net Changes to Provisions for Loan and Advances	1,503	4,370
Net Change to Provisions for Loan Commitments	88	42
Amounts Written Off, Net of Recoveries	<u>(1,721)</u>	<u>(4,947)</u>
Net Expense Recorded in Profit or Loss	<u>(130)</u>	<u>(535)</u>

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**5. Loans and Advances (Continued)**

**5.2 Concentration of Loans and Advances**

	<b><u>2020</u></b>	<b><u>2019</u></b>
	<b><u>TT\$'000</u></b>	<b><u>TT\$'000</u></b>
Concentration by Sector		
Agriculture	637	1,277
Transport and Communication	3,345	4,184
Distribution	39,234	45,944
Real Estate	10,463	14,547
Manufacturing	18,142	19,903
Construction	41,371	37,096
Hotel and Restaurant	1,556	2,625
Other Services	14,637	17,104
Consumers	<u>18,915</u>	<u>25,976</u>
<b>Total</b>	<b><u>148,300</u></b>	<b><u>168,656</u></b>
Concentration by location		
Trinidad	<b><u>148,300</u></b>	<b><u>168,656</u></b>

**Bank of Baroda (Trinidad & Tobago) Limited**  
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**6. Property, Plant and Equipment**

	<b>Leasehold Buildings</b>	<b>Fittings and Equipment</b>	<b>Motor Vehicles</b>	<b>Computer Equipment</b>	<b>Total</b>
	<u>TT\$'000</u>	<u>TT\$'000</u>	<u>TT\$'000</u>	<u>TT\$'000</u>	<u>TT\$'000</u>
<b>Year Ended 31 March 2020</b>					
Opening Net Book Value	585	791	35	39	1,450
Additions	77	-	-	19	96
Depreciation Charge	<u>(73)</u>	<u>(204)</u>	<u>(9)</u>	<u>(41)</u>	<u>(327)</u>
Closing Net Book Value	<u><b>589</b></u>	<u><b>587</b></u>	<u><b>26</b></u>	<u><b>17</b></u>	<u><b>1,219</b></u>
<b>At 31 March 2020</b>					
Cost	2,493	5,308	589	1,700	10,090
Accumulated Depreciation	<u>(1,904)</u>	<u>(4,721)</u>	<u>(563)</u>	<u>(1,683)</u>	<u>(8,871)</u>
Net Book Value	<u><b>589</b></u>	<u><b>587</b></u>	<u><b>26</b></u>	<u><b>17</b></u>	<u><b>1,219</b></u>
<b>Year Ended 31 March 2019</b>					
Opening Net Book Value	660	960	46	71	1,737
Additions	-	88	-	10	98
Depreciation Charge	<u>(75)</u>	<u>(257)</u>	<u>(11)</u>	<u>(42)</u>	<u>(385)</u>
Closing Net Book Value	<u><b>585</b></u>	<u><b>791</b></u>	<u><b>35</b></u>	<u><b>39</b></u>	<u><b>1,450</b></u>
<b>At 31 March 2019</b>					
Cost	2,416	5,395	589	1,681	10,081
Accumulated Depreciation	<u>(1,831)</u>	<u>(4,604)</u>	<u>(554)</u>	<u>(1,642)</u>	<u>(8,631)</u>
Net Book Value	<u><b>585</b></u>	<u><b>791</b></u>	<u><b>35</b></u>	<u><b>39</b></u>	<u><b>1,450</b></u>
<b>At 31 March 2018</b>					
Cost	2,416	5,307	589	1,687	9,999
Accumulated Depreciation	<u>(1,756)</u>	<u>(4,347)</u>	<u>(543)</u>	<u>(1,616)</u>	<u>(8,262)</u>
Net Book Value	<u><b>660</b></u>	<u><b>960</b></u>	<u><b>46</b></u>	<u><b>71</b></u>	<u><b>1,737</b></u>

**Bank of Baroda (Trinidad & Tobago) Limited**  
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**7. Lease**

The following tables provide information for leases where the Bank is a Lessee.

