



ANNUAL REPORT

FOR

THE YEAR ENDED

DECEMBER 31, 2022

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MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The Cayman Islands Government rolled out Phase 5 of the reopening plan in August 2022 that saw the lifting of all COVID related travel restrictions. The islands saw a steady increase of the return of stayover tourism. The government discontinued the monthly tourism stipend/grant to those in the tourism industry as the tourism outlook looked strong. The small business loans granted by the bank in 2020 to assist the business community are performing well and several have qualified for increased support.

The recording breaking real estate sales in 2021 of \$1billion continued in 2022. The hot housing market in North America led to several interest rate hikes and correspondingly interest rates were increased in the Cayman Islands. In the wake of the interest rate increases, and to assist the lower to middle income families to purchase their first home, the bank increased the individual mortgage limit from CI\$400K to CI\$600K. The bank also pegged its interest rates to loan to value (“LTV”) offering rates as low as 3.75% at 60% financing up to a maximum of 5%. The market acceptance was immediate with the CI\$15million earmarked for the program fully availed in several months and the program has closed. The NHDT will be building close to 100 homes to which the bank has a dedicated mortgage product that provides up to 100% financing, however, these homes will not be available until fiscal 2024 and the bank will require additional capital to fund these homes.

The socio-economic achievements of the bank during the past several years serves as a reminder of the importance of a development bank and the role that they serve during economic downturns and challenges. The bank attended several workshops/forums hosted by the Cayman Islands Centre for Business Development (“CICBD”) so that the MSME sector had opportunities to raise concerns and receive advice on the process of obtaining financing and financial counselling. The results of these forums disclosed that securing capital to finance either start-ups or growth continues to plague the MSME sector due to several factors ranging from a lack of business acumen, the high risk nature of the project and lack of equity contribution. Continued dialogue and advocacy support will be needed to ensure that entrepreneurial visions can be achieved.

The bank’s Tangible Net Worth remains strong at \$35million. Although the bank earmarked CI\$15million for mortgages, loans were not disbursed until the 3rd quarter so the impact of increased interest income will not be realized until 2023. The decrease in interest income for 2022 resulted in a loss of \$826K. Delinquencies decreased from 33.6% 2021 to 25.7% in 2022. The decrease can be attributed to increased collections and new loan underwriting.

The bank is a wholly owned Government entity and as such has the capacity to continue to roll out programs that are socially inclined to continue to help its people recover.

I would like to take this opportunity to thank my staff for their continued support and dedication to provide care and compassion for our customers and one another. Thank you.

Tracy Ebanks

MESSAGE FROM THE CHAIRMAN OF THE BOARD

The Cayman Islands Development Bank was created 21 years ago, and in keeping with the objective of Development Banks, the mandate is to contribute in a significant and much needed way to the social and economic growth of our country through providing access to Financing.

The Cayman Islands have experienced tremendous economic growth over the past 8-10 years, which together with population growth to over 70,000 has created challenges for Caymanians and residents in the lower to middle income bracket in securing home ownership. For these persons, increasing construction costs, land costs and financing costs have made owning a home a challenge.

A vibrant economy also means that there should be opportunities for small business start-ups which will enable Caymanians to benefit from the economic prosperity being enjoyed in the country.

These two key areas, along with supporting food security through Agriculture are stated goals of the Government, and as a recently appointed Board of Directors – we are focusing on making significant strides to impact these areas. We recognize that home ownership, economic opportunities and food security are important pillars which should be the foundation of our society.

Over the past year the bank launched a \$15 million programme of low interest mortgages, and the within a few months, the entire allocation was exhausted. This was a strong indication of the high demand for affordable housing financing.

The CIDB Strategic Plan is outdated and in need of updating for the next 3-5 years, and as the bank had its Regulatory Prudential Inspection in 2022 which identified areas that require strengthening, the Board will work together with the Ministry of Finance to update the Strategic Plan as well as address the areas identified in the Prudential Report. Increased staff resources and expanded office accommodations will be required.

The Board recognizes the significant role that the CIDB has in the social and economic growth of the country, and to improve living standards, and we will continue to work with the Management of CIDB and the Ministry of Finance to carry out this mandate and make a positive and impactful difference on the future of our society.

Mark Scotland

Vision Statement

CAYMAN ISLANDS DEVELOPMENT BANK

**To become an efficient, successful and profitable lending institution
optimizing the use of scarce resources while impacting the community through
the implementation of meaningful developmental programmes and projects
for the benefit of all its stakeholders.**

Report for the Year Ended December 31, 2022

1) Nature and Scope of Activities

The Cayman Islands Development Bank (“CIDB” or “the Bank”) was established under the Cayman Islands Development Bank Law (2004 Revision) which came into force on March 1, 2002, and is solely owned by the Cayman Islands Government. The principal function of CIDB is to mobilise, promote, facilitate, and provide finance for the expansion and strengthening of the economic development of the Islands. The Bank does this by providing financing for tertiary education, housing, agriculture and the development of small businesses.

2) Governance

The CIDB’s Board of Directors is responsible for the policy of the Bank and the general administration of its affairs and business. The Bank is regulated by the Monetary Authority and is audited annually by the Auditor General’s Offices. The Board of Directors is governed through Section 4 Schedule 1 of the Law.

3) Our People

For the year ended December 31, 2022, the bank had a total of 16 members of staff. CIDB’s Senior Management Team was comprised as follows:

General Manager/CEO	Tracy Ebanks, AICB, pMBA (Hons)
Financial Controller	Paula Smith, FCCA
Floyd Groves	Senior Manager - Admin, Operations, and IT
Senior Credit Risk Manager	Roger Bodden, BSc (Hons), Notary Public
Acting Senior Manager Credit	Carlene Wilson, AICB

During the year ended December 31, 2022, employees of the Bank participated in a number of mandatory training programs that included training in Anti-Money Laundering and Fraud. The staff also availed of free online courses hosted by the Caribbean Development Bank to sharpen their knowledge and attended several Chamber of Commerce training courses.

Fiscal year 2022 saw a strong staff engagement in the community and in marketing efforts for new loan products.

In April we participated in the annual Earth Day clean up and in staff participated in the Deputy Governor's 5K Challenge.



In July the staff showed support to the annual worldwide End Human Trafficking by wearing the Blue Heart logo polo shirts that was posted on the bank's Facebook and the Caribbean Association of Banks Facebook.



In September, the bank donated a wreath to recognize the passing of Queen Elizabeth II



In October the bank's GM/CEO, Tracy Ebanks was elected to serve as a director for the Caribbean Association of Banks ("CAB") CAB proactively influences matters of interest to financial institutions in the Caribbean region through advocacy and education.



The bank rounded out the year hosting the third annual Customer Appreciation Day in December. It was a very successful event and the bank's staff worked very hard to decorate the hall and organize food and games for the bank's customers.



4) Management Discussion and Analysis

The key objectives for fiscal year 2022 were as follows:

Roll out of CI\$15Million for Mortgages

Small business loans

Provision of financial counseling for customers

Continue engagement within the community

i) Loan Performance

As of December 31, 2022, the loan portfolio stood at \$22,816,038 before loan loss provision of \$12,871 compared to the loan portfolio as of year ended December 31, 2021 of \$17,053,100 before loan loss provision of \$203,832, representing a net increase of 33% in the loan portfolio over year ended December 31, 2021.

Number and value of new loans inclusive of small disbursements for insurance, valuations, etc. and existing loan disbursements approved for the Year Ended December 31, 2022.

Loan Category	Number of Loans	Limit
Business Loan	1	\$369,600
2020 MSBIL	6	\$27,884
Mortgage	47	\$6,820,320
Student Loan	16	\$53,983
Other	12	\$37,291
HELP	2	\$14,368
TOTAL	76	\$7,323,446

The Bank modified its Mortgage Program increasing the amount available from \$400K to \$600K in line with rising market prices to assist middle income families. The bank earmarked CI\$15million of its own cash held on fixed deposits to provide housing and/or mortgage switch from other financial institutions. The uptick was immediate due to rising interest rates and inflation. The \$15million was allocated by year end and final disbursements will occur in the early part of 2023.

ii) Loan Delinquency

Delinquent loans continued to decrease and fell to 25.7% totaling \$5.8Million as at December 31, 2022 compared to 34% in 2021 and 35.5% in 2020. The bank focused its collection efforts on the delinquent portfolio and work diligently with its customers to accept payments terms versus heading to foreclosure. The bank will reintroduce recovery efforts in 2023 as the borders are fully open and the job market is recovering. Discussions with the sub committees of the board will occur to determine the best way forward to address the non-performing loans whether through foreclosure or special payment arrangements where practical.

iii) Financial Performance

As of December 31, 2022, the total assets of the Bank stood at \$39,303,513 (excluding cash held on behalf of the Education Council Scholarship Fund of \$116,565), a decrease of \$328K. The loan portfolio represented approximately 56% of the Bank's assets as of December 31, 2022 a 20% increase from 2021 due to increased lending activity. Overall Liabilities decreased by \$11.6 Million due to a decrease of funds held for government for scholarship disbursements and the semi-annual payments of \$4.5Million towards the bond

with First Caribbean International Bank. The bond will be repaid in fiscal 2023 leaving no outside debt for the bank.

Despite new loan growth, net interest income decreased 17% for the year ended December 31, 2022. The \$15million earmarked for mortgages was not totally disbursed with the first disbursements occurring in early quarter three. Due to rising interest rates, interest expense increased 29% from \$141K to \$183K.

The Bank's operating expenses increased 6.7% overall due to an increase in salaries as the bank hired 1 member of staff and an increase in directorship fees.

5) Programmes Administered on Behalf of the Cayman Islands Government

During the fiscal year ended December 31, 2022, the Bank continued to provide administrative services to the Cayman Islands Government in respect of the various government guaranteed loan programmes as well as the administration of the funds under the Government's Scholarship Programme.

Under the government guaranteed loan programmes, a number of commercial banks provide funding for mortgages and student loans to eligible individuals on the strength of a government guarantee while CIDB acts as administering agent with responsibilities including the monitoring of these programmes. The Cayman Islands Government remunerates CIDB for the administrative services provided on its behalf under these programmes and this arrangement is formalized in a Purchase Agreement for services/outputs between the Government and CIDB at the beginning of each fiscal year.

