ansa MERCHANT BANK LIMITED

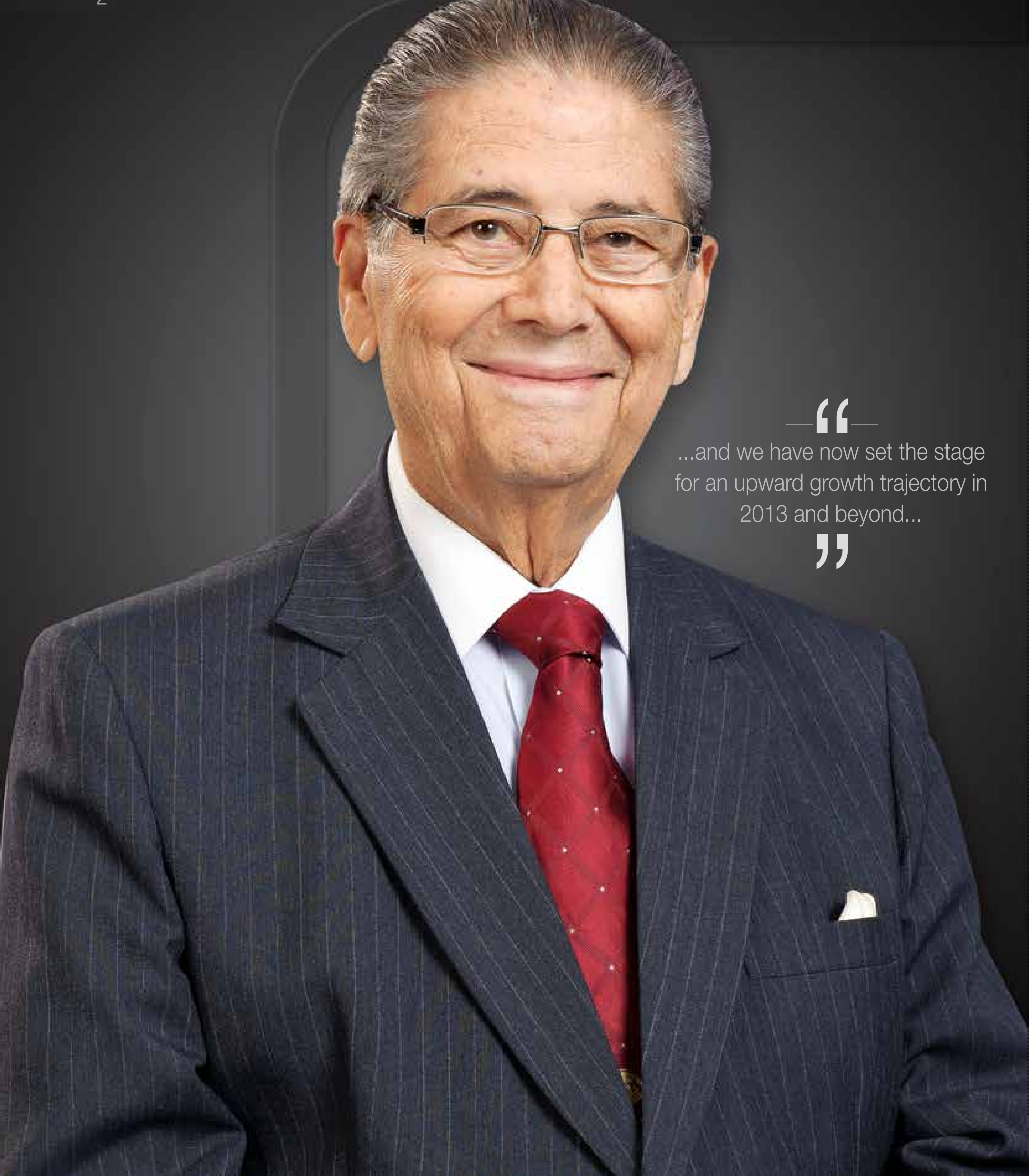
ANNUAL REPORT 2012

35
YEARS
1977-2012

BOUNDLESS FAITH

Contents

Chairman's Report 2012



"...and we have now set the stage for an upward growth trajectory in 2013 and beyond..."

