

ANNUAL REPORT

FOR

THE YEAR ENDED

DECEMBER 31, 2023

AUDITED

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MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



The Fed raised short term interest rates eleven times in a 16 month period between 2022 and 2023. Mortgage rates increased quickly in response that led to increased monthly payments for home buyers. The housing market in Cayman slowed but not the demand for affordable housing. The bank utilized the majority of its remaining capital and released CI$15million to assist Caymanian families to purchase a home at below market interest rates. Unfortunately, despite the continued demand for affordable housing, the bank had to suspend the program until the next government budget cycle. In December 2023, the government allocated $4million in capital for the bank over the next 2 years that will be insufficient to restart the mortgage program and the bank will need to shift its focus on lending on smaller projects.

The bank is a statutory authority that is 100% owned by the Cayman Islands Government and governed by a board of directors. The bank is subject to the same austerity measures as the civil service however, the retirement benefits are not the same. As a not for profit institution, the bank does not have the capacity to provide incentive schemes as some of its counterparts. In view of this, the board of directors approved the creation of a post retirement health fund for staff members only to assist with medical insurance coverage upon retirement. This one off expense contributed to 70% of the bank's recorded loss. An additional 14% contributing to the loss was the cost associated with increased operational fees particularly professional fees to satisfy areas of concern raised by the Cayman Islands Monetary Authority. Although the bank is not a deposit taking institution, it is audited similar to a Class A Bank that results in heavy operational expenses. Also impacting the bank's results was the loss of interest income it could have earned by the holdback of $4million of its internal funds that was reserved to fund the National Housing Development Trust mortgages that were pre-approved for financing. These houses are still under construction with anticipated completion dates of 2024.

More important to note is the fact that despite a loss for 2023, the bank paid off its debt in full and is well positioned to return to profitability in 2024.

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. I would also like to thank the Board of Directors for their support and continued advocacy for a way forward for the bank.

Tracy Ebanks

MESSAGE FROM THE CHAIRMAN OF THE BOARD

In the past year the Board and Management have worked closely to strengthen areas of Governance that were identified in the CIMA Prudential Inspection of 2022, as well as Governance Audits undertaken in 2023. One area in particular that we will continue to work on is to improve reporting between Senior Management and the Board.

CIDB continues to strive to support the Government by contributing to the social and economic growth of the country. To strengthen the Bank and place it in a stronger position to do this, in 2023 the Board and Management undertook to create a new Strategic Plan for the Five (5) year period 2024-2029. In carrying out the exercise, it was recognized that some of the previous aspects of the 2019-2022 strategic plan remained relevant, and during the Strategic Planning exercise, these were considered, along with new and more relevant strategies. This resulted in the creation of the new 2024-2029 Strategic Plan – under the theme "Achieving Our True Purpose".

From the Strategic Plan, five key Strategies were identified as follows:

1. Establish Effective Partnerships and collaborations.
2. Increased access to Funding sources and considering offering a Deposit Service to Institutional and High Net worth Clients
3. Introduce New Products and Services
4. Reposition the Brand as a Development Finance Institution and Increase Public profile and Community Engagement
5. Redesign Internal Processes and Enhance Governance to better Support the true purpose as a Development Finance Institution

Now that we have created the new Strategic Plan, as we work to implement it – this will be the framework for the bank and will enable it to meet its stated mission to improve the quality of life for Caymanians and to increase resilience within our economy and society. Housing, Small businesses, agriculture and education continue to be priorities, we will position CIDB to be the Finance institution of choice for young Caymanian families and small businesses.

Critical to the success of the bank going forward will be continued support from the Government, Increased capitalization, operational improvements, governance changes and improving the public profile of the bank.

I look forward to the upcoming year working together with the Senior Management and the Board to implement the Strategic Plan and continue to move CIDB forward.

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, 2023

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, 2023, 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
Senior Manager – Admin, Operations, and IT	Floyd Groves, CISSP
Senior Credit Risk Manager	Roger Bodden, BSc (Hons), Notary Public
Senior Manager Credit	Carlene Wilson, AICB

During the year ended December 31, 2023, employees of the Bank participated in a number of mandatory training programs that included training in Anti-Money Laundering and Fraud and Information Security Awareness. The staff also attended several Chamber of Commerce training courses. Nine of the 16 staff members have post-secondary education and this year an employee is undertaking an MBA.
Fiscal year 2023 saw a strong staff engagement in the community and in marketing efforts to improve the bank's image and role in the community.

In June we participated in the Auditor General's annual 5K run to raise funds for mental health and the Cancer Society. We also participated in another 5K run to raise awareness for autism.





In March the Bank was a Sponsor of the annual Chamber of Commerce career fair held at the UCCI hall. Pictured with the staff is the Chairman of the Board, Mr. Mark Scotland.



Below the bank attended the first Small Business Expo. Pictured with the Honourable Premier, Mr. Wayne Panton.



Staff members pictured with bags of trash at the annual Earth Day Clean up. Rounding out the bank hosted its fourth annual Customer Appreciation Day. The bank's security, Mr. Winston Lopez, got in the selfie and helped organized the decorations and set up.





4) Management Discussion and Analysis

The key objectives for fiscal year 2023 were as follows:
Continue 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, 2023, the loan portfolio stood at $27,093,804 before loan loss provision of $(367,871) compared to the loan portfolio as of year ended December 31, 2022 of $22,816,038 before loan loss provision of $(555,313), representing an increase of 16% in the loan portfolio over year ended December 31, 2022.

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, 2023.

Included in loan disbursements below, are 30 mortgages, inclusive of National Housing Development Trust homes.