6) The Future

The outputs received by Government to assist with the administration of various programs on their behalf and operational costs of the Bank have not changed over the years. Operational costs have increased due to an increase in insurances, legal fees and other services incurred to manage the portfolio. Regulatory changes also required the hiring of additional staff to remain compliant with CIMA, Internal Audit and the Auditor General. The bank's operating costs are expected to increase significantly in 2023 due to the third party outsourcing of internal audit functions to meet further regulatory requirements imposed by CIMA. In addition, the bank may need to purchase a new core banking software system. An increase in output support from Government will be needed until such time as a strategic direction is executed for medium to long term growth.

The bank has limited capital to continue its mortgage lending and a capital injection from Government will be needed if the bank is to continue to play a role in providing affordable housing for first time homeowners.

The Government has food security as a top priority and the bank can play a role in financing agricultural loans. Agricultural lending is a complex and challenging endeavour. Technical assistance would be required to build out processes and capacity to introduce these loans. The bank met with representatives of the Caribbean Development Bank in February 2023 to commence laying out the groundwork for consideration. The bank remains keen on working with the Government's Environmental initiatives to reduce the reliance on fuel and cost savings for consumers.

7) *Acknowledgements*

The Cayman Islands Development Bank wishes to express its gratitude to the Government of the Cayman Islands and the Board of Directors for their assistance and support during the period under review.

8) Appendix: Ownership Performance Reporting and Statement Outputs Delivered to Cabinet

Outputs Delivered to Cabinet (Financial Performance)

FINANCIAL PERFORMANCE MEASURE	2022 ACTUAL \$000'S	2022 BUDGET \$000'S	ANNUAL VARIANCE \$000'S	NOTE
REVENUE FROM CABINET	526	526	-	
REVENUE FROM MINISTRIES, PORTFOLIOS, STATUTORY AUTHORITIES AND GOVERNMENT COMPANIES	40	40	-	
REVENUE FROM OTHER PERSONS OR ORGANISATIONS	1,023	1,774	(751)	1
SURPLUS/DEFICIT FROM OUTPUTS				
OTHER EXPENSES	2,417	2,359	58	2
NET SURPLUS (DEFICIT)	(828)	(19)	(809)	3
TOTAL ASSETS	39,388	39,929	(541)	4
TOTAL LIABILITIES	3,883	3,977	(94)	5
NET WORTH	35,505	35,952	(447)	6
CASH FLOWS FROM OPERATING ACTIVITES	(13,387)	(4,678)	(8,709)	7
CASH FLOWS FROM INVESTING ACTIVITES	(14,087)	2,047	(16,134)	8
CASH FLOWS FROM FINANCING ACTIVITES	417	417	-	
CHANGE IN CASH BALANCES	1,117	(2,214)	3,331	
FINANCIAL PERFORMANCE RATIO				
CURRENT ASSETS : CURRENT LIABILITIES	40%	386%	-346%	
TOTAL ASSETS : TOTAL LIABILITIES	1014%	1004%	10%	
NOTES: EXPLANATION FOR VARIANCE				
1	External revenue lower than budget due to less consumer loan lending. The COVID-19 Pandemic also impacted lending.			
2	Actual interest expense for 2022 was \$183K while forecasted interest expense only amounts to \$143K. The \$40K increase was due to mostly to the quarterly increase in 2020's actual interest rates. From 1.3492% at the beginning of the year, the interest rates have reached to 4.7991% during the last quarter of 2022. The forecasted 2022 interest expense however, was based on prior year's lower interest rates. The ave interest rates for 2019, 2020 & 2021 were 3.5368%, 2.0909% & 1.3045% respectively.			
3	Higher net deficit was the result of lower actual revenue earned versus projected revenue.			
4	The lower total asset figure can be attributed to the lower actual loan lent to customers in 2022 than the amount projected for that period. Lower lending generate lower income, lower receivables, lower cash receipts, and other assets.			
5	Total liabilities lower by \$94K than the projected amount due mostly to: The actual cash held (\$116K) on behalf of The Ministry of Education - Scholarship Fund at the end of the year was lower by \$172K as compared to the projected amount of \$288K; And, the actual accounts payable and accrued liabilities of \$205K was \$91K higher than the projected amount of \$115K.			
6	The lower networth figure was attributable to the lower actual lending for 2022 versus the projected lending . Lower lending means lower revenue, lower assets (e.g. lower receivables, lower cash receipts).			
7	The increase in cash flows from operating activities over budget can be attributed mostly to: the cash received from customers paying out a number of loans ahead of scheduled maturity with total amounting to \$663K in 2022; the lower actual net cashflows of \$1.4 million from lending versus the projection; and the timing of receipts (net \$7.5 million) from Government for the Ministry of Education Scholarship Fund;.			
8	The actual net cash outflows from investing activities was higher by \$16 million than the projected 2022 figures due to the movement of fund (net total of \$14 million) from long term fixed deposit (investing activity) to cash and cash equivalent (operating activity). Also, the projected 2022 and 2021 figures versus the actual ending balances was net \$2 million lower than actual ending report balances. 2022 actual long term fixed deposit of \$4million was \$5 million lower than the budgeted amount; while the 2021 actual long term fixed deposit of \$18 million was higher by \$7 million than the budget.			

HUMAN CAPITAL MEASURES		2022 ACTUAL \$000'S	2022 BUDGET \$000'S	ANNUAL VARIANCE \$000'S	NOTE
	TOTAL FULL TIME EQUIVALENT STAFF EMPLOYED	16	15	-	
	STAFF TURNOVER (%)				
	SENIOR MANAGER	-	-	-	
	PROFESSIONAL AND TECHNICAL STAFF	-	-	-	
	ADMINISTRATIVE STAFF	-	-	-	
	PHYSICAL CAPITAL MEASURES				
	VALUE OF TOTAL ASSETS	39,388	39,929	(541)	1
	ASSET REPLACEMENTS : TOTAL ASSETS	-	-	-	
	BOOK VALUE OF ASSETS : COST OF THOSE ASSETS	63%	65%	-2%	2
	DEPRECIATION : CASH FLOW ON ASSET PURCHASES	187%	11%	176%	3
	CHANGES TO ASSET MANAGEMENT POLICES	NONE	NONE	-	
	MAJOR CAPITAL EXPENDITURE PROJECTS				
	BANKING SOFTWARE AND COMPUTER HARDWARE	-	-	-	
	TRANSACTION				
	Equity Investments into Cayman Islands Development Bank	4,500	4,500	-	
				-	
	Capital Withdrawals from Cayman Islands Development Bank	-	-	-	
	Dividend or Profit Distributions to be made by Cayman Islands Development Bank.	-	-	-	
				-	
	Government Loans to be made to Cayman Islands Development Bank	-	-	-	
	Government Guarantees to be issued in relation to Cayman Islands Development Bank	-	-	-	
	Related Party Payments (Non Remuneration) made to Key Management Personnel[1]	-	-	-	
	Remuneration[2] Payments made to Key Management Personnel	111	387	(276)	4
				-	
	Remuneration Payments made to Senior Management	695	387	308	4
				-	
	NUMBER OF KEY MANAGEMENT PERSONNEL (BOARD)	7	6	1	
	NUMBER OF KEY SENIOR MANAGEMENT (MD)	5	3	2	
	NOTES: EXPLANATION FOR VARIANCE				
	1 VALUE OF TOTAL ASSETS: Actual total assets lower than budget due to lower lending activity in 2022.				
	BOOK VALUE OF ASSETS : COST OF THOSE ASSETS ratio was slightly lower than budget due mostly to the non spending on acquisition of property and equipment as budgeted (i.e. furnitures & equipment, computer equipment & improvement to office space).				
	2 DEPRECIATION : CASH FLOW ON ASSET PURCHASES: The actual asset purchases in 2022 is lower than the purchase budgeted,				
	3 hence, depreciation over asset purchases ratio was much higher than as budgeted.				
	4 Regular monthly remuneration paid to 7 Board of Directors started only in April 2022, while the remuneration to key management personnel was higher than budget figures due to the Government award of the COLA that was not included in the 2022 budget.				

OUTPUTS TO BE DELIVERED IN 2022 AND 2023

The outputs to be purchased by Cabinet and delivered by the Cayman Islands Development Bank during the 2022 and 2023 financial years are documented below.

2023 financial years are documented below.

DVB 4	Administration of Lending Activities		
DESCRIPTION Administration of lending activities involving: Human Resource Development • A programme of direct lending for human resource development at the tertiary level and for vocational training • A government guaranteed student loan scheme funded by leading local commercial banks Micro and Small Business Development • promoting the programme through various media • providing a counselling and information service • appraising loans considered for financing • ensuring adequate loan documentation • monitoring the loan portfolio • ensuring debt collection measures • generating periodic performance reports Mortgage Finance Programme including direct lending and support services to assist low to middle income Caymanians in owning their own homes and owners of sub-standard housing in improving their housing accommodation by: • promoting the programme through media advertising • monitoring projects in progress • providing a counselling and information service • appraising loans considered for financing • ensuring adequate loan documentation • monitoring the loan portfolio • enforcing debt collection measures • generating periodic performance reports			
MEASURES	“Actual” 2022 1 Jan to 31 Dec 2022	2023 1 Jan to 31 Dec 2023	2022 12-Month Forecast
QUANTITY • Number of enquiries responded to • Number of loans processed • Number of new loans approved • Number of site visits • Number of counselling sessions • Number of loans under special debt service arrangements • Number of loans under litigation • Number of performance reports	2602 56 41 12 1010 8 3 24	150-225 80-110 85-100 20-25 85-105 50-70 25-35 24	140-200 70-100 75-95 20-25 80-100 60-80 30-40 24
QUALITY • Minimum percent of customers expressing satisfaction with service when surveyed • Percentage accuracy and relevance of reports as determined by internal peer review • Percentage of borrowers over 90 days in arrears • Percentage value of loan portfolio over 90 days in arrears • Percentage of loan portfolio written off annually	90-100 90-100 35-43 35-42 4-8%	90-100 90-100 30-25 25-30 4-6%	90-100 90-100 25-30 20-25 3-5%
TIMELINESS • Maximum turn-around time of two working days between receipt of all application particulars and the approval of loan • Maximum time of 15 days between end of quarter and submission of reports	80-100 90-100	80-100 90-100	80-100 90-100
LOCATION • Services are delivered within the Cayman Islands	100%	100%	100%
COST	\$526,317	\$526,317	\$526,317
RELATED BROAD OUTCOME: Providing solutions to improve the well-being of our people so they can achieve their full potential			

Cayman Islands Development Bank
Financial Statements
For the Year Ended December 31, 2022

CAYMAN ISLANDS DEVELOPMENT BANK

FINANCIAL STATEMENTS

For the Year Ended December 31, 2022

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Cayman Islands Development Bank
Statement of Responsibility for the Financial Statements
December 31, 2022

These financial statements have been prepared by the Cayman Islands Development Bank in accordance with the provisions of the *Public Management and Finance Act (2020 Revision)*. The financial statements comply with generally accepted accounting practice as defined in International Financial Reporting Standards.