	<b>2020</b>	<b>2019</b>
	<b><u>TT\$'000</u></b>	<b><u>TT\$'000</u></b>
<b>a) Right-of-use Assets</b>		
<b>Year Ended 31 March 2020</b>		
Balance at beginning of Year	-	-
Adjustment on Initial Application of IFRS 16	8,615	-
Depreciation Charge	<u>(2,058)</u>	-
Balance at End of Year	<b><u>6,557</u></b>	-
Cost	8,615	-
Accumulated Depreciation	<u>(2,058)</u>	-
Balance at End of Year	<b><u>6,557</u></b>	-
<b>b) Lease Liabilities</b>		
Balance at beginning of Year	-	-
Adjustment on Initial Application of IFRS 16	8,615	-
Interest Expense	454	-
Lease Repayments	<u>(2,325)</u>	-
Balance at End of Year	<b><u>6,744</u></b>	-
<b>c) Amounts Recognised in Profit or Loss</b>		
Interest Expense on Lease Liabilities	454	-
Depreciation on right-of-use Assets	2,058	-
Expenses on Short Term Leases and Low Value Assets	<u>76</u>	-
	<b><u>2,588</u></b>	-

**8. Stated Capital**

Authorised

An unlimited number of shares of no par value

Issued and fully paid

525,597 ordinary shares at no par value

**52,560**

**52,560**

**9. Statutory Reserve**

The Financial Institutions Act 2008, Part VI, Section 56 1(a) stipulates that a licensee must transfer annually a minimum of 10% of its profits after taxation to a Reserve Fund until the amount at credit of the Reserve Fund equals the paid up capital of the Bank.

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**31 March 2020**

**10. Customer Deposits**

	<b>2020</b>	<b>2019</b>
	<b><u>TT\$'000</u></b>	<b><u>TT\$'000</u></b>
Corporate and Commercial Sector	163,257	145,813
Personal Sector	<u>146,907</u>	<u>157,359</u>
	<b><u>310,164</u></b>	<b><u>303,172</u></b>

**11. Other Liabilities and Accruals**

Interest Accrued on Deposits	9	268
Outstanding Managers' Cheques	2,019	2,107
Provision for ECL on Loan Commitments	23	111
Other	<u>890</u>	<u>2,266</u>
	<b><u>2,941</u></b>	<b><u>4,752</u></b>

**12. Interest on Loans and Advances**

Interest on Overdrafts	5,567	8,105
Interest on Loans	<u>8,050</u>	<u>11,621</u>
	<b><u>13,617</u></b>	<b><u>19,726</u></b>

**13. Fees and Commissions**

Credit Related Charges	370	349
Fees on Forex Transactions	354	401
Other	<u>29</u>	<u>48</u>
	<b><u>753</u></b>	<b><u>798</u></b>

**14. Staff Costs**

Salaries	4,980	5,122
National Insurance	329	329
Other Benefits	<u>1,157</u>	<u>1,206</u>
	<b><u>6,466</u></b>	<b><u>6,657</u></b>

Average Number of Employees	<u>23</u>	<u>26</u>
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**15. Administrative and Other Expenses**

Insurance	675	674
Repairs and Maintenance	250	195
Professional Fees	582	380
Short Term, Variable and Other Lease Payments IFRS (16)	76	-
Operating Lease Payments (IAS 17)	-	2,490
Postage and Stationery	366	402
Other	<u>4,625</u>	<u>3,895</u>
	<b><u>6,574</u></b>	<b><u>8,036</u></b>

**Bank of Baroda (Trinidad & Tobago) Limited**  
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**16. Taxation**

	<b>2020</b>	<b>2019</b>
	<b><u>TT\$'000</u></b>	<b><u>TT\$'000</u></b>
Deferred Tax		
Current Year	(212)	(29)
Adjustment to Prior Year's Estimates Corporation	(89)	-
Corporation Tax/Business Levy Current Year	30	2,510
Adjustment to Prior Year's Estimates	(131)	-
	<b><u>(402)</u></b>	<b><u>2,481</u></b>

Bank's effective rate varies from the statutory rate of 35% (2019: 35%) as a result of the differences shown below:

Profit Before Taxation	<u>470</u>	<u>7,249</u>
Income Tax at Statutory Rate of 35%	165	2,537
Tax Allowances	(4)	-
Exempt Income	(203)	(24)
Deductible Expenses not Charged to Profit or Loss	(186)	-
Business Levy	30	-
Expenses not Deductible for Tax Purposes	16	95
Adjustment to Prior Year's Estimates	(220)	-
Other Differences	<u>-</u>	<u>(127)</u>
	<b><u>(402)</u></b>	<b><u>2,481</u></b>

**Deferred Tax Asset**

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2019: 35% Deferred tax Liability). The movement on the deferred income tax account is as follows:

	Balance at Beginning of Year	Charge for the Year	Balance at End of Year
<b>Year Ended 31 March 2020</b>			
Accelerated Tax Depreciation	(36)	28	(8)
Leases	-	66	66
Tax Losses	-	118	118
Other	<u>(89)</u>	<u>89</u>	<u>-</u>
Balance at End of Year	<b><u>(125)</u></b>	<b><u>301</u></b>	<b><u>176</u></b>

**Bank of Baroda (Trinidad & Tobago) Limited**  
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**16. Taxation (Continued)**

*Deferred Tax Asset (continued)*

	<b>Balance at Beginning of Year</b>	<b>Charge for the Year</b>	<b>Balance at End of Year</b>
<b>Year Ended 31 March 2019</b>			
Accelerated Tax Depreciation	(65)	29	(36)
Other	<u>(89)</u>	<u>-</u>	<u>(89)</u>
Balance at End of Year	<u><b>(154)</b></u>	<u><b>29</b></u>	<u><b>(125)</b></u>

**17. Related Party Balances and Transactions**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. Certain banking transactions are entered into with related parties in the normal course of business. For the year ended 31 March 2020, the Bank did not make any provision for doubtful debts relating to amounts owed by related parties (2019: nil).

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year.

	<b>2020 <u>TT\$'000</u></b>	<b>2019 <u>TT\$'000</u></b>
Cash and Cash Equivalents balances with Related Companies	<u>4,514</u>	<u>1,042</u>
Loans to Key Management Personnel of the Bank	<u>-</u>	<u>26</u>
Directors and Key Management Personnel:		
Compensation: Short-Term Employee Benefits	<u>5,089</u>	<u>5,251</u>
Management Fees Paid to Parent Company	<u>2,245</u>	<u>1,407</u>

**18. Contingent Liabilities**

As at 31 March 2020, there were guarantees of \$3,050,541 (2019: \$3,012,742). These represented the Bank's potential liability, for which there are claims against its customer in the event of a call on these commitments.

**Bank of Baroda (Trinidad & Tobago) Limited**  
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**19. Commitments**

As at 31 March 2020, the Bank had \$6,418,045 commitments of a credit nature (2019: \$7,535,863).

**20. Capital Commitments**

As at 31 March 2020, there were no Capital Commitments (2019: nil).

**21. Financial Risk Management**

Introduction and overview

The Bank has exposure to the following risks from its use of financial instruments:

- a. Credit risk
- b. Liquidity risk
- c. Market risks
- d. Capital management

*Risk Management Framework*

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies, and processes for measuring and managing risk, and the Bank's management of capital.

The Board of Directors (the Board) has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Credit and Investment, Audit and Risk committees. These Board committees currently employ an integrated Risk Management Framework supported by three Management Committees in order to maximize shareholder value within the group's risk appetite; Portfolio Planning, Asset and Liability (ALCO), and IT Security committees, which are responsible for developing and monitoring risk management practices in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

**Bank of Baroda (Trinidad & Tobago) Limited**  
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**21. Financial Risk Management (Continued)**

*Risk Management Framework (continued)*

The Audit and Risk Committees are responsible for monitoring compliance with the Risk Management policies and procedures and for reviewing the adequacy of the Risk Management framework in relation to the risks faced by the Bank. The Audit and Risk Committees are assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit committee.

a) *Credit Risk*

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

The Board has delegated responsibility for the management of credit risk to the Credit and Investment Committee. The Credit and Investment Committee is responsible for oversight of the Bank's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by the Credit Committee of the Board.
- Reviewing and assessing credit risk. The Credit and Investment Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process
- Limiting concentrations of exposure to counterparties, geographies, and industries (for loans and advances).
- Developing and maintaining the Bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of various grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades is with the final approving executive/committee as appropriate. Risk grades are subject to regular reviews by the Audit and Risk Committee.