Loan Category	Total Number of Loans Disbursed		Total Value of Loans Disbursed		
			$		
Mortgages	60		7,290,024.17		
Students	10		86,974.26		
Others	20		121,620.43		
Total	**90**		**7,498,618.86**		

ii) Loan Delinquency

Delinquent loans continued to decrease and fell to 20% totaling $5.5Million as at December 31, 2023 compared to 26% in 2022 and 34% in 2021. The bank focused its collection efforts on the delinquent portfolio and worked diligently with its customers to accept payments terms versus heading to foreclosure. Foreclosure is inevitable for some accounts and must be exercised to collect long outstanding debt to the bank.

iii) Financial Performance

As of December 31, 2023, the total assets of the Bank stood at $39,802,432 (included is cash held on behalf of the Education Council Scholarship Fund of $75,262), an increase of $414,078 over the prior period. The net loan portfolio represented approximately 68% of the Bank's assets as of December 31, 2023, a 11% increase from 2022 due to increased lending activity. Overall Liabilities decreased by $2,548,377, as the bank is now debt free. In June 2015, The Bank took on a consolidated long-term debt with a local financial institution in the amount of US$36.8 Million, which was set to mature in June 2025. In September 2017, The Bank, with the assistance of Government, prepaid US$8 Million on the debt, followed by scheduled loan principal and interest payments twice per year. In December 2023, the Bank repaid the debt in full, 2 years ahead of scheduled maturity.

Loan growth from mortgages and interest income from fixed deposits, resulted in net interest income increasing by $578,703 or 73% for the year ended December 31, 2023. The $15 Million earmarked for mortgages was not totally disbursed in 2022 with the first disbursements occurring in early quarter three of 2022. Interest expense decreased from $183,000 to $161,000 due to the reducing principal balance due on the long-term debt.

The Bank's operating expenses increased from $2.2 Million in 2022 to $3.5 Million in 2023, due to several extraordinary expenses. The board approved post-retirement healthcare benefit for staff that resulted in a one off liability of $1 Million. In addition, the Bank incurred professional fees totaling of $216,670; approximately $120,000 of these fees were incurred in response to regulatory audits. The Bank posted a net loss of $(1,517,128) for year ended December 31, 2023, compared to a net loss of $(826,630) for year ended December 31, 2022. If we were to exclude the post-retirement healthcare liability and the additional professional fees incurred in 2023, the Bank's net loss would have only been $(497,128).

5) Programmes Administered on Behalf of the Cayman Islands Government

During the fiscal year ended December 31, 2023, 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 CIDB to assist with the administration of various programs on behalf of Government and operational costs of the Bank was increased for the first time since the Bank was formed some 23 years ago. The annual increase of CI$78,950 from $526,317 to $605,267 becomes effective in 2024. This increase in output does not cover the increased operational costs, and without additional capital to fund loan growth, the Bank will experience consecutive losses.

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. Increased capital injection will also require a change in the CIDB Act. The authorized capital of the Bank is $50 Million and up to December 31, 2023, $41.8 Million has been contributed by the Government. The Government plans to contribute another total of $4 Million over the two years 2024 and 2025, leaving only $4.1 Million to be contributed in accordance with the CIDB Act.

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

	FINANCIAL PERFORMANCE MEASURE	2023 ACTUAL $000'S	2023 BUDGET $000'S	ANNUAL VARIANCE $000'S	NOTE
	REVENUE FROM CABINET	526	526	-	
	REVENUE FROM MINISTRIES, PORTFOLIOS, STATUTORY AUTHORITIES AND	40	40	-	
	REVENUE FROM OTHER PERSONS OR ORGANISATIONS	1,544	1,465	79	1
	SURPLUS/DEFICIT FROM OUTPUTS				
	OTHER EXPENSES	3,573	3,638	(65)	2
	NET SURPLUS (DEFICIT)	(1,463)	(1,607)	144	3
	TOTAL ASSETS	39,845	39,652	193	4
	TOTAL LIABILITIES	1,302	1,254	48	5
	NET WORTH	38,543	38,398	145	6
	CASH FLOWS FROM OPERATING ACTIVITES	(5,313)	(5,594)	281	7
	CASH FLOWS FROM INVESTING ACTIVITES	4,016	(2,087)	6,103	8
	CASH FLOWS FROM FINANCING ACTIVITES	948	948	-	
	CHANGE IN CASH BALANCES	(349)	(6,734)	6,385	
	FINANCIAL PERFORMANCE RATIO				
	CURRENT ASSETS : CURRENT LIABILITIES	13885%	5276%	8609%	
	TOTAL ASSETS : TOTAL LIABILITIES	3060%	3162%	-102%	
	NOTES: EXPLANATION FOR VARIANCE				
1	The $79K positive variance on external revenue vs budget was due mostly to the following: Actual income earned on Fixed Deposit was higher by $157K than the forcasted $140K for 2023; Total of $31K of the previously written off loans were collected in 2023; The actual total loan disbursed for 2023 was $751K lower than the $8.25M total forcasted; The actual total amount of loans repaid early in 2023 was $386K higher than the forcasted amount of $300K; The actual average interest rate on performing loans for 2023 of 4.96% was 0.23% higher than the forcasted average interest rate of 4.73%.				
2	The actual total expense for 2023 was $65K lower than $3.638M forecasted due mostly to the following: Total depreciation cost for 2023 was $30K lower than forcasted; the forcasted acquisition of new banking software ($420K), and new generator set ($165K) were not acquired yet in 2023. Total computer and network maintenance was $16K lower than forcasted; Total Directors fees for 2023 was $10K lower than forcasted, two Director's seats were vacant since Mar.2023; The actual provision for expected credit loss for 2023 was $20K lower than the forcasted $141K. Total advertising & promotion for 2023 was lower by $6K than forcasted. There was a $41K increase in total healthcare cost due to the switching of health care provider from CINICO to Coralisle (BritCay) in the 3rd Qtr of 2023; 2023 actual sararies & wages was $34K higher than forcasted; Total 2023 audit fee was $16K higher than forcasted; Total of $12K loans were written off in 2023, nil was forcasted; Total 2023 actual Official travel expense of $13K was not forcasted; Total actual 2023 accommodation cost was $11K higher due mostly to the increase in utilities fees, 4 additional parking spots rented starting Feb 2023, and increase in building content & liability insurance cost.				