In 2012 a very strong operating performance was delivered across all the business lines in ANSA Merchant Bank and its Insurance subsidiaries with marked progress over the prior year. Conservative non-cash provisions in our lending and investment portfolios however resulted in lower earnings recorded in 2012 compared to 2011.

Earnings Before Tax in 2012 was 17% lower at $190 million (2011: $230 million). Profit Attributable to Shareholders was 18% lower at $150 million (2011: $184 million). Earnings Per Share (EPS) for 2012 was $ $1.75 (2011: $2.18). The performance in 2012 was derived due to a conservative stance on the treatment of the investment and lending portfolios to provide for potential volatility as the suboptimal economic conditions linger.

Directors have approved a final Dividend of 70 cents per share representing a total payout for the year of 85 cents, approximately 48% of earnings. The total Dividend pay-out remains the same as prior year.

Investment Banking

2012 was another steady year for our Investment Banking business with increased volumes and profitability derived by working closely with our customers to create value for them by introducing new products and services. Healthy competition continued among investment banking firms due to an environment of reduced capital market activity. Our approach remains focused on risk management and innovation, as we continue to interact with the market and other players to build value and further develop the capital market in a sustainable manner.

Investments

The local equity component of our portfolios performed favorably throughout 2012 in line with the local market, however we continued to experience declining yields in the local fixed income market. Our foreign portfolios were realigned during 2012 in order to take a more conservative stance in response to increased market volatility and this resulted in modest, but stable results throughout the year.

Asset Finance

Asset Finance remains one of our core contributors to our business. Our unique product offering and convenient, and efficient turnaround time has maintained our market leader position as a premier asset finance company. New business volumes increased an additional 27% in 2012, showing compounded growth of 55% since the close of 2010. We continue to innovate with our affiliates and subsidiaries to create value for our customers.

Mutual Funds

In 2005 we introduced to the market our first Mutual Fund and since this time, the market has continued to embrace our offerings. Our most recent funds, the ANSA TT$ and US$ Income Funds continued to grow in 2012 with increases of TTD 256 million and USD 5 million to reach AUMs of TTD 448 million and USD 18 Million respectively. This business line has grown steadily generating better individual returns for investors and is providing acceptable compensation for the Bank.

Tatil

Our General Insurance Company generated Profit Before Tax of $80 million, reflecting an increase of 10% over 2011 driven by our insurance operations and investment returns. Our underwriting results improved by 40% over 2011 due to increases in our net retained income, but more so due to reduced claims cost which fell by 20%. We also benefited from a 10% growth in returns on our investment portfolio.. Our Net Assets increased by 10% to $415 million and our AM Best Rating was reaffirmed to A (-) with a Stable Outlook.

Tatil Life

Our focus on growing the top line through the continuous development of the sales force continued to show results in 2012 with growth of $15.8 million (17%) in Premium Income. Our approach to investment management was also favourable this year, resulting in year over year growth of 64% in investment income to $82 million (2011 - $50 million). Our policyholders' liabilities grew to $73 million during the year, supported by our asset growth of $93 million and a $15 million increase in Net Assets.

Conclusion

Overall we reflected a less than ideal performance in 2012 largely due to our conservative provisioning stance on our investment and lending assets, which was in line with most of the banking and investing community. However, we were still able to create value for our customers and shareholders despite the backdrop of a sluggish economic climate.

We are pleased to note internal leadership promotions which resulted in a new Managing Director for the Bank and Chief Executive for Tatil Life, both individuals having significant careers in financial services and established track records in the Company. At the same time we note the resignations of Varun Maharaj and Nigel Romano and thank them for their valuable contributions during their tenure.

We are satisfied that our performance in 2012 will set the stage for continued sustainability and we have now set the stage for an upward growth trajectory in 2013 and beyond.