**Bank of Baroda (Trinidad & Tobago) Limited**  
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**21. Financial Risk Management (Continued)**

*Risk Management Framework (continued)*

a) *Credit Risk (continued)*

- Developing and maintaining the Bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of various grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. The responsibility for setting risk grades is with the final approving executive/committee as appropriate. Risk grades are subject to regular reviews by the Audit and Risk Committee.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Credit and Investment Committee on the credit quality of local portfolios and appropriate corrective action is taken, where necessary.
- Providing advice, guidance, and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

The Bank is required to implement credit policies and procedures, with credit approval authorities delegated from the Credit and Investment Committee. The Bank is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subjects to central approval.

Regular audits of the Bank's credit processes are undertaken by Internal Audit.

*Loans with Re-Negotiated Terms*

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.

*Expected Credit Loss*

The Bank establishes an expected credit loss that represents its estimate of expected credit losses in its loan portfolio. The details of the provisioning policies and methods are disclosed in Note 2(d).

**Bank of Baroda (Trinidad & Tobago) Limited**  
**Notes to the Financial Statements**  
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**21. Financial Risk Management (Continued)**

*Risk Management Framework (continued)*

a) *Credit Risk (continued)*

*Write-Off Policy*

The Bank writes off a loan balance (and any related allowances for impairment losses) when the Credit and Investment Committee determines that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Write-offs for the year ended 31 March 2020 is TT\$ 4,009,866.

*Collateral*

The Bank holds collateral against loans and advances to customers in the form of mortgage interest over property, other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities.

An estimate of the fair value of collateral and other security enhancements held against loans and advances is shown below:

	<b>2020</b>	<b>2019</b>
	<b><u>TT\$'000</u></b>	<b><u>TT\$'000</u></b>
Property	314,187	304,638
Other	<u>566,162</u>	<u>551,550</u>
	<b><u>880,349</u></b>	<b><u>856,188</u></b>

There were no financial and non-financial assets obtained by the Bank during the year by taking possession of collateral held as security against loans and advances as well as calls made on credit enhancements held at the year end.

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

**Bank of Baroda (Trinidad & Tobago) Limited**  
**Notes to the Financial Statements**  
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**21. Financial Risk Management (Continued)**

*Risk Management Framework (continued)*

a) *Credit Risk (continued)*

*Concentration*

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk of loans and advances by sector at the reporting date is shown in Note 5.

b) *Liquidity Risk*

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities.

*Concentration*

The Bank's liquidity is managed by the Treasury Unit, whose approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The daily liquidity position is monitored by Treasury. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Bank. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

*Exposure to Liquidity Risk*

The Bank is exposed to various risks and the ALCO continually reviews and manages these risks. The matching and controlled mismatching of the maturities of assets and liabilities is fundamental to the management of the Bank. Liquidity gaps are also mitigated by the marketable nature of a substantial segment of the Bank's assets and by the availability of inter-bank funding.

The table below analyses the major financial assets and liabilities of the Bank into relevant groupings based on the remaining period at 31 March to the contractual maturity date.

**Bank of Baroda (Trinidad & Tobago) Limited**  
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**21. Financial Risk Management (Continued)**