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

	NOTES: EXPLANATION FOR VARIANCE				
3	The actual 2023 net deficit was $144K lower than the forcasted deficit of $1.607M due mostly to the positive variances earned from: interest on fixed deposit and the collection of written off loans.				
4	The actual 2023 total assets figure was $193K higher than forcasted due mostly to the following: The earnings from fixed deposits was $157K higher than what was forcasted; $31K of the previously written off loans / bad debts were collected during 2023. The funds placed in fixed deposit in 2023 included the following: the excess $386K unforcasted collection from early repaid loans, the $31K of the previously written off loans, the unused funds allotted to acquire new generator set of $165K, and the unused funds alloted to buy new banking software of $420K.				
5	Tha actual 2023 total liabilities was higher by $48K than forcasted due mostly to the following: The actual cash held ($75K) on behalf of The Ministry of Education - Scholarship Fund at the end of the 2023 was $41K lower than ($116K) forcasted amount; The actual other payable & accruals for 2023 of $195K was $89K higher than what was forecasted.				
6	The actual networth figure for 2023 of $145K higher than forecasted, this was attributable to the following: the positivie variance in net deficit (as detailed in notes #3 above), the positive variance in total assets (as detailed in note #4 above), and the negative total liability variance (as detailed in notes #5 above)				
7	The positive variance of $281 net cash flows from operating activities for 2023 over forecasted amount was attributed mostly to: the actual 2023 net loss was $145K lower than the forecasted amount (refer to details of notes #1, #2 & #3 above); The total actual decrease in Loans, Deposit Interest and Other Receivable, and Loans and Advances to Customer balances at the end of 2023 of $4.765M was $99K lower than the forcasted $4.864M decrease in ending balances. The actual ending balance of scholarship funds being held for Ministry of Education was $41K lower than the forecasted amount. The 2023 actual increase in payable and accruals of $9K was $89K lower than the $98K forecasted amount.				
8	The actual net cash flows for investing activities of $4.02M was $6.103M lower than the forcasted decrease of $2.09M. This was the result of Fixed Deposit balance at the end of the year of $5.5M higher than the forecasted decrease of $1.5M; while the forecasted acquistion of fixed assets (generator set of $165K) and new banking software of $420K has not happend yet at the end of 2023.				

9) Appendix: Ownership Performance Reporting and Statement Outputs Delivered to Cabinet (continued)

	HUMAN CAPITAL MEASURES	2023 ACTUAL $000'S	2023 BUDGET $000'S	ANNUAL VARIANCE $000'S	NOTE
	TOTAL FULL TIME EQUIVALENT STAFF EMPLOYED	16	16	-	
	STAFF TURNOVER (%)				
	SENIOR MANAGER	-	-	-	
	PROFESSIONAL AND TECHNICAL STAFF	-	-	-	
	ADMINISTRATIVE STAFF	-	-	-	
	PHYSICAL CAPITAL MEASURES				
	VALUE OF TOTAL ASSETS	2,021	2,573	(552)	**1**
	ASSET REPLACEMENTS : TOTAL ASSETS	-	-	-	
	BOOK VALUE OF ASSETS : COST OF THOSE ASSETS	61%	69%	-8%	**1**
	DEPRECIATION : CASH FLOW ON ASSET PURCHASES	980%	13%	967%	**1**
	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 Develc	-	-	-	
	Government Loans to be made to Cayman Islands Development Bank	-	-	-	
	Government Guarantees to be issued in relation to Cayman Islands De	-	-	-	
	Related Party Payments (Non Remuneration) made to Key Manageme	-	-	-	
	Remuneration[2] Payments made to Key Management Personnel	113	123	(10)	**2**
	Remuneration Payments made to Senior Management	723	695	28	**3**
	NUMBER OF KEY MANAGEMENT PERSONNEL (BOARD)	6	8	(2)	**2**
	NUMBER OF KEY SENIOR MANAGEMENT (MD)	5	5	-	

	NOTES: EXPLANATION FOR VARIANCE
1	The forcasted acquisition of new assets (i.e. generator set of $165K, and new banking software of $420K) did not come to fruition in 2023.
2	Total Directors fees for 2023 was $10K lower than forecasted, two Directors seats were vacant since March 2023.
3	The $28K increase in renumeration to senior management was due mostly to: switching of new health care provider from CINICO to Coralisle (BritCay); the unforecasted additional COLA in 2023.

CAYMAN ISLANDS DEVELOPMENT BANK

AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

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Cayman Islands Development Bank
Statement of Responsibility for the Financial Statements
December 31, 2023

These financial statements have been prepared by the Cayman Islands Development Bank in accordance with the provisions of the *PubUc 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 ofthe 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 2023, 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 ofthe Cayman Islands Development Bank for the year ended 31 December 2023;

(b) fairly reflect the financial position as at 31 December 2023 and financial performance for the year ended 3 1 December 2023; and

(c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

The Office of the Auditor General (OAG) conducts an independent audit and expresses an opinion on the accompanying financial statements. The OAG has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.

Mark Scotland (Apr 30, 2024 19:56 CDT)

Mark Scotland
Chairman ofthe Board ofDirectors
Cayman Islands Development Bank

Date: April 30, 2024

Tracy Ebanks (Apr JO, 2024 19:54 COT)

T'acy Ebanks
General Manager
Cayman Islands Development Bank

Date: April 30, 2024

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CAYMAN ISLANDS

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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 2023 and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year ended 31 December 2023, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 10 to 39.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023 and its financial performance and its cash flows for the year ended 31 December 2023 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, which states that impaired loans amounted to $5,528,565 as of December 31, 2023. This represents 20% 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 December 31, 2023. 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 the Government. Continued funding is also necessary for the Bank to carry out its principal function to mobilize, 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)

Auditor's Responsibilities for the Audit of the Financial Statements (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.