Anthony N. Sabga
ORTT, CMT, Hon.LL.D (UWI)
Chairman

Board of Directors

Back: Ian E. Welch, Jeremy Matouk, Gregory N. Hill (Managing Director), Nicholas W.S. Owen
Front: Timothy Hamel-Smith, Kathleen Galy (Executive Director), Ray A. Sumairsingh (Deputy Chairman), Anthony N. Sabga (Chairman), Chip Sa Gomes (Sector Head-Financial Services, ANSA McAL Ltd), Judy Chang

Financial Highlights

FOR THE YEAR ENDED 31ST DECEMBER, 2012
(Expressed in thousands of Trinidad & Tobago dollars)

2008 - 2012 ($000's)	Dec-12	Dec-11	Dec-10	Dec-09	Dec-08
ANSA Merchant Bank Consolidated					
Profit Before Tax	189,812	229,680	225,995	227,574	54,291
Profit After Tax and Minority Interest	149,632	183,616	174,607	193,316	50,206
Total Assets	5,531,354	5,449,049	5,121,300	4,826,555	4,391,479
Actual Number Of Issued Shares	85,605	85,605	85,605	85,605	85,605
Weighted Average Number Of Shares	85,605	84,185	84,185	84,185	84,185
Return On Average Assets	2.73%	3.47%	3.51%	4.19%	1.25%
Return On Average Shareholders' Equity	10.06%	13.15%	13.59%	17.50%	4.85%
Dividends	72,764	72,764	72,764	72,764	25,682
Earnings Per Share ($)	1.75	2.18	2.07	2.30	0.60
Dividends Per Share ($)	0.85	0.85	0.85	0.85	0.30
Net Book Value Per Share ($)	17.84	17.19	15.99	14.53	11.72
ANSA Merchant Bank (Parent)					
Net Interest Income	161,880	189,058	175,369	147,332	131,084
Efficiency Ratio	19.53 %	14.18%	16.72%	19.38%	22.97 %
Risk Adjusted Capital Ratio	40.7 %	36.9%	35.6%	33.2%	38.7%
Trinidad & Tobago Insurance (TATIL)					
Net Premium Income	178,953	174,496	176,939	178,230	178,831
Underwriting Profits	47,989	42,655	23,785	21,978	42,611
Net Retention	61%	58%	61%	65%	65%
Claims Ratio	41%	47%	59%	59%	49%
Combined Ratio	82%	83%	94%	93%	81%
TATIL Life Assurance					
# of Field Force Agents	100	96	86	67	75
Annual Premium Income (A.P.I.) $	21,267	20,055	21,334	16,870	15,575
Avg API/ Agent ($)	213	209	248	252	208
Persistency	87	88	87	82	89

Independent Auditors' Report

to the shareholders of ANSA Merchant Bank Limited

We have audited the accompanying financial statements of ANSA Merchant Bank Limited ("the Parent") and its subsidiaries ("the Group") which comprise the separate and consolidated statements of financial position as at 31 December 2012, separate and consolidated statements of income, separate and consolidated statements of comprehensive income, separate and consolidated statements of changes in equity and separate and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the separate and consolidated financial statements ("the financial statements") give a true and fair view of the financial position of the Parent and the Group as at 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Port of Spain,
TRINIDAD:
26 March 2013

Statement of Financial Position

AS AT 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

Parent			Notes	Group	
2011	2012			2012	2011
		Assets			
316,627	279,430	Cash and short-term funds	4	806,035	484,623
–	–	Fixed deposits		26,586	21,390
		Net investment in leased			
640,543	761,212	assets and other installment loans	5	760,866	640,089
436,144	401,598	Loans and advances	6	501,575	521,905
1,052,967	639,577	Investment securities	7	2,826,237	3,142,861
18,316	7,468	Interest receivable		26,908	42,051
–	–	Insurance receivables	10	47,328	37,082
14,869	9,932	Other debtors and prepayments	11	33,230	43,016
–	–	Reinsurance assets	21	84,579	125,138
4,559	11,163	Taxation recoverable		12,373	5,158
632,500	632,500	Investment in subsidiaries	12	–	–
–	–	Investment properties	13	128,943	119,469
3,448	4,229	Property and equipment	14	36,738	35,506
–	–	Goodwill	15	133,762	133,762
2,253	915	Deferred tax asset	16	11,192	9,364
8,100	8,507	Employee benefit asset	17	95,002	87,635
3,130,326	**2,756,531**	**Total assets**		**5,531,354**	**5,449,049**