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Act (2020 Revision)*.

As Chairman of the Board of Directors and General Manager of the Cayman Islands Development Bank, we are responsible for establishing and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorized by Act, and properly record the financial transactions of the Cayman Islands Development Bank.

As Chairman of the Board of Directors and General Manager of the Cayman Islands Development Bank, we are responsible for the preparation of the Cayman Islands Development Bank financial statements and for the judgments made in them.

The financial statements fairly present the financial position of the Cayman Islands Development Bank as at 31 December 2022, and its financial performance, cash flows and changes in equity for the financial period then ended.

To the best of our knowledge the statements:

- (a) completely and reliably reflect the financial transactions of the Cayman Islands Development Bank for the year ended 31 December 2022;
- (b) fairly reflect the financial position as at 31 December 2022 and financial performance for the year ended 31 December 2022; and
- (c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.



Mark Scotland
Chairman of the Board of Directors
Cayman Islands Development Bank



Tracy Ebanks
General Manager
Cayman Islands Development Bank

Date: April 30, 2023

Date: April 30, 2023

AUDITOR GENERAL'S REPORT

To the Board of Directors of the Cayman Islands Development Bank

Opinion

I have audited the financial statements of the Cayman Islands Development Bank (the "Bank"), which comprise the statement of financial position as at 31 December 2022 and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year ended 31 December 2022, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 10 to 37.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022 and its financial performance and its cash flows for the year ended 31 December 2022 in accordance with International Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Without qualifying my opinion, I draw your attention to note 6 in the financial statements that outlines that impaired loans as at 31 December 2022 amounted to \$5,916,040. This represents 26% of the overall loan portfolio excluding allowances for credit losses.

According to note 10 of the financial statements, the Bank received \$4,500,000 in contributed capital from the Cayman Islands Government during the year ended 31 December 2022. I also draw your attention to Note 13 which indicates that the Bank received payments amounting to \$526,317 for providing services to the Cayman Islands Government.

The ability of the Bank to meet its mandate and capacity to sustain its operational expenditures are significantly reliant on continued Government support from the proceeds of capital injection and services provided to Government. Continued funding is also necessary for the Bank to carry out its principal function to mobilise, promote, facilitate, and provide finance for the expansion and strengthening of the economic development of the Islands.

My opinion is not modified in respect of these matters.

AUDITOR GENERAL'S REPORT (continued)

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

AUDITOR GENERAL'S REPORT (continued)

- 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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 disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have undertaken the audit in accordance with the provisions of sections 21(3) of the Cayman Islands Development Bank Act (2018 Revision) and section 60(1)(a) of the *Public Management and Finance Act (2020 Revision)* and the International Standards on Auditing. I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Winston Sobers, FCCA, CFE
Acting Auditor General

30 April 2023
Cayman Islands

CAYMAN ISLANDS DEVELOPMENT BANK
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022
(Expressed in Cayman Islands Dollars)

	Notes	2022 \$	2021 \$
ASSETS			
<u>Current Assets</u>			
Cash and Cash Equivalents	3, 13	11,655,805	10,539,293
Term Deposit, Loan Interest and Other Receivable	5	101,185	205,216
Fixed Deposit, Net of Allowance for Expected Credit Losses	4	4,021,091	18,138,768
Loans to Customers, Net of Allowance for Expected Credit Losses - Current Portion	6	919,819	918,176
Total Current Assets		16,697,900	29,801,453
<u>Non-Current Assets</u>			
Loans to Customers, Net of Allowance for Expected Credit Losses - Non-Current Portion	6	21,340,906	16,134,924
Prepaid Expenses	5	45,896	41,543
Deposit on Assets	5	7,480	5,928
Property and Equipment	7	1,279,044	1,305,766
Lease Right-of-Use Asset	8	17,128	2,879
Total Non-Current Assets		22,690,454	17,491,040
TOTAL ASSETS		39,388,354	47,292,493
LIABILITIES AND EQUITY			
<u>Current Liabilities</u>			
Accounts Payable and Accrued Liabilities	9	204,673	176,102
Due to Related Parties	13	116,565	7,660,365
Lease Liability - Current Portion	8	6,739	3,099
Current Portion of Long Term Debt	15	3,544,747	4,076,458
Total Current Liabilities		3,872,724	11,916,024
<u>Non-Current Liabilities</u>			
Lease Liability - Long-Term Portion	8	10,538	-
Long Term Debt	15	-	3,544,747
Total Non-Current Liabilities		10,538	3,544,747
TOTAL LIABILITIES		3,883,262	15,460,771
EQUITY			
Contributed Capital	10	37,319,185	32,819,185
Statutory Reserve Fund	11	176,923	176,923
Revaluation Reserve – Property and Equipment	7	960,287	960,287
Accumulated Losses		(2,951,303)	(2,124,673)
TOTAL EQUITY		35,505,092	31,831,722
TOTAL LIABILITIES AND EQUITY		39,388,354	47,292,493

Approved on behalf of Management:


Tracy Ebanks
General Manager

Date: April 30, 2023


Paula R. Smith
Financial Controller

Date: April 30, 2023

The accompanying notes are an integral part of these financial statements

CAYMAN ISLANDS DEVELOPMENT BANK
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in Cayman Islands Dollars)

		2022	2021
	Notes	\$	\$
INCOME			
Interest Income			
Loans	6	814,939	1,038,365
Fixed Term Deposits	3, 4	165,232	63,451
		<u>980,171</u>	<u>1,101,816</u>
Interest Expense			
Long Term Debt	15	(182,504)	(141,588)
Lease Liability	8	(453)	(215)
		<u>(182,957)</u>	<u>(141,803)</u>
Net Interest Income		797,214	960,013
Expected credit loss remeasurement credit - loans to customers	3, 4, 6	(12,871)	203,832
Services Provided to Cayman Islands Government	13	526,317	526,317
Ministry of Education Payments for Output	13	40,451	40,451
Other Income		810	5
Loan Commitment Fees		43,246	11,179
Gain (Loss) on Foreign Currency Conversion		(13,366)	(12,868)
Net Income from Operations		<u>1,381,801</u>	<u>1,728,929</u>
ADMINISTRATIVE EXPENSES			
Salaries and Other Staff Benefits	12, 16	1,620,909	1,513,521
Professional Fees	16	95,888	127,153
Accommodation Costs	16	130,467	112,687
Office Expenses		96,612	109,831
Depreciation - Property and Equipment	7	56,499	81,807
Computer Maintenance		76,576	68,943
Depreciation - Lease Right-of-Use Asset		6,305	5,758
Directors' Fees	13	111,000	3,950
Advertising and Promotion		6,688	24,005
Other		7,487	10,220
Total Administrative Expenses		<u>2,208,431</u>	<u>2,057,875</u>
Net Income (Loss)		(826,630)	(328,946)
Transfer to Reserves	11	-	-
Net Income (Loss) after Transfer to Reserves		<u>(826,630)</u>	<u>(328,946)</u>
Other Comprehensive Income			
Revaluation Surplus – Property and Equipment	7	-	495,000
Total Comprehensive Income (loss)		<u><u>(826,630)</u></u>	<u><u>166,054</u></u>

The accompanying notes are an integral part of these financial statements

CAYMAN ISLANDS DEVELOPMENT BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in Cayman Islands Dollars)

		2022	2021
	Notes	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income (Loss) after Transfer to Reserves		(826,630)	(328,946)
Adjustments for:			
Transfer to Reserve Fund	11	-	-
Depreciation - Property and Equipment	7	56,499	81,807
Depreciation - Right-of-Use Asset	8	6,305	5,758
Interest expense - lease liability		453	215
Credit Loss (Credit) Expense	3, 4, 6	12,871	(203,832)
		(750,502)	(444,998)
Changes in Operating Assets and Liabilities			
(Increase) Decrease in Prepaid Expenses		(4,353)	915
(Increase) Decrease in Deposit on Assets		(1,552)	(428)
(Increase) Decrease in Term Deposit and Loan Interest and Other Receivables		104,031	4,231
(Increase) Decrease in Loans to Customers		(5,219,572)	2,528,467
Increase (Decrease) in Accounts Payable and Accrued Liabilities		28,570	687
Increase (Decrease) in Due to Related Parties		(7,543,800)	5,191,578
Increase (Decrease) in Interest Payable – Long Term Debt		-	-
Net Cash Provided by (used in) Operating Activities		(13,387,178)	7,280,452
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) Decrease in Fixed Deposits	4	14,116,754	(6,372,936)
Purchase of Property and Equipment	7	(29,777)	(7,656)
Net Cash Provided by (Used in) Investing Activities		14,086,977	(6,380,592)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital Contributed	10	4,500,000	4,500,000
Lease Liability Payment	8	(6,828)	(6,480)
Repayments of Long-Term Debt	15	(4,076,459)	(4,076,459)
Net Cash Provided by Financing Activities		416,713	417,061
Net Increase in Cash and Cash Equivalents		1,116,512	1,316,921
Cash and Cash Equivalents at Beginning of the Year		10,539,293	9,222,372
Cash and Cash Equivalents at End of Year		11,655,805	10,539,293
Supplementary information on Cash Flows From Operating			
Interest Received During the Year		961,554	1,107,238
Interest Paid During the Year		182,957	141,803

The accompanying notes are an integral part of these financial statements

CAYMAN ISLANDS DEVELOPMENT BANK
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in Cayman Islands Dollars)

	Notes	Contributed Capital	Statutory Reserve Fund	Revaluation Reserve	Accumulated Losses	Total
		\$	\$	\$	\$	\$
Balance as at December 31, 2020	10	28,319,185	176,923	465,287	(1,795,727)	27,165,668
Net Income (Loss) for the Year		-	-	-	(328,946)	(328,946)
Transfer to Reserves	11	-	-	-	-	-
Revaluation Surplus – property & equipment	7	-	-	495,000	-	495,000
Capital Contribution	10	4,500,000	-	-	-	4,500,000
Balance as at December 31, 2021		32,819,185	176,923	960,287	(2,124,673)	31,831,722
Net Income (Loss) for the Period		-	-	-	(826,630)	(826,630)
Transfer to Reserves	11	-	-	-	-	-
Revaluation Surplus – property & equipment	7	-	-	-	-	-
Capital Contribution	10	4,500,000	-	-	-	4,500,000
Balance as at December 31, 2022		37,319,185	176,923	960,287	(2,951,303)	35,505,092

The accompanying notes are an integral part of these financial statements

CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in Cayman Islands Dollars)

1. GENERAL INFORMATION

The Cayman Islands Development Bank (“CIDB” or the “Bank”) was established under the *Cayman Islands Development Bank Act (2018 Revision)* which came into force on March 1, 2002, and is solely owned by the Cayman Islands Government. Upon the enactment of the *Cayman Islands Development Bank Act (2018 Revision)*, two former statutory financial institutions, the Agricultural and Industrial Development Board and the Housing Development Corporation were dissolved and their functions as well as their assets and liabilities were transferred to the Bank.