Sue Winspear, CPFA
Auditor General

30 April 2024
Cayman Islands

CAYMAN ISLANDS DEVELOPMENT BANK
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023
(Expressed in Cayman Islands Dollars)

	Notes	2023 $	2022 $
ASSETS			
Current Assets			
Cash and Cash Equivalents	3, 13	11,307,656	11,655,805
Term Deposit, Loan Interest and Other Receivable	5	99,504	101,185
Fixed Deposit, Net of Allowance for Expected Credit Losses	4	-	4,021,091
Loans to Customers, Net of Allowance for Expected Credit Losses - Current Portion	6	661,397	919,819
Prepaid Expenses	5	48,714	45,896
Total Current Assets		**12,117,271**	**16,743,796**
Non-Current Assets			
Loans to Customers, Net of Allowance for Expected Credit Losses - Non-Current Portion	6	26,432,407	21,340,906
Deposit on Assets	5	7,480	7,480
Property and Equipment	7	1,235,249	1,279,044
Lease Right-of-Use Asset	8	10,025	17,128
Total Non-Current Assets		**27,685,161**	**22,644,558**
TOTAL ASSETS		**39,802,432**	**39,388,354**
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts Payable and Accrued Liabilities	9	208,309	204,673
Due to Related Parties	13	75,262	116,565
Lease Liability - Current Portion	8	6,776	6,739
Unfunded post retirement healthcare liability	12	1,034,000	-
Current Portion of Long Term Debt	15	-	3,544,747
Total Current Liabilities		**1,324,347**	**3,872,724**
Non-Current Liabilities			
Lease Liability - Long-Term Portion	8	4,121	10,538
Long Term Debt	15	-	-
Total Non-Current Liabilities		**4,121**	**10,538**
TOTAL LIABILITIES		**1,328,468**	**3,883,262**
EQUITY			
Contributed Capital	10	41,819,185	37,319,185
Statutory Reserve Fund	11	176,923	176,923
Revaluation Reserve – Property and Equipment	7	960,287	960,287
Accumulated Losses		(4,482,431)	(2,951,303)
TOTAL EQUITY		38,473,964	35,505,092
TOTAL LIABILITIES AND EQUITY		**39,802,432**	**39,388,354**

Approved on behalf of Management:

Tracy Ebanks
General Manager

Date: April 30, 2024

P. Smith

Paula R. Smith
Financial Controller

Date: April 30, 2024

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, 2023
(Expressed in Cayman Islands Dollars)

	Notes	2023 $	2022 $
INCOME			
Interest Income			
Loans	**6**	1,239,157	814,939
Fixed Term Deposits	**3, 4**	297,475	165,232
		1,536,632	**980,171**
Interest Expense			
Long Term Debt	**15**	(159,896)	(182,504)
Lease Liability	**8**	(819)	(453)
		(160,715)	**(182,957)**
Net Interest Income		**1,375,917**	**797,214**
Expected credit loss remeasurement credit - loans to customers	**3, 4, 6**	79,387	(12,871)
Bad debts written off		(12,116)	-
Services Provided to Cayman Islands Government	**13**	526,317	526,317
Ministry of Education Payments for Output	**13**	40,451	40,451
Other Income		138	810
Loan Commitment Fees		5,290	43,246
Gain (Loss) on Foreign Currency Conversion		(10,519)	(13,366)
Net Income before administrative expenses		**2,004,865**	**1,381,801**
ADMINISTRATIVE EXPENSES			
Salaries and Other Staff Benefits	**12, 16**	1,764,553	1,620,909
Professional Fees	**16**	216,670	95,888
Accommodation Costs	**16**	141,508	130,467
Office Expenses		97,487	96,612
Depreciation - Property and Equipment	**7**	49,102	56,499
Computer Maintenance		81,819	76,576
Depreciation - Lease Right-of-Use Asset		7,104	6,305
Directors' Fees	**13**	113,000	111,000
Advertising and Promotion		19,111	6,688
Other		11,639	7,487
Total Administrative Expenses		**2,501,993**	**2,208,431**
Net Operating Income (Loss)		(497,128)	(826,630)
Other expense: post-retirement healthcare benefit	**12**	(1,020,000)	-
Transfer to Reserves	**11**	-	-
Net Income (Loss) after Transfer to Reserves		**(1,517,128)**	**(826,630)**
Other Comprehensive Income (Loss)			
Remeasurements of defined benefit obligation:			
Effect of changes in financial assumptions	**12**	(16,000)	-
Effect of experience adjustments	**12**	2,000	-
		(14,000)	-
Total Comprehensive Income (Loss)		**(1,531,128)**	**(826,630)**

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, 2023
(Expressed in Cayman Islands Dollars)

	Notes	2023 $	2022 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Comprehensive Income (Loss)		(1,531,128)	(826,630)
Adjustments for:			
Transfer to Reserve Fund	**11**	-	-
Depreciation - Property and Equipment	**7**	49,102	56,499
Depreciation - Right-of-Use Asset	**8**	7,104	6,305
Interest Expense - Lease Liability		819	453
Defined Benefit Obligation	**12**	1,034,000	-
Bad Debt Written Off		12,116	-
Credit Loss (Credit) Expense	**3, 4, 6**	(79,387)	12,871
		(507,374)	(750,502)
Changes in Operating Assets and Liabilities			
(Increase) Decrease in Prepaid Expenses		(2,818)	(4,353)
(Increase) Decrease in Deposit on Assets		-	(1,552)
(Increase) Decrease in Term Deposit and Loan Interest and Other Receivables		1,681	104,031
(Increase) Decrease in Loans to Customers		(4,766,678)	(5,219,572)
Increase (Decrease) in Accounts Payable and Accrued Liabilities		3,637	28,570
Increase (Decrease) in Due to Related Parties		(41,302)	(7,543,800)
Net Cash Provided by (used in) Operating Activities		**(5,312,855)**	**(13,387,178)**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) Decrease in Fixed Deposits	**4**	4,021,960	14,116,754
Purchase of Property and Equipment	**7**	(5,307)	(29,777)
Net Cash Provided by (Used in) Investing Activities		**4,016,653**	**14,086,977**
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital Contributed	**10**	4,500,000	4,500,000
Lease Liability Payment	**8**	(7,200)	(6,828)
Repayments of Long-Term Debt	**15**	(3,544,747)	(4,076,459)
Net Cash Provided by (used in) Financing Activities		**948,053**	**416,713**
Net Increase (decrease) in Cash and Cash Equivalents		(348,149)	1,116,512
Cash and Cash Equivalents at Beginning of the Year		11,655,805	10,539,293
Cash and Cash Equivalents at End of Year		**11,307,656**	**11,655,805**
Supplementary information on Cash Flows From Operating			
Interest Received During the Year		1,521,349	961,554
Interest Paid During the Year		160,715	182,957