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

AS AT 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

Parent 2011	Parent 2012		Notes	Group 2012	Group 2011
		Liabilities			
1,277,868	925,648	Customers' deposits and other funding instruments	19	1,767,421	1,767,792
52,611	9,343	Bank overdraft	4	9,343	55,871
47,822	119,607	Accrued interest and other payables	18	172,971	82,707
757,854	669,073	Debt securities in issue	20	669,073	757,854
–	–	Taxation payable		2,945	2,666
8,886	22,343	Deferred tax liability	16	138,597	119,121
380	434	Employee benefit obligation	17	3,548	3,129
–	–	Investment contract liabilities	21	160,150	156,795
–	–	Insurance contract liabilities	22	1,080,124	1,056,109
2,145,421	1,746,448	**Total liabilities**		4,004,172	4,002,044

The accompanying notes form an integral part of these financial statements.

Statement of Financial Position

AS AT 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

Parent			Notes	Group	
2011	2012			2012	2011
		Equity			
667,274	667,274	Stated capital	24	667,274	667,274
–	–	Treasury shares		–	(833)
87,868	99,183	Statutory reserve fund		99,183	87,868
–	–	Statutory surplus reserve		45,048	39,923
2,800	3,805	General loan loss reserve		3,805	2,800
(4,228)	(2,595)	Foreign currency reserve		(2,595)	(3,776)
231,191	242,416	Retained earnings		714,054	653,348
984,905	1,010,083	**Equity attributable to the equity holders of the parent**		1,526,769	1,446,604
–	–	**Non-controlling interest**		413	401
984,905	1,010,083	**Total equity**		1,527,182	**1,447,005**
3,130,326	**2,756,531**	**Total liabilities and equity**		**5,531,354**	**5,449,049**

The accompanying notes form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 26 March 2013 and signed on their behalf by:

Anthony N. Sabga
Director

Gregory N. Hill
Director

Statement of Income

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

Parent				Group	
2011	2012		Notes	2012	2011
–	–	Net insurance revenue	25	272,954	272,159
134,838	124,744	Finance charges, loan fees and other interest income	26	124,695	134,838
84,378	127,378	Investment income	27	287,667	172,366
53,075	43,889	Other income	28	61,840	79,218
272,291	296,011	**Total operating income**		747,156	658,581
–	–	Net insurance benefits and claims incurred	29	(200,957)	(181,518)
(79,201)	(67,521)	Interest expense	30	(89,398)	(97,612)
(7,026)	(65,410)	Provision for impairment of investments	31	(102,755)	(7,026)
4,195	–	Writeback of provision for guarantee reserve fund		–	4,195
(1,200)	(1,200)	Provision for losses on loans and advances		(1,200)	(1,200)
189,059	161,880	**Net operating income**		352,846	375,420
(15,266)	(12,772)	Marketing and policy expenses	32	(62,594)	(62,696)
(10,729)	(18,134)	Personnel expenses	33	(41,653)	(31,535)
(810)	(1,014)	Depreciation	14	(2,245)	(2,179)
(2,160)	(2,161)	Management fees		(11,186)	(9,478)
(9,087)	(10,373)	General administrative expenses	34	(45,356)	(39,852)
(38,052)	(44,454)	**Total selling and administration expenses**		(163,034)	(145,740)
151,007	117,426	**Net profit before taxation**		189,812	229,680
(30,100)	(22,494)	Taxation expense	35	(40,180)	(46,064)
120,907	94,932	**Profit for the year**		149,632	183,616
		Profit attributable to:			
120,907	94,932	Equity holders of Parent		149,620	183,600
–	–	Non-controlling interest		12	16
120,907	94,932			149,632	183,616
		Basic and diluted earnings per share		1.75	2.18
		Weighted average number of shares ('000)		85,605	84,185

The accompanying notes form an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