*b) Liquidity Risk (continued)*

*Exposure to Liquidity Risk (continued)*

	Up to One Year <u>TT\$'000</u>	One to Five Years <u>TT\$'000</u>	Over Five Years <u>TT\$'000</u>	Total <u>TT\$'000</u>
<b>As at 31 March 2020</b>				
<b>Assets</b>				
Cash and cash equivalents	12,693	-	-	12,693
Balances with Central Bank	34,806	-	39,125	73,931
Financial assets	139,821	-	-	139,821
Loans and Advances	28,624	25,817	100,178	154,619
Other Assets	<u>2,512</u>	<u>-</u>	<u>-</u>	<u>2,512</u>
<b>Total</b>	<b><u>218,456</u></b>	<b><u>25,817</u></b>	<b><u>139,303</u></b>	<b><u>383,576</u></b>
<b>Liabilities</b>				
Customer Deposits	173,241	48,688	88,495	310,424
Lease Liabilities	1,980	4,764	-	6,744
Other Liabilities	<u>2,941</u>	<u>-</u>	<u>-</u>	<u>2,941</u>
<b>Total</b>	<b><u>178,162</u></b>	<b><u>53,452</u></b>	<b><u>88,495</u></b>	<b><u>320,109</u></b>
<i>Liquidity Gap</i>	<b><u>40,294</u></b>	<b><u>(27,635)</u></b>	<b><u>50,808</u></b>	<b><u>63,467</u></b>
<b>As at 31 March 2019</b>				
<b>Assets</b>				
Cash and cash Equivalents	11,453	-	-	11,453
Balances with Central Bank	30,656	-	47,488	78,144
Financial Assets	113,549	-	-	113,549
Loans and Advances	35,537	34,360	105,695	175,592
Other Assets	<u>2,792</u>	<u>-</u>	<u>-</u>	<u>2,792</u>
	<b><u>193,987</u></b>	<b><u>34,360</u></b>	<b><u>153,183</u></b>	<b><u>381,530</u></b>
<b>Liabilities</b>				
Customer Deposits	164,379	48,310	90,747	303,436
Other Liabilities	<u>4,752</u>	<u>-</u>	<u>-</u>	<u>4,752</u>
<b>Total</b>	<b><u>169,131</u></b>	<b><u>48,310</u></b>	<b><u>90,747</u></b>	<b><u>308,188</u></b>
<i>Liquidity Gap</i>	<b><u>24,856</u></b>	<b><u>(13,950)</u></b>	<b><u>62,436</u></b>	<b><u>73,342</u></b>

**Bank of Baroda (Trinidad & Tobago) Limited**  
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**21. Financial Risk Management (Continued)**

*c) Market Risks*

Market risks is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risks management is to manage and control market risks exposures within acceptable parameters, while optimising the return on risk.

*Management of Market Risks*

The Bank holds no exposure to trading portfolios. With the exception of translation risk arising on the Bank's net balance sheet position, all foreign exchange risk within the Bank is managed by Treasury.

*Exposure to Interest Rate Risk - Non-Trading Portfolios*

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing. ALCO is the monitoring body for compliance with these limits and is assisted by the Audit and Risk Committee. The table below summarises the Bank's exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Interest sensitivity of Assets and Liabilities:

	<b>Up to One Year <u>TT\$'000</u></b>	<b>One to Five Years <u>TT\$'000</u></b>	<b>Over Five Years <u>TT\$'000</u></b>	<b>Non- Interest Bearing <u>TT\$'000</u></b>	<b>Total <u>TT\$'000</u></b>
<b>As at 31 March 2020</b>					
<b>Assets</b>					
Cash and cash equivalents	-	-	-	12,693	12,693
Balances with Central Bank	-	-	-	73,931	73,931
Financial Assets	139,821	-	-	-	139,821
Loans and Advances	28,650	23,560	91,420	-	143,630
Other Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,512</u>	<u>2,512</u>
<b>Total</b>	<b><u>168,471</u></b>	<b><u>23,560</u></b>	<b><u>91,420</u></b>	<b><u>89,136</u></b>	<b><u>372,587</u></b>
<b>Liabilities</b>					
Customer Deposits	131,960	38,726	50,258	89,220	310,164
Other Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,941</u>	<u>2,941</u>
<b>Total</b>	<b><u>131,960</u></b>	<b><u>38,726</u></b>	<b><u>50,258</u></b>	<b><u>92,161</u></b>	<b><u>313,105</u></b>
<i>Net Gap</i>	<u><b>36,511</b></u>	<u><b>(15,166)</b></u>	<u><b>41,162</b></u>	<u><b>(3,025)</b></u>	<u><b>59,482</b></u>