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, 2023
(Expressed in Cayman Islands Dollars)

	Notes	Contributed Capital	Statutory Reserve Fund	Revaluation Reserve	Accumulated Losses	Total
		$	$	$	$	$
Balance as at December 31, 2021	10	32,819,185	176,923	960,287	(2,124,673)	31,831,722
Net Income (Loss) for the Year		-	-	-	(826,630)	(826,630)
Transfer to Reserves	11	-	-	-	-	-
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
Net Income (Loss) for the Period		-	-	-	(1,517,128)	(1,517,128)
Transfer to Reserves	11	-	-	-	-	-
Remeasurements of defined benefit obligation	12	-	-	-	(14,000)	(14,000)
Capital Contribution	10	4,500,000	-	-	-	4,500,000
Balance as at December 31, 2023		**41,819,185**	**176,923**	**960,287**	**(4,482,431)**	**38,473,964**

The accompanying notes are an integral part of these financial statements

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, 2023, the Bank had sixteen (16) employees (2022: 16).

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.

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.

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 Motor	3 years
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, 2023, no impairment loss needs to be recognized in relation to the building as the changes in the local real estate market did not have a negative impact on the carrying value of the building. The 2023 and 2022 statistics indicate that the Cayman Islands real estate market continues to be robust, evidenced by the healthy demand for property on island. While the number of real estate transactions fell in 2023, the value of properties continued to increase. 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.

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, 2023, 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, 2023, financial liabilities comprise of accounts payable and accrued liabilities and lease liability. All financial assets and liabilities as of December 31, 2023 are non-derivative financial instruments and are measured at amortized cost based on the conditions above.

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.

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 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 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 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.

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, 2023 and 2022, the Bank has recorded the allowance for ECL 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.

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
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
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 PD, 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.

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 55.34%. The forecast unemployment rate for Cayman Islands would go up to 2.10%, with inflation higher than seen in several decades which is contributing to the cost of living crisis and tightening financial conditions in most regions.

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 be at its lowest in recent years, which is current year 0.22% - weighted at 3.51%
- Base case – Stable economic position, the PD will remain at its 2023 level of 0.22% - weighted at 9.98%
- Worst case – Degrading economic position, in line with the expectation of increasing unemployment, resulting in a PD of 4.59% - weighted at 86.51%

The scenario weightings were determined by assuming the macroeconomic factor (i.e. unemployment rate) will vary following a normal distribution around the 14-year average. The best-case weighting was calculated as the probability that the unemployment rate will be at least 2.1%, the base case where the unemployment rate would be between 2.10% and 4.0% and the worst case where the unemployment will exceed 4.0%.

The scenario weighted 12-month PD is 4.00%.

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.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Summary of Significant Accounting Policies (continued)

New and Amended International Financial Reporting Standards

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 have no material impact on the financial statements.

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.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, are not expected to have an impact on the Bank's disclosures of accounting policies, measurement, recognition or presentation of any items in the Bank's financial statements.

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:

	2023 $	2022 $
Current and Savings Accounts	5,064,109	6,539,763
Short-term fixed deposit (net of ECL of $84)	6,168,285	4,999,477
Cash held on behalf of the Education Council Scholarship Fund	75,262	116,565
Total	**11,307,656**	**11,655,805**

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, 2023		
Fixed Deposit	-	-
Expected credit loss allowance	-	-
Net Balance	**-**	**-**
As of December 31, 2022		
Fixed Deposit	4,021,521	4,021,521
Expected credit loss allowance	(430)	(430)
Net Balance	**4,021,091**	**4,021,091**

Expected credit loss allowance on fixed deposits
Total expected credit loss on fixed deposits, all with maturities of 6 months or less is Nil (2022: $430). 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, 2023, was 3.92% (2022: 1.49%). The deposits had an average maturity of 37 days (2022: 107 days). Interest income earned on fixed deposits for the year ended December 31, 2023, amounted to $297,475 (2022: $165,232).

5. TERM DEPOSITS, LOAN INTEREST AND OTHER RECEIVABLES

The balances as of December 31 are as follows:

	December 31, 2023	December 31, 2022
	$	$
Loan interest receivable	44,112	48,740
Deposit interest receivable	50,851	30,939
Late fee receivable	(181)	(81)
Other	4,722	21,587
Total	**99,504**	**101,185**

DEPOSITS ON ASSETS

Total deposit on assets relates to purchase of property and equipment during the years ended December 2018 through December 2023 for which projects were still in progress as of December 31, 2023. Subsequent to year end, amounts for completed projects will be transferred to the relevant property and equipment cost account.

	December 31, 2023	December 31, 2022
	$	$
Furniture and equipment	7,480	7,480
Total	**7,480**	**7,480**

PREPAID EXPENSES

Prepaid expenses as of December 31 comprise the following:

	December 31, 2023	December 31, 2022
	$	$
Software maintance	28,029	24,544
Insurance	18,786	17,283
Other	1,899	4,069
Total	**48,714**	**45,896**

6. LOANS TO CUSTOMERS

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

	2023	2022
	$	$
Mortgages	18,274,046	12,956,860
Business Loans	2,034,823	2,239,957
Student Loans	1,266,609	1,607,199
Debt Consolidation	2,135,312	2,306,452
Staff Loans	1,054,144	999,498
2020 Micro & Small Business Loan Interruption Program	378,579	635,994
SME 2015 Loan Program	572,601	680,586
NHDT Mortgages	1,197,295	778,315
Financial Stimulus	528,840	565,426
2015 Debt Consolidation Loan Program	3,239	22,323
Home Energy Loan Program (HELP)	11,373	13,993
Other Loans	4,814	9,435
	27,461,675	**22,816,038**
Less: Expected Credit Loss Allowance	(367,871)	(555,313)
Total Net Balances	**27,093,804**	**22,260,725**