Parent			Group	
2011	2012		2012	2011
120,907	94,932	Profit for the year	149,632	183,616
(4,228)	1,633	Other comprehensive income/(loss)	1,181	(3,776)
116,679	**96,565**	**Total comprehensive income for the year, net of tax**	**150,813**	**179,840**
		Attributable to:		
116,679	96,565	Equity holders of the Parent	150,801	179,824
–	–	Non-controlling interest	12	16
116,679	**96,565**		**150,813**	**179,840**

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

Parent	Stated capital	Statutory reserve fund	Capital deficit	General loan loss reserve	Foreign currency reserve	Retained earnings	Total equity
Balance as at 31 December 2010	667,274	75,484	(95)	2,800	–	231,285	976,748
Impact of adopting IFRS 9 as at 1 January 2011	–	–	95	–	–	(31,572)	(31,477)
Adjusted balance as at 1 January 2011	667,274	75,484	–	2,800	–	199,713	945,271
Total comprehensive income	–	–	–	–	(4,228)	120,907	116,679
Transfer to statutory reserve fund	–	12,384	–	–	–	(12,384)	–
Dividends (Final 2010 and Interim 2011)	–	–	–	–	–	(77,045)	(77,045)
Balance as at 31 December 2011	667,274	87,868	–	2,800	(4,228)	231,191	984,905
Total comprehensive income	–	–	–	–	1,633	94,932	96,565
Transfer to general loan loss reserve	–	–	–	1,005	–	(1,005)	–
Transfer to statutory reserve fund	–	11,315	–	–	–	(11,315)	–
Dividends (Final 2011 and Interim 2012)	–	–	–	–	–	(72,724)	(72,724)
Other reserve movements	–	–	–	–	–	1,337	1,337
Balance as at 31 December 2012	**667,274**	**99,183**	**–**	**3,805**	**(2,595)**	**242,416**	**1,010,083**

Group	Stated capital	Treasury shares	Statutory reserve fund	Capital deficit	Statutory surplus reserve	General loan loss reserve	Foreign currency reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 31 December 2010	667,274	(16,362)	75,484	20,961	14,529	2,800	–	572,738	1,337,424	8,430	1,345,854
Impact of adopting IFRS 9	–	–	–	(20,961)	–	–	–	42,636	21,675	(8,045)	13,630
Adjusted balance as at 1 January 2011	667,274	(16,362)	75,484	–	14,529	2,800	–	615,374	1,359,099	385	1,359,484
Total comprehensive income	–	–	–	–	–	–	(3,776)	183,600	179,824	16	179,840
Other life insurance reserve movements	–	–	–	–	–	–	–	(2,055)	(2,055)	–	(2,055)
Sale of treasury shares	–	15,529	–	–	–	–	–	(29,915)	(14,386)	–	(14,386)
Transfer to statutory reserve fund	–	–	12,384	–	25,394	–	–	(37,778)	–	–	–
Dividends Final 2010 and Interim 2011)	–	–	–	–	–	–	–	(75,878)	(75,878)	–	(75,878)
Balance as at 31 December 2011	667,274	(833)	87,868	–	39,923	2,800	(3,776)	653,348	1,446,604	401	1,447,005
Total comprehensive income	–	–	–	–	–	–	1,181	149,620	150,801	12	150,813
Other life insurance reserve movements	–	–	–	–	–	–	–	(2,315)	(2,315)	–	(2,315)
Sale of treasury shares	–	833	–	–	–	–	–	–	833	–	833
Transfer to general contingency reserves	–	–	–	–	–	1,005	–	(1,005)	–	–	–
Transfer to statutory reserve fund	–	–	11,315	–	5,125	–	–	(16,440)	–	–	–
Dividends (Final 2011 and Interim 2012)	–	–	–	–	–	–	–	(72,724)	(72,724)	–	(72,724)
Other reserve movements	–	–	–	–	–	–	–	3,570	3,570	–	3,570
Balance as at 31 December 2012	**667,274**	**–**	**99,183**	**–**	**45,048**	**3,805**	**(2,595)**	**714,054**	**1,526,769**	**413**	**1,527,182**