**Bank of Baroda (Trinidad & Tobago) Limited**  
**Notes to the Financial Statements**  
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**21. Financial Risk Management (Continued)**

*c) Market Risks (continued)*

*Interest sensitivity of Assets and Liabilities(continued)*

	Up to One Year <u>TT\$'000</u>	One to Five Years <u>TT\$'000</u>	Over Five Years <u>TT\$'000</u>	Non- Interest Bearing <u>TT\$'000</u>	Total <u>TT\$'000</u>
As at 31 March 2019					
Assets					
Cash and Cash Equivalents	-	-	-	11,453	11,453
Balances with Central Bank	-	-	-	78,144	78,144
Financial Assets	131,549	-	-	-	131,549
Loans and Advances	35,537	31,144	95,803	-	162,484
Other Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,792</u>	<u>2,792</u>
<b>Total</b>	<b><u>149,086</u></b>	<b><u>31,144</u></b>	<b><u>95,803</u></b>	<b><u>92,389</u></b>	<b><u>368,422</u></b>
Liabilities					
Customer Deposits	124,903	39,201	55,798	83,270	303,172
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,752</u>	<u>4,752</u>
<b>Total</b>	<b><u>124,903</u></b>	<b><u>39,201</u></b>	<b><u>55,798</u></b>	<b><u>88,022</u></b>	<b><u>307,924</u></b>
<i>Net Gap</i>	<b><u>24,183</u></b>	<b><u>(8,057)</u></b>	<b><u>40,005</u></b>	<b><u>4,367</u></b>	<b><u>60,498</u></b>

The interest rate risk arises due to changes in interest rate among the rate sensitive assets and liabilities. The interest rate risk on the banking book is measured through traditional gap approach wherein, the financial assets and liabilities are placed in different residual maturity buckets (up to one year, one to five years, over five years and non-interest bearing).

The interest rate risk is measured in terms of changes in net interest income and depends upon the quantum and direction of interest rate change among the asset and liability classes in different buckets and direction of change.

As the rate of interest has reduced during the years, a simplified calculation of the bucket impact of a 1% rise in interest rate has been considered across all assets and liabilities and is presented below:

Impact on Net Interest Income:

	<u>2020</u> <u>TT\$'000</u>	<u>2019</u> <u>TT\$'000</u>
Bucket		
Up to One Year	365	242
One to Five Year	(152)	(81)
Over Five Years	<u>412</u>	<u>400</u>
<b>Total</b>	<b><u>625</u></b>	<b><u>561</u></b>

**Bank of Baroda (Trinidad & Tobago) Limited**  
**Notes to the Financial Statements**  
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**21. Financial Risk Management (Continued)**

*c) Market Risks (continued)*

*Interest sensitivity of Assets and Liabilities (continued)*

The ALCO of the Bank dynamically manages the interest rate risk and directional changes in interest rate are countered by the changes in interest rate on deposit and loan products and across different tenures. In year 2019-2020, the ALCO met 10 times to manage the interest rate risk.

*Exposure to Currency Risk*

The techniques used by the Bank to manage currency risk vary subject to market conditions. Assets are primarily funded from liabilities of the same currency, thus eliminating currency risk. Foreign currency transactions have not required the use of interest rate swaps, foreign currency options or other derivative instruments. The Bank does not trade in foreign exchange and therefore has no trading position subject to currency risk.

The following information is expressed in thousands of TT dollars.