	2023	2022
	$	$
Loans to Customers		
Short Term Portion	747,453	1,015,373
Long term Portion	26,714,222	21,800,665
Total	**27,461,675**	**22,816,038**
Expected Credit Loss Allowance		
Short Term Portion	(86,055)	(95,554)
Long term Portion	(281,816)	(459,759)
Total	**(367,871)**	**(555,313)**

Loans to customers' maturity analysis

	2023	2022
	$	$
0 – 3 Months	608,485	762,377
4 – 12 Months	138,967	252,996
1 – 5 Years	2,219,604	2,403,746
Over 5 Years	24,494,619	19,396,919
Total	**27,461,675**	**22,816,038**

6. LOANS TO CUSTOMERS (CONTINUED)

Expected Credit Loss Allowances as of December 31, 2023

Stages	Principal Balance $	ECL Allowance $
Stage 1: Provision 12 month ECL performing loans	21,240,848	2,760
Stage 2: Provision lifetime ECL performing loans	1,131,111	1,238
Stage 3: Provision ECL credit impaired loans	5,089,716	363,873
Total	**27,461,675**	**367,871**

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**

As at December 31, 2023, the Bank had loan commitments amounting to $449,581 (2022: $697,203). 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

	2023 $	2022 $
Balance at beginning of year	555,313	727,640
Remeasurement	(79,387)	11,948
Loans previously provided for written off	(108,055)	(184,275)
Total	**367,871**	**555,313**

Interest Income on Loans to Customers

	2023 $	2022 $
Peforming loans	1,072,970	721,980
Non-performing loans	166,187	92,959
Total	**1,239,157**	**814,939**

6. LOANS TO CUSTOMERS (CONTINUED)

Performing and Non-Performing Loans December 31, 2023

	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	15,463,457	597,579	981,604	1,190,315	1,054,144	368,077	572,601	1,197,295	491,850	-	11,373	4,814	**21,933,109**
Non-Performing Loans	2,810,589	1,437,244	285,005	944,997	-	10,502	-	-	36,990	3,239	-	-	**5,528,566**
Gross Total Loans	**18,274,046**	**2,034,823**	**1,266,609**	**2,135,312**	**1,054,144**	**378,579**	**572,601**	**1,197,295**	**528,840**	**3,239**	**11,373**	**4,814**	**27,461,675**

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**

The average interest yield during the period on loans to customers was 4.93% (2022: 4.01%). Impaired loans as of December 31, 2023 amounted to $5,528,566 (2022: $5,916,040) and interest taken to income on impaired loans during the period amounted to $166,187 (2022: $92,959).

6. LOANS TO CUSTOMERS (CONTINUED)

Ageing Analysis of Past Due but not Impaired Loans
As of December 31, 2023

	Mortgages $	Business Loans $	Debt Consolidation $	SME 2015 Loan Program $	2015 Debt Consolidation $	Student Loans $	Financial Stimulus $	NHDT Mortgagaes $	2020 Micro & Small Business Loan Interruption Program $	Total $
30 days and less	1,770,416	-	-	7,134	-	211,996	121,309	-	140,433	**2,251,288**
31 to 60 days	471,119	-	-	-	-	33,357	-	-	5,163	**509,639**
61 and less than 90 days	275,342	-	-	-	-	30,533	-	-	11,081	**316,956**
	2,516,877	**-**	**-**	**7,134**	**-**	**275,886**	**121,309**	**-**	**156,677**	**3,077,883**

As of December 31, 2022

	Mortgages $	Business Loans $	Debt Consolidation $	SME 2015 Loan Program $	2015 Debt Consolidation $	Student Loans $	Financial Stimulus $	NHDT Mortgagaes $	2020 Micro & Small Business Loan Interruption Program $	Total $
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**

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 $120,693 (2022: $1,037,962). As of December 31, 2023, and subsequent to December 31, 2023, the loans restructured during the period remain active.

Repossessed 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 repossess 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, 2023, amounted to $5,927,000 (2022: $4,614,000).

7. PROPERTY AND EQUIPMENT

2023

Cost	Building	Motor Vehicles	Computers	Furniture and Office Equipment	Total
	$	$	$	$	$
At January 1, 2023	1,300,000	29,880	554,206	131,352	2,015,438
Additions	-	-	4,487	820	5,307
Disposals	-	-	-	(36,570)	(36,570)
At December 31, 2023	1,300,000	29,880	558,693	95,602	1,984,175
Accumulated Depreciation					
At January 1, 2023	57,779	29,880	534,726	114,009	736,394
Depreciation charge for the year	28,889	-	12,091	8,122	49,102
Depreciation written back due to revaluation surplus	-	-	-	-	-
Disposals	-	-	-	(36,570)	(36,570)
At December 31, 2023	86,668	29,880	546,817	85,561	748,926
Net Book Value – December 31, 2023	**1,213,332**	-	**11,876**	**10,041**	**1,235,249**
Net Book Value – December 31, 2022	**1,242,221**	-	**19,480**	**17,343**	**1,279,044**

2022

Cost	Building	Motor Vehicles	Computers	Furniture and Office Equipment	Total
	$	$	$	$	$
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	28889	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**

7. PROPERTY AND EQUIPMENT (CONTINUED)

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 2021 to August 2022 is US$26,564 and for September 2022 to August 2023 is US$28,679.

Movement in Revaluation Reserve – Building

	2023 $	2022 $
Balance brought forward	960,287	960,287
Revaluation surplus (deficit)	-	-
Revaluation reserve balance carried forward	**960,287**	**960,287**

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. The Bank recognizes right-of-use assets at the commencement date of the lease (that is, the date that the underlying asset is available for use). 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 reducing
b) 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

	2023	2022
	$	$
Cost - warehouse storage unit b/fwd under previous lease, January 1	20,554	28,789
Less accumulated depreciation January 1	(3,425)	(25,910)
Less depreciation for current year	(7,104)	(2,879)
Balance at December 31	**10,025**	**-**

Lease Liability

Maturity Analysis

	$	$
Due in less than one year	6,776	6,739
Due in one to two years	-	6,961
Due in two to five years	4,121	3,577
Due over five years **Total**	-	-
	10,897	**17,277**

Interest expense recognized on lease liability for the year amounted to $819 (2022: $453). Total lease payments for the year amounted to $7,200.