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

Parent				Group	
2011	**2012**		**Notes**	**2012**	**2011**
		Cash flows from operating activities			
151,007	117,426	Profit before taxation		189,812	229,680
		Adjustments for:			
(318)	(353)	Employee benefits	17	(6,948)	(7,596)
810	1,014	Depreciation	14	2,245	2,179
7,027	65,410	Impairment on investments	31	102,755	7,027
(5,142)	(13,173)	Interest capitalised		(23,549)	(10,965)
1,200	1,200	Increase in provisions		1,200	1,200
(1,419)	(3,674)	Gain on revaluation of investments	27	(48,417)	(14,112)
–	–	Gain on revaluation of investment property	13	(9,474)	–
(2,315)	(31,765)	Gain on sale of investments and fixed assets	27	(40,109)	3,092
–	–	Write off of capital expenditure	34	6,900	–
(1,954)	13,096	Foreign exchange (gain)/loss		16,867	(5,635)
148,896	149,181	Operating profit before working capital changes		191,282	204,870
(44,690)	(86,123)	Increase in investment in leased assets and loans and advances		(100,447)	(40,719)
25,311	12,298	Decrease/(increase) in interest receivable and other debtors and prepayments		58,729	(40,124)
33,165	(352,220)	Increase/(decrease) in customers' deposits and other funding instruments and debt securities		(371)	156,910
(4,195)	–	Decrease in guarantee reserve fund		–	(4,195)
(18,304)	71,785	(Decrease)/increase in accrued interest and other payables		90,264	(111)
(3,365)	5,740	(Increase)/decrease in Central Bank reserve account		5,740	(3,365)
–	–	Increase in insurance and investment contracts		27,370	82,364
136,818	(199,339)			272,567	355,630
(28,970)	(15,213)	Taxes paid		(32,197)	(45,347)
107,848	(214,552)	Cash generated from/(used in) operating activities		240,370	310,283

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

(Continued)

Parent 2011	Parent 2012		Notes	Group 2012	Group 2011
		Cash flows from investing activities			
–	–	Placement of fixed deposits		(32,586)	(38,678)
–	–	Maturity of fixed deposits		27,496	42,596
96	–	Proceeds from sale of fixed assets		–	195
(1,276)	(1,795)	Additions to fixed assets and investment properties		(13,773)	(11,783)
(634,524)	(1,252,491)	Purchase of investments		(4,383,871)	(1,652,594)
600,452	1,642,154	Sale or maturity of investments		4,697,549	1,178,836
(35,252)	387,868	Net cash generated from/(used in) investing activities		294,815	(481,428)
		Cash flows from financing activities			
–	(88,781)	Repayment of debt securities		(88,781)	–
–	–	Re-issue of units		–	30,000
(77,045)	(72,724)	Dividends paid		(72,724)	(77,045)
(77,045)	(161,505)	Net cash used in financing activities		(161,505)	(47,045)
(4,449)	11,811	**Net increase/(decrease) in cash and cash equivalents**		373,680	(218,190)
215,545	211,096	**Cash and cash equivalents at the beginning of the year**		375,832	594,022
211,096	222,907	**Cash and cash equivalents at the end of the year**		749,512	375,832
		Represented by:			
263,707	232,250	Cash and cash equivalents		758,855	431,703
(52,611)	(9,343)	Bank overdraft		(9,343)	(55,871)
211,096	222,907		4	749,512	375,832
		Supplemental information:			
83,344	75,801	Interest and dividends received		123,724	161,455
76,056	69,423	Interest paid		71,977	100,865

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

1. Principal activities of the Group

ANSA Merchant Bank Limited ('the Bank' or 'Parent') was incorporated in the Republic of Trinidad and Tobago on 3 March 1977. Its registered office is located at ANSA Centre, 11 Maraval Road, Port of Spain. The Bank is licensed under the provisions of the Financial Institutions Act 2008 to carry on the following classes of business:

- Confirming House/Acceptance House
- Finance House/Finance Company
- Leasing Corporation
- Mortgage Institution
- Merchant Bank
- Trust Company
- Unit Trust
- Financial Services

The Bank has also been granted full Authorised Dealer Status by the Central Bank of Trinidad and Tobago under Section 5 of the Exchange Control Act, Chapter 79:50 and is authorised to take deposits, grant credit facilities and otherwise deal in foreign currency consistent with the terms of its licence.