The principal function of CIDB is to mobilise, promote, facilitate, and provide finance for the expansion and strengthening of the economic development of the Islands. The Bank does this by providing financing for tertiary education, housing, agriculture and the development of small businesses.

The registered office of the Bank is at 36B Dr. Roy’s Drive, P.O. Box 2576, George Town, Grand Cayman, KY1-1103, Cayman Islands. As at December 31, 2022, the Bank had sixteen (16) employees (2021: 14).

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of CIDB are presented in Cayman Islands Dollars and are prepared on the accrual basis under the historical cost convention. All values are rounded to the nearest dollar, except when otherwise indicated.

Statement of Compliance

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

2.2 Significant Accounting Judgments and Estimates

In the process of applying the Bank’s accounting policies, Management has exercised judgment and estimates in determining the amounts recognized in the financial statements. Actual results could differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. The estimates and judgements that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within one year from the date of these financial statements are listed below. The COVID-19 Pandemic has given rise to heightened uncertainty as it relates to accounting estimates and assumptions. This has increased the need for organizations to apply judgement in evaluating the economic and market environment and the impact on material estimates; this will significantly impact the estimates and assumptions surrounding the allowance for credit losses, valuation of financial instruments and asset impairment.

**CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**
(Expressed in Cayman Islands Dollars)

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Significant Accounting Judgments and Estimates (continued)

Impairment Losses on Loans to Customers and Other Financial Assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, particularly in estimating the amount and timing of future cash flows and collateral when making a determination of impairment losses and assessing any significant increase in credit risk. These estimates are influenced by numerous factors, changes in which can result in differing levels of allowances.

The Bank's Expected Credit Loss (ECL) calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit rating model
- The Bank's criteria for assessing if there has been a significant increase in credit risk
- Determining inputs into the ECL measurement model, including incorporation of forward-looking information
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on Probability of Default (PDs), Exposure at Default (EAD) and Loss Given Default (LGDs)

It is the Bank's policy to regularly review its models in the context of loss experience and adjust as necessary.

Write off of Loans

Loans are written off, in whole or in part, against the related expected credit loss allowance upon settlement (realization) of collateral or in advance of settlement (no realization) where the determination of the recoverable value is completed and there is no realistic prospect of recovery above the recoverable value. Any subsequent recoveries are credited to the statement of comprehensive income.

**CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**
(Expressed in Cayman Islands Dollars)

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of Significant Accounting Policies

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

a) Recognition of Income

Revenue is recognized on the accrual basis to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured.

Interest Income

Interest income is recorded on an accrual basis using the effective interest rate (EIR) until such time as a loan is classified as impaired. Any accrued interest on credit impaired loans is reversed against income for the current period. Thereafter, interest income on impaired loans is recognized in the period it is collected.

Fee Income

The Bank earns loan commitment fees that are recognized as income in the year loans are advanced to customers.

b) Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method at rates considered adequate to write-off the cost over their estimated useful lives as listed below. The cost model is used for measurement after initial recognition for property and equipment except for building. The revaluation model is used for building. Under the revaluation model, the accumulated depreciation on building is eliminated against the gross carrying amount of the asset.

Office Furniture/Equipment	5 years
Computer Equipment	3 years
Motor Vehicles	5 years
Building	45 years

Property and equipment are derecognized on disposal or when there are no future economic benefits expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statement of comprehensive income in the year the asset is derecognized.

CIDB'S commercial building is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If in any year, the carrying amount of the building is deemed greater than its estimated recoverable amount, then it would be written down immediately to its recoverable amount by recording a revaluation decrease. For the year ended December 31, 2022, no impairment loss needs to be recognized in relation to the building as there were no changes in the local real estate market that would have a negative impact on the carrying value of the building. The 2021 and 2022 statistics indicate that the Cayman Islands real estate market continues to grow, evidenced by the healthy demand for property on island. There has been no damage to the building or any structural changes to the building during the year. In addition, the building is not used for cash generation purposes. The building is used solely to carry out the Bank's day to day operations.

**CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**
(Expressed in Cayman Islands Dollars)

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of Significant Accounting Policies (continued)

c) Foreign Currency Transactions

Transactions during the year in currencies other than the Cayman Islands dollar are converted at exchange rates prevailing at the date of the transactions. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange prevailing at the statement of financial position date. Resulting gains and losses on exchange are recognized in the statement of comprehensive income.

d) Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make certain significant estimates and judgements that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

e) Employee Benefits

CIDB participates in the Public Service Pension Plan, a contribution pension fund, in accordance with the Public Service Pension Act. The Public Service Pension Fund is administered by the Public Service Pension Board and is operated as a multi-employer non-contributory Fund, whereby the employer pays both the employer and employee contributions.

f) Financial Instruments

(i) Classification

The classification of financial instruments at initial recognition depends on their contractual terms and business model for managing the instruments. The Bank classifies all its financial assets based on the business model for managing the assets and the assets contractual terms measured at either; amortized cost, fair value through other comprehensive income (FVOCI), fair value through profit or loss (FVPL).

The Bank measures loans to customers and fixed deposits held with banks at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model the objective of which is to hold the financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

A financial asset is classified as any asset that is cash, a contractual right to receive cash or another financial asset or to exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. As of December 31, 2022, financial assets comprise of cash and cash equivalents, deposit accounts and loans to customers. A financial liability is any liability that is a contractual obligation to deliver cash or another financial instrument or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. As of December 31, 2022, financial liabilities comprise of accounts payable and accrued liabilities, lease liability and long-term loan. All financial assets and liabilities as of December 31, 2022 are non-derivative financial instruments and are measured at amortized cost based on the conditions above.

**CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**
(Expressed in Cayman Islands Dollars)

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of Significant Accounting Policies (continued)

f) Financial Instruments (continued)

(ii) Recognition

The Bank recognizes financial assets and financial liabilities on the date it becomes party to the contractual provisions of the instrument. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognised in the statement of comprehensive income.

(iii) Derecognition

Derecognition other than for substantial modification

A financial asset is derecognised when the Bank realizes the rights to the benefits specified in the contract or loses control over any right that comprise that asset. A financial liability is derecognised when it is extinguished, that is when the obligation is discharged, cancelled, or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, then the exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

Derecognition due to substantial modification of terms and conditions

The Bank derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans will then be classified as Stage 1 for ECL measurement purposes.

When assessing whether or not to derecognize a loan to a customer, the Bank considers the following factors:

- Change in the counterparty to the loan
- If the modification is such that the loan would no longer meet the SPPI criteria

If the modification in the loan does not result in cash flows that are substantially different, then the modification will not lead to derecognition. Based on the change in cash flows, discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

(iv) Measurement

Financial instruments, other than derivatives and those at fair value through profit or loss, are measured at amortized cost. Financial instruments are measured initially at cost, which is the fair value of the consideration given or received. Loans to customers are carried at amortized cost using the effective interest method, less any expected credit loss allowance.

CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022
(Expressed in Cayman Islands Dollars)

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of Significant Accounting Policies (continued)

Financial Instruments (Continued)

Classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The measurement categories of financial assets FVPL, available for sale (AFS), held-to-maturity and amortised cost are as follows:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at fair value through profit or loss (FVPL)

Gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL are presented in other comprehensive income (OCI) with no subsequent reclassification to the income statement.

Impairment calculation

The Bank accounts for loan loss impairments with a forward-looking expected credit loss (ECL) approach. The Bank records an allowance for ECLs for all loans and other debt financial assets not held at FVPL. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination in which case a lifetime ECL is determined.

**CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**
(Expressed in Cayman Islands Dollars)

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

Impairment of Financial Assets

For the years ended December 31, 2022 and 2021, the Bank has recorded the allowance for expected credit losses for all loans to customers and fixed deposits held with other financial institutions. The ECL allowance is based on the credit losses expected to arise over the life of the financial asset (the lifetime expected credit loss or LTECL up to a maximum of loan contractual period), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12-month ECL). In determining what is considered significant increase in credit risk for a loan or group of loans, the Bank generally considers a loan that is 30 days past due as having a significant increase in credit risk. The Bank also examines historical loan data, reviews and considers information on hand about each loan, example, information about the financial situation of a borrower and certain macroeconomic factors. The 12-month ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12-month ECLs are calculated on an individual loan basis. The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Bank allocates its loans into Stage 1, Stage 2 and Stage 3, as described below:

- **Stage 1:** When loans are first recognised, the Bank recognises an allowance based on 12-month ECLs. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2. Loans can only be reclassified from Stage 2 to Stage 1 if they were originally in Stage 1.
- **Stage 2:** When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- **Stage 3:** Loans considered credit impaired. The Bank records an allowance for the LTECLs.

Loan Impairment Calculation

The Bank calculates ECL taking into account the following:

- Functional form of expected loss
- Expected life of financial instruments
- Definition of default
- Forward looking probability of default
- Loss given default
- Time value of money
- Significant increase in credit risk

The Bank defines ECL as a function of Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). This is a widely accepted definition of expected loss within the industry and is consistent with Basel II definition of expected loss.

Definition of Default

The Bank uses the number of days in arrears to determine default. Loans that are 90 days or more in arrears are defined as being in default; this is also in line with IFRS 9, paragraph B5.5.37, which defines an upper threshold to define defaults.

**CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**
(Expressed in Cayman Islands Dollars)

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

Impairment of Financial Assets (continued)

Forward Looking Probability of Default

Point in time (PiT) PD models and forward looking PiT PD term structures were developed in order to gain comfort over the accuracy of forward looking PD estimates and to understand the sensitivity of the loan portfolio to the changes in economic conditions.

Loss Given Default

Loss Given Default (LGD) is the magnitude of the likely loss if there is a default. The Bank estimates LGD based on the historical recovery rates of claims against defaulted customers. The LGD model measurement takes into account the type of collateral, how the Bank's claim on the defaulted customer ranks over other creditors, and any costs associated with recovering the collateral. For loans secured by retail property, Loan to Value (LTV) ratios are a key component in determining LGD. LGD estimates are also adjusted for economic impact and for real estate lending, to reflect possible changes in property values. They are also calculated using the time value of money.

Exposure at Default

Exposure at Default (EAD) represents the total value to which the Bank is exposed in the event of a default. The Bank's considers EAD as the maximum value between balance and limit.

In estimating the probability of default, the following factors were considered:

Key risk factors:

- Net disposable income
- Age of loan
- Ratio between loan balance and arrears
- Number of days loan in arrears
- Type of loan repayment, that is, interest only or interest and principal

Macroeconomic factors of the Cayman Islands:

- Inflation
- Unemployment rate
- Gross Domestic Product (GDP)

Incorporation of Forward-looking Information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk on a loan has increased significantly since initial recognition and the measurement of the ECL.

The Bank took the 12-month default by looking forward for a 12-month period at each month in the timeline for a loan that was in default. The default date is based on the date a loan goes non-accrual (that is the date it goes 90 days in arrears). An average PD was calculated for each year across all loans.

**CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**
(Expressed in Cayman Islands Dollars)

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

Impairment of Financial Assets (continued)

Incorporation of Forward-looking Information (continued)

An analysis was performed over the historical 12-month PD to determine whether there was any trend that could be estimated. The strongest correlation between PD% and the macro-economic factors was with unemployment rate (UR), a correlation factor of 49.3%. The forecast unemployment rate for Cayman Islands is 4%, which given the strength of the correlation, equates to a forward-looking 12-month PD of 4.99%.

A minimum of three scenarios is required for performing a weighted forward-looking PD based on the expectations of the macro-economic changes.

- Best case – Improving economic position, therefore the PD will revert to its lowest in recent years in 2022 of 0.35% - weighted at 5.07%
- Base case – Stable economic position, the PD will remain at its 2022 level of 0.35% - weighted at 1.89%
- Worst case – Degrading economic position, in line with the expectation of increasing unemployment, resulting in a PD of 5.34% - weighted at 93.04%

The scenario weightings were determined by assuming the macroeconomic factor (i.e. unemployment rate) will vary following a normal distribution around the 13-year average. The best case weighting was calculated as the probability that the unemployment rate will be less than 2.8%, the base case where the unemployment rate would be between 2.8% and 3.0% and the worst case where the unemployment will exceed 3.0%.

The scenario weighted 12-month PD is 4.99%.

Stage 1 Probability of Default: The 12-month ECL is calculated as the portion of LTECLs that represents the ECLs that result from default events on loans that are possible within 12 months after the reporting date. The Bank calculates the 12-month ECL allowance based on the expectation of a loan going into default in the 12 months following the reporting date.

Stage 2 Probability of Default: This is the lifetime probability of default, that is, what is the probability that during the lifetime of the loan that it will go 90 days in arrears (delinquent). Lifetime default is calculated on a loan by loan basis by looking from month 13 onward (12-month defaults are considered as part of stage 1) until maturity to determine if the loan enters default.

Stage 3 Probability of Default: Stage 3 default is 100% by definition. If a loan is 90 days or more in arrears it is defined as being in default. These loans are therefore considered credit-impaired and the Bank recognizes the lifetime expected credit losses for these loans.

Loan Classification for Impairment Calculation Purpose

The Bank classifies loans to customers as secured and unsecured based on the type of collateral. In general, a loan which has a first charge or second charge over property or a guarantee is provided is deemed to be secured and an applicable discount rate is applied. For all other loans deemed unsecured a discount of 100% is applied in arriving at the overall ECL.

**CAYMAN ISLANDS DEVELOPMENT BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**
(Expressed in Cayman Islands Dollars)

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of Significant Accounting Policies (continued)

g) New and Amended International Financial Reporting Standards

Covid-19-Related Rent Concessions beyond 30 June 2021 *Amendments to IFRS 16*

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. The Bank did not receive any rent concessions during the year, and as such, this amendment to IFRS16 is not expected to have any impact on the financial statements of the Bank and no specific disclosures are required.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

IBOR rates (interbank offered rates) have been the basis for determination of time value of money in transactions globally (loans, borrowings, derivatives, leases, insurance contracts). Currently the reform of the interest rate market is being conducted. IBOR rates will be replaced with alternative reference rates, which will be based on executed transactions instead of declarations of market participants. From the beginning of 2022, some LIBOR rates will cease to be published.

The amendments to the IFRS being response to the changes in financial markets are being introduced in two phases:

Phase 1 amendments provide temporary exceptions for specific hedge accounting requirements arising from the reform before an existing interest rate benchmark (IBOR) is replaced with an alternative benchmark interest rate. These amendments apply to reporting periods beginning on or after January 1, 2020.

Phase 2 amendments relate to issues that could affect financial reporting when an IBOR is replaced with an alternative benchmark interest rate. The amendments are relevant for many entities and in particular those with financial assets, financial liabilities or lease liabilities that are subject to the interest rate benchmark reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 to hedging relationships that are affected by the reform. The Phase 2 amendments apply to annual reporting periods beginning on or after January 1, 2021.

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2. ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of Significant Accounting Policies (continued)

g) New and Amended International Financial Reporting Standards (continued)

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (continued)

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments have no material impact on the Bank's financial statements. The Bank has no financial instruments with hedging relationships. In addition, the Bank's lending rates to customers are not tied to IBOR. The Bank has one credit facility with a local financial institution with a balance of US\$4,266,667 (KYD 3,544,747), where the interest rate is tied to US 3-Month LIBOR plus 1.125% and the interest rate is reset on a quarterly basis. As of December 31, 2022, the all-in interest rate is 4.7991%. This financial institution has confirmed that they are transitioning to Secured Overnight Financing Rate (SOFR) and will transition the Bank's credit facility from LIBOR to SOFR sometime around January 2023.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of the financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The amendments to the definition of material do not have a significant impact on the Bank's financial statements.

Definition of Accounting Estimates – Amendments to IAS 8

In February 2021, the Board issued amendments to IAS 8, in which it introduces a new definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. These amendments are not expected to have a material impact on the financial statements.

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3. ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of Significant Accounting Policies (continued)

g) New and Amended International Financial Reporting Standards (continued)

Classification of Liabilities as Current or Non-current – Amendments to IAS 1

On January 23, 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management expectations about events after the statement of financial position date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.
- The amendments clarify the situations that are considered settlement of a liability.

The new guidance will be effective for annual periods starting on or after 1 January 2024.

The amendments to the classification of liabilities are not expected to have a significant impact on the Bank's financial statements.

Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16

The amendment to IAS 16 Property, Plant and Equipment (PPE) prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. An entity applies the amendments for annual reporting periods beginning on or after 1 January 2022, with early application permitted. This amendment did not have any impact on the Bank, as the Bank does not normally engage in such transactions.

Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37

In May 2020, amendments to IAS 37 were issued which clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments are effective for contracts for which an entity has not yet fulfilled all its obligations on or after January 1, 2022. The amendments did not have any impact on the Bank.

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3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand, cash at bank and deposit accounts with terms of maturity of three months or less from the date of acquisition. Cash and cash equivalents at December 31 were comprised of the following:

	2022	2021
	\$	\$
Current and Savings Accounts	6,539,763	2,878,928
Short-term fixed deposit (net of ECL of \$523)	4,999,477	-
Cash held on behalf of the Education Council Scholarship Fund	116,565	7,660,365
Total	11,655,805	10,539,293

4. FIXED DEPOSIT

Deposit accounts reflect term deposits, which are placed with approved financial institutions. Such deposits have maturity between three months and six months from the date of acquisition. The carrying amount of total fixed deposit approximates to fair value. The table below shows an analysis of the expected maturity of the fixed deposit amounts.

	Total	Matures Within 91
	\$	Days and 180 Days
	\$	\$
As of December 31, 2022		
Fixed Deposit	4,021,521	4,021,521
Expected credit loss allowance	(430)	(9)
Net Balance	4,021,091	4,021,512
As of December 31, 2021		
Fixed Deposit	18,138,798	18,138,798
Expected credit loss allowance	(30)	(30)
Net Balance	18,138,768	18,138,768

Expected credit loss allowance on fixed deposits

Total expected credit loss on fixed deposits, all with maturities of 6 months or less is \$430 (2021: \$30). The ECL was derived as a function of PD, LGD and EAD. The PD was derived based on the 1-year Default Risk of the parent entity of the financial institution with which deposit is held, determined using the Bloomberg DRSK function. The LGD was derived based on 2022 Moody's Default study and the EAD derived based on the actual deposits held with financial institutions at year end.

Interest rate on fixed deposits

The effective interest rate on fixed deposits for the year ended December 31, 2022, was 1.49% (2021: 0.42%). The deposits had an average maturity of 107 days (2021: 135 days). Interest income earned on fixed deposits for the year ended December 31, 2022 amounted to \$165,232 (2021: \$63,451).

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5. TERM DEPOSITS, LOAN INTEREST AND OTHER RECEIVABLES

The balances as of December 31 are as follows:

	December 31, 2022	December 31, 2021
	\$	\$
Loan interest receivable	48,740	40,484
Deposit interest receivable	30,939	20,579
Late fee receivable	(81)	(131)
Receivable for CIG Output	-	131,579
Receivable for Ministry of Education Output	-	10,113
Other	21,587	2,592
Total	101,185	205,216

DEPOSITS ON ASSETS

Total deposit on assets relates to purchase of property and equipment during the years ended December 2018 through December 2022 for which projects were still in progress as of December 31, 2022. Subsequent to year end, amounts for completed projects will be transferred to the relevant property and equipment cost account.