	<b>TT</b>	<b>US</b>	<b>Other</b>	<b>Total</b>
	<b><u>TT\$'000</u></b>	<b><u>TT\$'000</u></b>	<b><u>TT\$'000</u></b>	<b><u>TT\$'000</u></b>
<b>As at 31 March 2020</b>				
<b>Assets</b>				
Cash and Cash Equivalents	1,216	11,389	88	12,693
Balances with Central Bank	73,931	-	-	73,931
Financial Assets	133,808	6,013	-	139,821
Loans and Advances	130,071	13,559	-	143,630
Other Assets	<u>2,598</u>	<u>(87)</u>	<u>-</u>	<u>2,511</u>
<b>Total</b>	<b><u>341,624</u></b>	<b><u>30,874</u></b>	<b><u>88</u></b>	<b><u>372,586</u></b>
<b>Liabilities</b>				
Customer Deposits	279,234	30,930	-	310,164
Other Liabilities	<u>2,910</u>	<u>31</u>	<u>-</u>	<u>2,941</u>
<b>Total</b>	<b><u>282,144</u></b>	<b><u>30,961</u></b>	<b><u>-</u></b>	<b><u>313,105</u></b>
<i>Net Statement of Financial Position</i>	<b><u>59,480</u></b>	<b><u>(87)</u></b>	<b><u>88</u></b>	<b><u>59,481</u></b>

**Bank of Baroda (Trinidad & Tobago) Limited**  
**Notes to the Financial Statements**  
**31 March 2020**

**21. Financial Risk Management (Continued)**

*c) Market Risks (continued)*

*Exposure to Currency Risk (continued)*

	<u>TT</u> <u>TT\$'000</u>	<u>US</u> <u>TT\$'000</u>	<u>Other</u> <u>TT\$'000</u>	<u>Total</u> <u>TT\$'000</u>
<b>As at 31 March 2019</b>				
<b>Assets</b>				
Cash and Cash Equivalents	1,466	9,933	54	11,453
Balances with Central Bank	78,144	-	-	78,144
Financial Assets	105,867	7,682	-	113,549
Loans and Advances	148,487	13,997	-	162,484
Other Assets	<u>2,704</u>	<u>88</u>	<u>-</u>	<u>2,792</u>
<b>Total</b>	<b><u>336,668</u></b>	<b><u>31,700</u></b>	<b><u>54</u></b>	<b><u>368,422</u></b>
<b>Liabilities</b>				
Customer Deposits	271,356	31,816	-	303,172
Other Liabilities	<u>4,712</u>	<u>40</u>	<u>-</u>	<u>4,752</u>
<b>Total</b>	<b><u>276,068</u></b>	<b><u>31,856</u></b>	<b><u>-</u></b>	<b><u>307,924</u></b>
<i>Net Statement of Financial Position</i>	<b><u>60,600</u></b>	<b><u>(156)</u></b>	<b><u>54</u></b>	<b><u>60,498</u></b>

The Bank has no significant currency mismatch. The assets are created out of liabilities in the same currency, except the balances maintained in corresponding bank accounts maintained in INR, GBP, EURO used for the wire transfer/trade related transactions only.

*Foreign Currency Sensitivity*

The following tables indicate the currencies to which the Bank had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 2% change in foreign currency rates (2019: 2%). The sensitivity of the loss was as a result of foreign exchange gains/losses on translation of foreign currency denominated Loans, receivables, cash and deposits.

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**21. Financial Risk Management (Continued)**

*c) Market Risks (continued)*

*Exposure to Currency Risk (continued)*

	Change in Currency Rate	Effect on Net Profit	Change in Currency Rate	Effect on Net Profit
	%	2020 <u>TT\$'000</u>	%	2019 <u>TT\$'000</u>
<b>Currency:</b>				
USD	2	(2)	2	(3)
Other	2	<u>2</u>	2	<u>1</u>
<b>Total</b>		<u>-</u>		<u>(2)</u>

*d) Capital Management*

*Regulatory Capital*

The Bank's lead regulator, The Central Bank of Trinidad and Tobago (the Central Bank), sets and monitors capital requirements for the Bank. In implementing current capital requirements, the Central Bank requires that the Bank maintains a prescribed ratio of total capital to total risk-weighted assets.

The Central Bank of Trinidad and Tobago requires each financial institution to:

- Maintain a ratio of qualifying capital to risk adjusted assets of not less than the minimum standard of 10%.
- Core capital must not be less than fifty percent (50%) of qualifying i.e. supplementary capital must not exceed core capital.

The Bank's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes ordinary share capital, retained earnings and translation reserve after deductions for intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments (if any).