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:

	2023	2022
Funds in hand for payment of fees on behalf of customers	67,254	92,935
Professional fees	117,891	80,500
Accrued leave liability	13,406	13,341
Credit card	6,404	8,491
Other payables	3,354	9,406
Total	**208,309**	**204,673**

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, 2023, the amount of contributed capital of $41,819,185 (2022: $37,319,185) amounted to 84% (2022: 75%) 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, 2023, the Bank received $4,500,000 in contributed capital from the Cayman Islands Government (2022: $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 $41.8 Million). There was no transfer to the Reserve Fund for year ended December 31, 2023 as the Bank made a net loss of $(1,531,128) (2022: $(826,630)). As of December 31, 2023, the Statutory Reserve Fund has a balance of $176,923 (2022: $176,923).

12. PENSION AND OTHER POST-RETIREMENT BENEFITS

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.

12. PENSION AND OTHER POST-RETIREMENT BENEFITS (CONTINUED)

Defined Pension 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, 2023 was $148,622 (2022: $141,608). 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).

Pension contributions are paid for all eligible employees on their pensionable emoluments. The Bank's 16 employees (2022: 16) 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:

		2023	2022
Defined Pension Contribution Plans	Employee	6%	6%
	Employer	6.4%	6.4%

Healthcare

CIDB provides post-retirement healthcare for retired employees. To be eligible, employees must meet the following criteria at retirement: must retire from CIDB at the age of 65 and must have worked for at least 10 years with CIDB prior to retirement. The benefit is for employees only and does not extend to spouse or dependents. The health insurance premium cost for retirees is paid annually by CIDB. In accordance with IAS 19, CIDB uses the actuarial valuation method to determine the present value of its health insurance benefit obligations to eligible retired employees and the related service cost plus interest. IAS 19 requires that the funded or unfunded post-employment benefits are recognized in the statement of financial position and the statement of comprehensive income.

Post retirement healthcare benefit obligations are estimated using the Projected Unit Credit method. Under this method, each participant's benefits under the program are attributed to years of service, taking into consideration projection of benefit costs. Thus, the estimated total benefit to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

A description of the calculation follows:

- An individual's estimated accrued benefit for valuation purposes is the projected benefit at the full eligibility date, or current age if later, multiplied by the ratio of service at the valuation date over service at the full eligibility date.
- Service for this purpose is measured from the later of date of hire and age 55. The full eligibility date for this plan is the minimum of age 65 with 10 years of continuous service.
- The benefit attributed to an individual's service during a plan year is the excess of the attributed benefit for valuation purposes at the end of the plan year over the attributed benefit for valuation purposes at the beginning of the plan year. Both attributed benefits are estimated from the same projections to the various anticipated separation dates.
- An individual's estimated benefit obligation is the present value of the attributed benefit for valuation purposes at the beginning of the plan year, and the service cost is the present value of the benefit attributed to the year of service in the plan year.

In all cases, the post-retirement healthcare benefit obligation is the total present value of the individuals' attributed benefits for valuation purposes at the measurement date, and the current service cost is the total present value of the individuals' benefits attributable to service during the year.

12. PENSION AND OTHER POST-RETIREMENT BENEFITS (CONTINUED)

Healthcare (Continued)

Treatment of actuarial gains and losses: Upon the first recognition of the post-retirement healthcare program, there would be no actuarial gains and losses present. Actuarial gains and losses will arise at the end of the first fiscal year and in subsequent years to reflect changes in the actuarial liability due to changes in experience and assumptions. Gains and losses will be recognized in other comprehensive income as they arise.

Defined benefit cost measurement: The defined benefit cost charged to profit or loss is budgeted for at the start of each reporting period using actuarial assumptions fixed at the start of the period. The components of the defined benefit cost are the service cost (including past service cost) and interest cost.

Unfunded Post-Retirement Healthcare Liability
On March 16, 2023, the Board of Directors of CIDB approved post-retirement healthcare benefit for CIDB's future retiring employees. CIDB contracted actuary, Mercer of Canada, to conduct an actuarial valuation of the post-retirement healthcare plan as of March 31, 2023 and December 31, 2023.

The estimated accounting liability and defined benefit cost, prepared in accordance with IAS 19 are summarized in the table below.

Actuarial Liability	**December 31, 2023**		
	$		
Define benefit obligation	1,034,000		
Fair value of plan assets	-		
Net defined benefit liability (asset)	**1,034,000**		
Defined benefit cost			
Past service cost	879,000		
Current service cost	106,000		
Interest cost	35,000		
Total defined benefit cost	**1,020,000**		
Remeasurements (recognized in other comprehensive income)			
Effect of changes in financial assumptions	16,000		
Effect of experience adjustments	(2,000)		
Total remeasurements included in OCI	**14,000**		
Total defined benefit cost recognized in P&L and OCI	**1,034,000**		

12. PENSION AND OTHER POST-RETIREMENT BENEFITS (CONTINUED)

Unfunded Post-Retirement Healthcare Liability (Continued)

The principal financial and demographic assumptions used to determine the estimates at 31 March 2023 are shown in the table below.

Economic Assumptions	31 March 2023
Discount rate	5.25% per annum Based on high-quality US corporate bond yields at 31 March 2023 due to strong economic and currency links between the US and Cayman Islands.
Administrative expenses	Included in projected premiums
Rate of medical inflation	Healthcare – 5.2% per annum in 2023 reducing to an ultimate rate of 4.0% per annum over 22 years Dental – 4.0% per annum Vision care – 0.0% per annum Based on Mercer US November 2011 healthcare trend rate study

Demographic Assumptions	31 March 2023
Current mortality rates	RP-2014
Future mortality improvements	Scale MP-2021

Demographic Assumptions	31 March 2023
Turnover and retirement assumptions	The probability of an employee staying with CIDB until age 60 or age 65 is summarized below. If an employee leaves CIDB prior to age 60, they are assumed to have terminated employment. Employees leaving at age 60 or 65 are assumed to retire. No turnover or retirement is assumed between ages 60 and 65.