	December 31, 2022	December 31, 2021
	\$	\$
Furniture and equipment	7,480	5,928
Total	7,480	5,928

PREPAID EXPENSES

Prepaid expenses as of December 31 comprise the following:

	December 31, 2022	December 31, 2021
	\$	\$
Software maintenance	24,544	18,806
Insurance	17,283	16,665
Permanent residence fee	-	1,725
Other	4,069	4,347
Total	45,896	41,543

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6. LOANS TO CUSTOMERS

The net balances of loans to customers as at December 31 were as follows:

	2022	2021
	\$	\$
Mortgages	12,956,860	6,859,745
Business Loans	2,239,957	2,045,306
Student Loans	1,607,199	2,222,059
Debt Consolidation	2,306,452	2,545,211
Staff Loans	999,498	1,064,621
2020 Micro & Small Business Loan Interruption Program	635,994	857,278
SME 2015 Loan Program	680,586	722,931
NHDT Mortgages	778,315	675,280
Financial Stimulus	565,426	595,750
2015 Debt Consolidation Loan Program	22,323	173,094
Personal Financial Assistance	-	14,531
Home Energy Loan Program (HELP)	13,993	-
Other Loans	9,435	4,934
	22,816,038	17,780,740
Less: Expected Credit Loss Allowance	(555,313)	(727,640)
Total Net Balances	22,260,725	17,053,100

	2022	2021
	\$	\$
Loans to Customers		
Short Term Portion	1,015,373	1,057,954
Long term Portion	21,800,665	16,722,786
Total	22,816,038	17,780,740
Expected Credit Loss Allowance		
Short Term Portion	(95,554)	(139,778)
Long term Portion	(459,759)	(587,862)
Total	(555,313)	(727,640)

Loans to customers' maturity analysis

	2022	2021
	\$	\$
0 – 3 Months	762,377	872,853
4 – 12 Months	252,996	185,101
1 – 5 Years	2,403,746	3,576,472
Over 5 Years	19,396,919	13,146,314
Total	22,816,038	17,780,740

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6. LOANS TO CUSTOMERS (CONTINUED)

Expected Credit Loss Allowances as of December 31, 2022

Stages	Principal Balance \$	ECL Allowance \$
Stage 1: Provision 12 month ECL performing loans	15,733,177	3,218
Stage 2: Provision lifetime ECL performing loans	1,556,393	7,520
Stage 3: Provision ECL credit impaired loans	5,526,468	544,575
Total	22,816,038	555,313

Expected Credit Loss Allowances as of December 31, 2021

Stages	Principal Balance \$	ECL Allowance \$
Stage 1: Provision 12 month ECL performing loans	10,346,351	6,492
Stage 2: Provision lifetime ECL performing loans	1,438,639	35,484
Stage 3: Provision ECL credit impaired loans	5,995,750	685,664
Total	17,780,740	727,640

As at December 31, 2022, the Bank had loan commitments amounting to \$697,203 (2021: \$433,762). These amounts, which are not reflected in the statement of financial position, reflect the un-disbursed portion of loans, which have been approved by Management.

Movement in Expected Credit Loss

	2022 \$	2021 \$
Balance at beginning of year	727,640	1,480,387
Remeasurement	11,948	(201,374)
Loans previously provided for written off	(184,275)	(551,373)
Total	555,313	727,640

Interest Income on Loans to Customers

	2022 \$	2021 \$
Performing loans	721,980	814,347
Non-performing loans	92,959	224,018
Total	814,939	1,038,365

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6. LOANS TO CUSTOMERS (CONTINUED)

Performing and Non-Performing Loans December 31, 2022

	Mortgages \$	Business Loans \$	Student Loans \$	Debt Consolidation \$	Staff Loans \$	2020 Micro & Small Business Loan Interruption Program \$	SME 2015 Loan Program \$	NHDT Mortgage \$	Financial Stimulus \$	2015 Debt Consolidation \$	Home Energy Loan Program (HELP) \$	Other Loans \$	Total \$
Performing Loans	10,115,970	639,112	1,148,234	1,372,952	999,498	581,702	680,586	778,315	539,130	22,323	13,993	8,183	16,899,998
Non- Performing Loans	2,840,890	1,600,845	458,965	933,500	-	54,292	-	-	26,296	-	-	1,252	5,916,040
Gross Total Loans	12,956,860	2,239,957	1,607,199	2,306,452	999,498	635,994	680,586	778,315	565,426	22,323	13,993	9,435	22,816,038

Performing and Non-Performing Loans December 31, 2021

	Mortgages \$	Business Loans \$	Student Loans \$	Debt Consolidation \$	Staff Loans \$	2020 Micro & Small Business Loan Interruption Program \$	SME 2015 Loan Program \$	NHDT Mortgage \$	Financial Stimulus \$	2015 Debt Consolidation \$	Personal Financial Assistance \$	Other Loans \$	Total \$
Performing Loans	3,782,541	1,052,541	1,430,766	1,551,884	1,064,621	807,278	695,437	675,280	565,986	97,592	-	4,934	11,728,860
Non- Performing Loans	3,077,204	992,765	791,293	993,327	-	50,000	27,494	-	29,764	75,502	14,531	-	6,051,880
Gross Total Loans	6,859,745	2,045,306	2,222,059	2,545,211	1,064,621	857,278	722,931	675,280	595,750	173,094	14,531	4,934	17,780,740

The average interest yield during the period on loans to customers was 4.01% (2021: 5.37%). Impaired loans as of December 31, 2022 amounted to \$5,916,039 (2021: \$6,051,880) and interest taken to income on impaired loans during the period amounted to \$92,959 (2021: \$224,018).

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6. LOANS TO CUSTOMERS (CONTINUED)

Ageing Analysis of Past Due but not Impaired Loans
As of December 31, 2022

	Mortgages	Business	Debt	SME 2015 Loan	2015 Debt	Student Loans	Financial	NHDT	2020 Micro & Small	Total
	\$	Loans	Consolidation	Program	Consolidation	\$	Stimulus	Mortgages	Business Loan Interruption	\$
	\$	\$	\$	\$	\$	\$	\$	\$	Program	\$
30 days and less	2,803,800	369,600	-	18,822	57	119,232	127,376	118,933	91,102	3,648,922
31 to 60 days	74,183	-	-	-	6,306	125,979	-	-	110,980	317,448
61 and less than 90 days	74,588	-	189,189	-	-	21,734	16,993	-	-	302,504
	2,952,571	369,600	189,189	18,822	6,363	266,945	144,369	118,933	202,082	4,268,874

As of December 31, 2021

	Mortgages	Business	Debt	SME 2015 Loan	Student Loans	Financial	2020 Micro & Small	Total
	\$	Loans	Consolidation	Program	\$	Stimulus	Business Loan Interruption Program	\$
	\$	\$	\$	\$	\$	\$	\$	\$
30 days and less	228,976	-	15,766	24,119	450,515	-	357,256	1,076,632
31 to 60 days	304,633	756,447	185,053	-	86,533	-	16,589	1,349,255
61 and less than 90 days	-	-	-	-	59,675	18,600	18,226	96,501
	533,609	756,447	200,819	24,119	596,723	18,600	392,071	2,522,388

Renegotiated Loans/Modified Loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original Effective Interest Rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. When the contractual cash flows of a loan are renegotiated or otherwise modified and the renegotiation or modification does not result in derecognition, the Bank recalculates the gross carrying amount of the loan and recognizes any modification gain or loss in the statement of comprehensive income. If the restructured terms of a loan are significantly different, the Bank derecognizes the original loan and recognizes a new one at fair value with any difference recognized in the statement of comprehensive income.

The amount of the expected credit loss is measured as the difference between the carrying value of the loan and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral, based on the renegotiated terms and conditions discounted at the original EIR. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR. Restructured loans for the period amounted to \$1,037,962 (2021: \$181,797). As of December 31, 2022, one of the loans was delinquent. Subsequent to December 31, 2022 and as of the date of these financial statements, the same loan remains delinquent. However, none of the restructured loans are non-accrual as of the date of these financial statements.

Reposessed Collateral

In the normal course of business, the security documentation which governs the collateral charged in favour of the Bank to secure the debt, gives the Bank express authority to repossession collateral in the event of default by customers. Repossessed collateral is sold as soon as practicable, with proceeds used to reduce the outstanding indebtedness. Repossessed collateral is not recognized on the Bank's statement of financial position. Repossessed collateral as of December 31, 2022 amounted to \$4,614,000 (2021: \$4,184,000).

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7. PROPERTY AND EQUIPMENT

	Building	Motor Vehicles	Computers	Furniture and Office Equipment	Total
Cost	\$	\$	\$	\$	\$
At January 1, 2022	1,300,000	29,880	538,112	117,669	1,985,661
Additions	-	-	16,094	13,683	29,777
Cost adjustment - revaluation	-	-	-	-	0
Disposals	-	-	-	-	-
At December 31, 2022	1,300,000	29,880	554,206	131,352	2,015,438
Accumulated Depreciation					
At January 1, 2022	28,889	29,880	515,157	105,969	679,895
Depreciation charge for the year	28,890	-	19,569	8,040	56,499
Depreciation written back due to revaluation surplus	-	-	-	-	-
Disposals	-	-	-	-	-
At December 31, 2022	57,779	29,880	534,726	114,009	736,394
Net Book Value – December 31, 2022	1,242,221	-	19,480	17,343	1,279,044
Net Book Value – December 31, 2021	1,271,111	-	22,955	11,700	1,305,766

As of January 1, 2021, the fair value of the building is estimated at \$1,300,000 based on an internal valuation report dated December 3, 2021, prepared by the Lands & Survey Department of the Cayman Islands Government. The valuation was prepared in accordance with International Valuation Standards (2017) and Royal Institution of Chartered Surveyors (RICS) Valuation Global Standards 2020, as well as the International Financial Reporting Standards (IFRS). Market Value used in the valuation report is defined in accordance with Valuation Standards as: “The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.” In arriving at the valuation for the building, the Investment Method was used. The Investment Method of valuation is based on capitalization or conversion of present and predicted income (cash flows) to produce a capital value. It assesses what level of net revenue can be generated by letting the building and what yield in terms of percentage return on invested capital would be a reasonable expectation for an investor in this type of property. The net revenue used in the valuation is based on office comparable rents of other office buildings in the area and is calculated as income from leasing the building after accounting for operating costs. The yield used in the valuation is 8.32%. The resulting net revaluation surplus of \$495,000 is recorded in other comprehensive income for year ended December 31, 2021 and also included in revaluation reserve balance on the statement of financial position of \$960,287. The carrying amount of building before revaluation in 2021 is \$805,000. Based on the revaluation, the useful life of the building has been revised downward from 50 years to 45 years during 2021.