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**21. Financial Risk Management (Continued)**

*d. Capital Management (continued)*

*Regulatory Capital (continued)*

Various limits are applied to elements of the capital base. Tier 1 capital comprises of equity and disclosed reserves. These capital elements are considered core because they are either: (i) permanent in nature, or (ii) available to absorb losses while the institution remains a going concern. Qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of banks and certain other regulatory items.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return, the need to maintain a balance between the higher returns that might be possible with greater gearing, and the advantages and security afforded by a sound capital position are also recognized.

The Bank has complied with all externally imposed capital requirements throughout the year.

There have been no material changes in the Bank's capital management policy during the year.

The Bank's Regulatory Capital Position at 31 March was as follows:

	<b>2020</b>	<b>2019</b>
	<b><u>TT\$'000</u></b>	<b><u>TT\$'000</u></b>
<b>Tier 1 Capital</b>		
Ordinary Share Capital	52,560	52,560
Statutory Reserves	972	885
Retained Earnings	<u>7,844</u>	<u>7,059</u>
Total Core Capital	61,376	60,504
Supplementary Capital	<u>185</u>	<u>640</u>
Adjusted Qualifying Capital	<u>61,561</u>	<u>61,144</u>
Total Risk Adjusted Assets	<u>110,383</u>	<u>138,846</u>
Core Capital to Risk Adjusted Assets	55.60%	43.58%
Total Qualifying Capital to Risk Adjusted Assets	55.77%	44.04%

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**21. Financial Risk Management (Continued)**

e) *Fair Value of Financial Assets and Liabilities*

(l) *Financial Instruments not Measured at Fair Value*

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities presented on the Bank's statement of financial position at an amount other than their fair value.

	<b>Carrying Value</b>		<b>Fair Value</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b><u>TT\$'000</u></b>	<b><u>TT\$'000</u></b>	<b><u>TT\$'000</u></b>	<b><u>TT\$'000</u></b>
<b>Financial Assets</b>				
Cash and Due from Other Banks	12,693	11,453	12,693	11,453
Statutory Deposits with Central Bank	73,931	78,144	73,931	78,144
<b>Financial Assets</b>				
Loans and Advances	143,630	162,484	143,630	162,484
Investments	139,821	113,549	139,821	113,549
<b>Financial Liabilities</b>				
Customers' Deposits	310,164	303,172	310,333	303,352

*Financial Instruments where Carrying Value is Equal to Fair Value*

Due to their liquidity and short-term maturity, the carrying values of certain financial instruments approximate their fair values. Financial instruments where carrying value is approximately equal to fair value include cash and due from other banks and statutory deposits with the Central Bank, treasury bills and repos.

*Loans to customers less allowance for loan losses*

Loans to customers are net of specific and other provisions for impairment, which reflects the additional credit risk. The estimated fair value of these loans represents the discounted amount of future cash flows based on prevailing market rates.

*Customer Deposits*

Due to their liquidity and short-term maturity, the carrying values of some customer deposits approximate their fair value. The fair value of the other customer deposits is computed using discounted cash flow analyses at current market interest rates.

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**22. Impact of COVID -19 on the Bank**

On 11 March 2020, the World Health Organisation (WHO), following the alarming levels of spread and severity, levels of inaction, characterized COVID-19 as a pandemic, on 12 March 2020, Trinidad and Tobago registered its first reported case. Shortly thereafter, the Government of Trinidad and Tobago instituted several measures to combat the spread of the virus including a temporary lockdown of all non-essential services and the imposition of social distancing guidelines. The Bank has mitigated the risks arising from these events using the following measures:

- A post balance sheet review was carried out to determine if there were any unusual changes in customer activity and whether such activity reflect or confirm conditions existing as at the balance sheet date.
- A review was carried out on a representative sample of loan accounts to determine if any customer accounts require reclassification from Stage 1 to Stage 2.
- The forward looking multiple was remeasured as the higher of the results produced by the model or 10%. The latter amount was used which effectively resulted in an uplift of the Stage 1 and Stage 2 probability of default percentages by 10%.

**23. Subsequent Events**

There were no events after the reporting period which were material to the financial statements and should have resulted in adjustments to the financial statements or disclosures when the financial statements were authorized for issue.