	Age at Retirement	
Current Age	Age 60	Age 65
< 29	60%	40%
30-39	80%	60%
40-49	100%	80%
50+	100%	100%

Current healthcare claims cost assumption (at age 65)	Based on BritCay premium rates, adjusted to average age 65. Health - $8,560 per participant Dental - $420 per participant Vision - $60 per participant
Healthcare coverage - future pensioners	Male - 27% single, 73% family Female - 50% single, 50% family
Healthcare utilization changes due to age	Current Mercer US Aging Model

12. PENSION AND OTHER POST-RETIREMENT BENEFITS (CONTINUED)

Unfunded Post-Retirement Healthcare Liability (Continued)

Significant actuarial assumptions	
Weighted-average assumptions to determine defined benefit obligation	
Discount rate	5.15%
Health care cost trend rates	
Immediate trend rate	5.20%
Ultimate trend rate	4.00%
Year rate reaches ultimate trend rate	2045
Weighted-average assumptions to determine defined benefit cost	
Discount rate	5.25%
Health care cost trend rates	
Immediate trend rate	5.20%
Ultimate trend rate	4.00%
Year rate reaches ultimate trend rate	2045

Sensitivity analysis	
Present value of defined benefit obligation	
Discount rate - 25 basis points	1,076,000
Discount rate + 25 basis points	993,000
Health care cost trend rates - 100 basis points	879,000
Health care cost trend rates + 100 basis points	1,222,000
Post-retirement mortality assumption - 10%	1,081,000
Post-retirement mortality assumption + 10%	992,000
Duration of defined benefit obligation	
Weighted average duration of defined benefit obligation (in years)	16.87

Expected cash flows for following year	
1. Expected employer contributions	9,000
2. Expected total benefit payments	
Year 1	9,000
Year 2	19,000
Year 3	21,000
Year 4	33,000
Year 5	46,000
Next 5 years	357,000

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, up until December 31, 2023, CIDB received annual capital injection of $4.5 Million from Government that went towards the repayment of a long-term debt that was held with a local financial institution; this debt was fully repaid in December 2023. As such, no dividends have been accrued in these financial statements for year ended December 31, 2023 (2022: 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.

13. RELATED PARTY TRANSACTIONS (CONTINUED)

b) Transaction with the Cayman Islands Government

Section 36(1) of the 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. The Bank did not accrue any capital charge payable for financial year 2023. 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 receives $40,451 annually for services provided to the Ministry of Education and, which are outlined in a purchase agreement between CIDB and the Cayman Islands 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.

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, 2023 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, 2023 and 2022 is as follows:

	2023 $	2022 $
Education Council Scholarship Fund	75,262	116,565
Total	**75,262**	**116,565**

c) Transactions with Members of Management and Staff

During the year ended December 31, 2023, CIDB had five key management personnel positions which consisted of the General Manager, Financial Controller, Senior Manager Administration Operations and IT, Senior Risk Manager and Senior Credit Manager. The total compensation received by key management personnel for the year ended December 31, 2023 totaled $721,345 (2022: $694,998), 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, 2023 amounted to $63,066 (2022: $63,052). As at December 31, 2023, Senior Management held loans totaling $494,849 (2022: $412,236); 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, 2023 amounted $20,540 (2022: $20,413).

As of December 31, 2023, the total staff loan balance is $1,054,144 (2022: $999,498). 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, 2023, the Bank made provision for impairment losses of $136 relating to an unsecured loan owed by one member of Senior Management (2022: Nil).

13. RELATED PARTY TRANSACTIONS (CONTINUED)

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

The Directors Fees of $113,000 (2022: $111,000) relate to the monthly fee 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, $2,000 and $1,500 for the Chair, Deputy Chair and Directors respectively.

As of December 31, 2023, the Chairman of the Board of Directors is a guarantor for one loan (2022: two loans) to customers. The total loan principal outstanding at December 31, 2023 on these loans was $20,578 (2022: $50,996).

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 $27,093,804 represents the maximum exposure to credit risk as of December 31, 2023 (2022: $22,260,725) 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, 2023, the total net cash and equivalents of $11,307,656 (2022: $11,655,805) and net long-term fixed deposit of Nil (2022: $4,021,091) 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.

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, 2023, amounted to
$159,896 (2022: $182,504). All borrowing costs incurred during the period have been expensed. The credit facility was fully repaid in December 2023.

Terms and Principal Repayment Debt Schedule as at December 31, 2022 (Prior Year)

	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%					
TOTAL	3,544,747	3,544,747	0	-	-
	3,544,747	**3,544,747**	**0**	**-**	**-**

16. OTHER SIGNFICANT EXPENSE ITEMS

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

a) Salaries and Other Staff Benefits

	2023	2022
	$	$
Salaries	1,244,916	1,157,528
Medical Expenses	360,634	300,519
Pension Cost – Defined Contribution Plan	148,622	141,608
Recruitment and Other Related Expenses	10,381	21,254
	1,764,553	**1,620,909**

b) Accommodation Costs

	2023	2022
	$	$
Strata Fees	34,280	34,280
Electricity	33,887	29,473
Telephone	14,867	13,361
Insurance-Contents	7,573	6,653
Janitorial Costs	10,800	10,800
Other	40,101	35,900
	141,508	**130,467**

c) Professional Fees

	2023	2022
	$	$
Professional fees	129,157	20,138
Audit fee	86,000	75,000
Membership fees	1,513	750
	216,670	**95,888**

17. STATEMENT OF CONTINGENT LIABILITIES AND COMMITMENTS

The Bank had no known contingent liabilities at December 31, 2023 (2022: Nil). At December 31, 2023 and 2022, 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 $24,090 (2022: $23,164). As at December 31, 2023, the Bank had loan commitments amounting to $449,581 (2022: $697,203). 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. EVENTS AFTER THE REPORTING DATE

Subsequent to December 31, 2023, there are no events or matters that require disclosure in the financial statements.