During 2018, the Bank began an exercise to upgrade the banking software to the new Alpha Banking software acquired from Highgate Systems (formerly Gresham Computing Ltd). The annual fee charged for the period September 2020 to August 2021 is US\$26,023 and for September 2021 to August 2022 is US\$26,564.

Movement in Revaluation Reserve – Building

	2022	2021
	\$	\$
Balance brought forward	960,287	465,287
Revaluation surplus (deficit)	-	495,000
Revaluation reserve balance carried forward	960,287	960,287

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8. LEASE

The Bank leases warehouse storage facility. The lease coming forward from prior years runs for 5 years from July 2017 to July 2022 with monthly lease payments of \$540. A new lease for the same property was entered into, running from July 2022 to July 2025, with monthly lease payments of \$600. As permitted under IFRS 16, the Bank has adopted the modified retrospective approach to leases. Under this approach, the Bank measures the right-of-use asset as if it had applied IFRS 16 since the commencement date using an incremental borrowing rate at the date of initial application. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability. The lease liability is measured as the present value of the unpaid lease payments at commencement date of the lease.

Subsequent to initial measurement of the right-of-use asset, the Bank applies the cost model. In applying the cost model, the Bank measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability.

Subsequent to initial measurement of the lease liability, the Bank measures the lease liability by:

- a) increasing the carrying amount to reflect interest on the lease liability
- b) reducing the carrying amount to reflect the lease payments made
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications

Right-of-Use Asset

	2022	2021
	\$	\$
Cost - warehouse storage unit b/fwd under previous lease, January 1	28,789	28,789
Less accumulated depreciation January 1	(25,910)	(20,152)
Less depreciation for current year	(2,879)	(5,758)
Balance at December 31	-	2,879

	\$	\$
Cost - warehouse storage unit - renewed lease	20,554	-
Less accumulated depreciation January 1	-	-
Less depreciation for current year	(3,426)	-
Balance at December 31	17,128	-

Lease Liability

Maturity Analysis

	\$	\$
Due in less than one year	6,739	3,099
Due in one to two years	6,961	-
Due in two to five years	3,577	-
Due over five years	-	-
Total	17,277	3,099

Interest expense recognized on lease liability for the year amounted to \$453. Total lease payments for the year amounted to \$6,828.

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9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are comprised of funds held in hand for the payment of fees on behalf of customers, professional fees and other payables. As of December 31, the balances were as follows:

	2022	2021
		\$
Funds in hand for payment of fees on behalf of customers	92,935	41,981
Professional fees	80,500	87,864
Accrued leave liability	13,341	22,396
Credit card	8,491	4,457
Other payables	9,406	19,404
Total	204,673	176,102

10. AUTHORIZED AND CONTRIBUTED CAPITAL

The authorized capital of CIDB is CI\$50 million as stated in Section 14(1) of the *Cayman Islands Development Bank Act, (2018 Revision)*. At December 31, 2022, the amount of contributed capital of \$37,319,185 (2021: \$32,819,185) amounted to 75% (2021: 66%) of the \$50 million authorized capital in accordance with Section 14(3) of the *Cayman Islands Development Bank Act, (2018 Revision)* which requires that the paid up portion of authorized capital should not be less than 3% of the authorized capital. During year ended December 31, 2022, the Bank received \$4,500,000 in contributed capital from the Cayman Islands Government (2021: \$4,500,000).

11. STATUTORY RESERVE FUND

Under Section 20 of the *Cayman Islands Development Bank Act, (2018 Revision)*, the Bank is required to establish a reserve. The Bank transfers 20% of its annual net income until the balance reaches the paid-up portion of the authorized capital of the Bank (currently \$37.3 Million). There was no transfer to the Reserve Fund for year ended December 31, 2022 as the Bank made a net loss of \$(826,630) (2021: \$328,946). As of December 31, 2022, the Statutory Reserve Fund has a balance of \$176,923 (2021: \$176,923).

12. PERSONNEL

Public Service Pension Plan

Pension contributions for eligible employees of the Bank are paid to the Public Service Pension Fund (the "Fund"). The Fund is administered by the Public Service Pensions Board ("the Pensions Board") and is operated as a multi-employer plan. Prior to January 1, 2000 the scheme underlying the Fund was a defined benefit scheme. With effect from January 1, 2000, the Fund had both a defined benefit and a defined contribution element, with participants joining after January 1, 2000 becoming members of the defined contribution element only.

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12. PERSONNEL (CONTINUED)

Defined Contribution Plan

A defined contribution plan is a pension plan under which the Bank pays fixed contributions; there is no legal or constructive obligation to pay further contributions. The assets of the plan are held separately from those of the Bank in a fund under the control of the Pensions Board. Where employees leave the plan prior to vesting fully in the contributions, the contributions payable by the Bank are reduced by the amount of the forfeited contributions.

CIDB contributes 12.4% of the employees' monthly pensionable earnings to the Public Service Pension Fund. The total amount contributed by CIDB for the year ended December 31, 2022 was \$141,608 (2021: \$138,149). On September 8, 2021, the Public Service Pensions (Contribution Rates) Regulations, 2021 was gazetted bringing the contribution rates from January 1, 2020 actuarial valuation into effect. The prescribed employer contribution rates as specified in Section 2 of the regulations have been established at 6.4%. Plan Member or employee contribution rates remains at 6% default rate as specified in Section 17 (1) of the Public Service Pensions Act (2021 Revision). As a result of the employer contribution rate revision from 6% to 6.4%, with a retroactive date to January 2020, \$4,065 in additional pension contributions for the period January 2020 to December 2020 has been included in pension expense for the year ended December 31, 2021.

Pension contributions are paid for all eligible employees on their pensionable emoluments. The Bank's 16 employees (2021: 14) all participate in a defined contribution scheme. Under the plan, the obligations and assets are both equal to the account balances held on behalf of the participants and no actuarial valuations are required. The Plan is funded at rates of:

		<u>2021</u>	<u>2020 (revised)</u>
Defined Contribution Plans	- Employee	6%	6%
	- Employer	6.4%	6.4%

13. RELATED PARTY TRANSACTIONS

a) Cayman Islands Government Dividend Policy

The Cayman Islands Government has a policy for the payment of annual dividends by Statutory and Government Owned Companies (SAGCs), which is in accordance with Section 16 of the Public Management and Finance Act (2020 Revision) and Section 39 of the Public Authorities Act (2020 Revision). In accordance with Section 39(3) of the Public Authorities Act (2020 Revision), the SAGC is required to pay dividends in accordance with the formulae established by the Minister of Finance after consultation with the board in writing, unless otherwise directed by Cabinet. Dividends are calculated and paid to Government based on the higher of 5% of operating revenue and 50% of operating surplus. An SAGC is exempt from paying dividends in accordance with Section 19 of the policy. CIDB is, therefore, claiming exemption under Section 19a of the policy (and which has been approved by the Accountant General), which allows exemption if "*the operations of the SAGC are not self-sustainable (i.e. the SAGC is reliant on core government subsidies, capital injections or charitable donations to fund its operating activities)*". CIDB is currently economically dependent upon Government to meet annual operating expenses and receives an annual output from Government in the amount of \$526,317. In addition, CIDB currently receives annual capital injection of \$4.5 Million from Government to help repay an existing long-term debt held with a local financial institution. As such, no dividends have been accrued in these financial statements for year ended December 31, 2022 (2021: Nil). In accordance with Section 39(2) of the Public Authorities Act (2020 Revision), subject to Section 39(1), the SAGC is required to pay over to the Government any surplus cash reserves being held for more than 90 days. In March 2022, Cabinet waived the requirement under Section 39(2) for an SAGC to pay over to the Government any excess cash being held over 90 days.

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13. RELATED PARTY TRANSACTIONS (CONTINUED)

b) Transaction with the Cayman Islands Government

Section 36(1) of the Public Authorities Act (2020 Revision) requires public authorities to pay an annual capital charge for the use of equity invested by the Government in the authority. The capital charge is set by the Minister of Finance after consultation in writing with the authority's board of directors. There is no capital charge payable for financial year 2022 because the rate was set at 0%. Going forward, CIDB may be required to pay a capital charge in accordance with the Public Authorities Act (2020 Revision).

CIDB acts as an agent for the Education Council Scholarship Fund and also in respect of the Hurricane Relief Programme ("Housing Recovery Grant" or "HRG"), which was discontinued in prior years and the total balance remaining in the fund returned to the Government. CIDB also provides services to the Government under certain loan programs, for which CIDB receives payments annually of \$526,317 for providing these services, which are outlined in a purchase agreement between CIDB and the Cayman Islands Government. Currently, CIDB is economically dependent upon Government to meet its operational expenditure. CIDB receives \$40,451 annually for services provided to the Ministry of Education.

The amounts received and disbursed on behalf of the Education Council Scholarship Fund are recorded on a timely basis by CIDB and the cash balances as of December 31, 2022 are included on CIDB's statement of financial position along with the corresponding amounts due to this fund, amounting to a net impact of nil on CIDB's statement of financial position. The cash for the fund is held in a separate bank account on behalf of the Cayman Islands Government. The balance to be distributed from the fund and is due and payable to the fund as of December 31, 2022 and 2021 is as follows:

	2022	2021
	\$	\$
Education Council Scholarship Fund	116,565	7,660,365
Total	<u>116,565</u>	<u>7,660,365</u>

In May 2021, the HRG Fund was closed and balance remaining of \$180,467 was paid over to the Cayman Islands Government.

c) Transactions with Members of Management and Staff

During the year ended December 31, 2022, CIDB had five key management personnel positions which consisted of the General Manager, Financial Controller, Operations Manager, Senior Risk Manager and Senior Credit Manager. The total compensation received by key management personnel for the year ended December 31, 2022 totaled \$694,998 (2021: \$533,008), which represents salary, pension and medical expenses for the reporting period. Defined contribution plan expense for key management personnel for the year ended December 31, 2022 amounted to \$63,052 (2021: \$47,689). As at December 31, 2022, Senior Management held loans totaling \$412,236 (2021: \$6,616); these loans are included in total net loan balance reflected on the statement of financial position. Income earned on Senior Management loans for year ended December 31, 2022 amounted \$20,413 (2021: \$527).

As of December 31, 2022, the total staff loan balance is \$999,498 (2021: \$1,064,621). The outstanding balances arose from the ordinary course of business. The interest charged to staff and Senior Management is at normal lending rates.

For the year ended December 31, 2022, the Bank has not made any provision for impairment losses relating to amounts owed by Senior Management or staff (2021: Nil).

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13. RELATED PARTY TRANSACTIONS (CONTINUED)

c) Transactions with Members of Management and Staff (continued)

The Directors Fees of \$111,000 (2021: \$3,950) relate to the monthly stipend paid to the Directors of the new Board that was appointed by Cabinet effective March 1, 2022. Cabinet also increased the remuneration of the Board to a monthly fee of \$3,000, \$2000 and \$1,500 for the Chair, Deputy Chair and Directors respectively.

The Board Chairman is guarantor for two loans to customers. The total principal outstanding at December 31, 2022 on these loans was \$50,996 (2021: \$54,764).

14. FAIR VALUE AND RISK ASSESSMENT OF FINANCIAL INSTRUMENT

Risk Management

Financial assets of the Bank include cash, cash equivalents, fixed deposits, loans to customers. Financial liabilities include accounts payable and accrued liabilities and long-term loan.

a) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest will affect future cash flows or the fair values of financial instruments. CIDB provides loans and technical assistance in the areas of human resource development, housing and small business, in particular in the agricultural, tourism, and industrial sectors. The Bank minimizes interest rate risk principally by on-lending at variable rates of interest from funding provided by long-term debts with variable interest rates.

The Bank manages the interest rate risk by securing funds from international financial institutions which review their lending rates to CIDB quarterly. Details of rates and maturities are presented in Note 15.

b) Credit Risk

Credit risk is the risk that the Bank will incur a loss because its customers fail to discharge their contractual obligations. The net carrying amount of loans to customers of \$22,260,725 represents the maximum exposure to credit risk as of December 31, 2022 (2021: \$17,053,100) for this category of financial assets. However, this risk is partially mitigated by collateral held as security for certain loans. Collateral held includes raw land, commercial and residential properties.

Cash and fixed deposits are held with conventional banks. As of December 31, 2022, the total net cash and equivalents of \$11,655,805 (2021: \$10,539,293) and net fixed deposit of \$4,021,091 (2021: \$18,138,768) represent the Bank's maximum exposure to credit risk for this category of financial assets.

The Bank manages credit risks on loans advanced to individuals and companies, which satisfies the Bank's lending requirements, by requiring borrowers to provide adequate security, limiting the total value of loans to a single borrower to 10% of its total capital and spreading its risk over several developmental sectors. In addition, there is an internal credit rating system that classifies loans on the basis of credit risk.

c) Fair Value

The carrying values of cash, fixed deposits, loans to customers, other receivables, accrued liabilities and long-term liability are not materially different from their fair values.

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15. LONG-TERM DEBT

After initial measurement, long-term debts are subsequently measured at amortized cost.

Long-term Debt with Local Financial Institution

During June 2015, CIDB used funds from its fixed deposit to repay US\$5 Million credit facility with a local financial institution which was originally due for repayment in January 2016 and received US\$36.8 Million proceeds under a new credit facility with a local financial institution to consolidate and repay outstanding credit facilities falling due June 2015. The new credit facility is for a term of 10 years (maturing June 30, 2025) at an interest rate of U.S. 3-Month LIBOR plus 1.125% and is secured by a Government Guarantee. Under the terms of the agreement, interest only will be paid in the first 3 years for July 2015 to June 2018, after which amortized payments of principal and interest will be made. During September 2017, a partial prepayment of US\$8 Million was made on the credit facility, leaving a balance of US\$28.8 Million. This prepayment was funded both by capital contribution from the government in the amount of CI\$6.28 Million and the balance from CIDB's internal funds. Total interest expense incurred on the credit facility for the year ended December 31, 2022 amounted to \$182,504 (2021: \$141,588). All borrowing costs incurred during the period have been expensed.

Terms and Principal Repayment Debt Schedule as at December 31, 2022

	TOTAL	1 Year or less	1-2 Years	2 - 5 Years	Over 5 Years
	\$	\$	\$	\$	\$
Secured Credit Facility					
US\$ 4.26 Million due June 2025, Variable					
Rate at 3-Month US\$ LIBOR plus					
1.125%	3,544,747	3,544,747	0	-	-
TOTAL	3,544,747	3,544,747	0	-	-

Terms and Principal Repayment Debt Schedule as at December 31, 2021

	TOTAL	1 Year or less	1-2 Years	2 - 5 Years	Over 5 Years
	\$	\$	\$	\$	\$
Secured Credit Facility					
US\$ 9.17 Million due June 2025, Variable					
Rate at 3-Month US\$ LIBOR plus					
1.125%	7,621,205	4,076,458	3,544,747	-	-
TOTAL	7,621,205	4,076,458	3,544,747	-	-

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16. OTHER SIGNIFICANT EXPENSE ITEMS

Further details of other significant expense items in the statement of comprehensive income include:

a) Salaries and Other Staff Benefits

	2022	2021
	\$	\$
Salaries	1,157,528	1,096,686
Medical Expenses	300,519	264,703
Pension Cost – Defined Contribution Plan	141,608	138,149
Recruitment and Other Related Expenses	21,254	13,983
	<u>1,620,909</u>	<u>1,513,521</u>

b) Accommodation Costs

	2022	2021
	\$	\$
Strata Fees	34,280	34,280
Electricity	29,473	22,859
Telephone	13,361	15,699
Insurance-Contents	6,653	6,310
Janitorial Costs	10,800	10,721
Other	35,900	22,818
	<u>130,467</u>	<u>112,687</u>

c) Professional Fees

	2022	2021
	\$	\$
Professional fees	20,138	56,155
Audit fee	75,000	70,000
Membership fees	750	998
	<u>95,888</u>	<u>127,153</u>

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17. STATEMENT OF CONTINGENT LIABILITIES AND COMMITMENTS

The Bank had no known contingent liabilities at December 31, 2022 (2021: Nil). At December 31, 2022 and 2021, the Bank had commitments relating to maintenance of the Alpha banking software by Highgate Systems (formerly Gresham Computing Ltd). The amount committed per year is approximately \$23,164 (2021: \$22,314). As at December 31, 2022, the Bank had loan commitments amounting to \$697,203 (2021: \$433,762). These amounts, which are not reflected in the statement of financial position, reflect the un-disbursed portion of loans, which have been approved by Management.

18. IMPACT OF COVID-19 PANDEMIC

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. The global efforts to contain the spread of the coronavirus has caused significant disruption in the global and local economies from January 2020 to date. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The pandemic has impacted the Bank's results through lower loan payment collections from customers and lower interest rates on new loans issued. To assist and provide some relief to the business community, new loans issued ranged between 1% and 2.5% during fiscal year ended December 31, 2020. Approximately \$645,000 in small business loans were issued by the Bank at an interest rate of 2.50%, while approximately \$980,000 new loans were issued under the Joint Business Loan Program as outlined below at an interest rate of 1%. Interest income on fixed deposits placed by the Bank with external financial institutions in 2021 fell by \$70,007 over 2020 and fell by \$117,960 over 2019. Fixed deposit effective interest rates for 2021 was 0.42% and for 2020 was approximately 0.94% compared to an effective rate of 1.64% for 2019. As it relates to ECL, the numbers were better than expected as a number of the Bank's loans are collateralized through real estate; \$21,114,365 (93%) of the Bank's loan portfolio is secured by charge over property, which includes first charge and second charge. The real estate market in the Cayman Islands has performed relatively well despite the pandemic, which saw property values holding and, in some instances, increasing in value. The performance of real estate market positively impacted the ECL. The ECL fell in 2021 by \$770,836 over 2020; of this total, \$551,373 represented write off of loans previously provided for and \$219,463 in a write back of loan loss provision, which impacted the Bank's profitability for 2021. Despite the negative impacts of the pandemic, the Bank was able to post a net profit of \$240,544 in 2020, however, the bank suffered a net loss of \$(310,857) in 2021 and net loss of \$(826,630) in 2022. The Cayman Islands Tourism Sector has been impacted significantly by the pandemic. As a result, Management performed a review of the loan portfolio to determine the percentage of tourism-related loans. Based on a review, it was determined that there are 5 tourism-related loans, with combined total principal balances of \$497,524, representing 2.18% of the loan portfolio. Three of these loans are mortgages with a combined loan balance of \$443,094. However, Management is unsure of the number of customers with loans that maybe impacted indirectly or directly by the fallout in the tourism sector and what impact this had on loan collections due to loss of income by those customers. During 2022, the Cayman Islands Government fully reopened its borders to tourism, which had an overall positive impact on the economy. Other COVID-19 related expenditure included within totals on the Statement of Comprehensive Income are outlined below:

	2022	2021
	\$	\$
Expenses (impact on statement of comprehensive income)		
Masks, hand sanitizer, social distancing signs and other miscellaneous items (included in office expenses)	-	10,493
Total	-	10,493

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18. IMPACT OF COVID-19 PANDEMIC (CONTINUED)

Joint Business Loan Program

In response to the coronavirus pandemic, the Government of the Cayman Islands approved a joint loan program between the Cayman Islands Development Bank and the Cayman Islands Centre for Business Development, an arm of the Ministry of Commerce, Planning and Infrastructure to lend \$5 Million dollars to micro and small businesses. Under this loan program, the Bank proposed a very low interest rate of 1% per annum for the first year, with 6 months loan payment waiver. After the first year, interest rate on these loans will be capped at 4% per annum. A micro business can access up to \$20,000 and a small business can access up to \$50,000. A micro business is defined as any business with annual revenue of up to \$250,000 and 4 employees, excluding the owner. A small business is defined as any business with annual revenue of up to \$750,000 and 11 employees, excluding the owner. During 2020, \$880,000 in loans were approved under the program. During 2021, \$100,000 in additional loans were approved. Subsequent to 2021, no additional loans have been disbursed under this program. The total loans approved under the program stands at \$980,000.

19. EVENTS AFTER THE REPORTING DATE

On March 16, 2023 the Board of Directors approved the write off of loans to customers with the total principal balance of \$108,643.97. These loans were impaired at December 31, 2022 and their principal balances were fully provided for. There were no other events or matters that require disclosure in the financial statements.