The Bank has a primary listing on the Trinidad & Tobago Stock Exchange. The Bank was registered by the Trinidad and Tobago Securities and Exchange Commission as a reporting issuer on 18 December 1997 and was registered under the Securities Industries Act 1995 to conduct business as a securities company on 6 May 1999.

The ANSA Merchant Bank Group (the 'Group') is a financial services group comprising of five (5) subsidiaries. The Group is engaged in a wide range of banking and financial related activities and carries on all classes of long-term and short-term insurance business and the rental of property in Trinidad and Tobago and the Caribbean. A full listing of the Group's subsidiaries is detailed in Note 12. The ultimate parent of the Group is ANSA McAL Limited ("Ultimate Parent").

2. Significant accounting policies

i) Basis of preparation

These financial statements have been prepared on a historical cost basis, except for the measurement at fair value of trading investment securities, investment properties and other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest.

The financial statements are presented in Trinidad and Tobago dollars ($) which is the functional currency and all values are rounded to the nearest thousand, except when otherwise indicated.

Statement of compliance

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

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

2. **Significant accounting policies** (continued)

i) **Basis of preparation** (continued)

Presentation of financial statements

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

The Group presents its statement of financial position broadly in order of liquidity. Analysis regarding recovery or settlement in the 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 41.

Basis of consolidation

The consolidated financial statements comprise the financial statements of ANSA Merchant Bank Limited and its subsidiaries (including special purpose entities that the Bank consolidates) as at 31 December 2012. The financial statements of subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

During 2005, 2007, 2009 and 2010 respectively, the Bank established the ANSA Secured Fund, ANSA US$ Secured Fund, ANSA EURO Income Fund, ANSA TT$ Income Fund and ANSA US$ Income Fund (the "Funds") as open-ended mutual funds and acts as the sponsor, investment manager, administrator and distributor of the Funds.

Because the Bank (i) has established the Funds for a specific business purpose, (ii) has the ability to control the use of the Funds' assets, and (iii) retains the majority of the residual risks related to the Funds' assets pursuant to Standing Interpretations Committee SIC-12 - "Special Purpose Entities", the Bank has consolidated the Funds in these financial statements.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.The Parent accounts for investments in subsidiaries on a cost basis.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

ii) Changes in accounting policies and disclosures

IFRS 9 - Financial Instruments: Classification and Measurement

The Group has early adopted IFRS 9 effective 1 January 2011 and has chosen to apply the exemption given in the transitional provision for early application of IFRS 9 and hence did not restate comparative information in the year of initial application. Any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period was recognized in the opening retained earnings. The change in accounting policy was made in accordance with the transitional provisions of IFRS 9.

IFRS 9 - Financial Instruments: Classification and Measurement - Financial Assets

IFRS 9 introduces new classification and measurement requirements for financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement. Specifically, IFRS 9 requires all financial assets to be classified and subsequently measured at either amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

As required by IFRS 9, debt instruments are measured at amortised cost only if (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If either of the two criteria is not met, the debt instruments are classified as at fair value through statement of income (FVSI).

However, the Group may choose at initial recognition to designate a debt instrument that meets the amortised cost criteria as at FVSI if doing so eliminates or significantly reduces an accounting mismatch. In the current year, the Group has not elected to designate any debt instruments that meet the amortised cost criteria as at FVSI. Debt instruments that are subsequently measured at amortised cost are subject to impairment.

Investments in equity instruments are classified and measured as at FVSI except when the equity investment is not held for trading and is designated by the Group as at fair value through other comprehensive income (FVOCI). If the equity investment is designated as at FVOCI, all gains and losses, except for dividend income that is generally recognised in statement of income in accordance with IAS 18 Revenue, are recognised in other comprehensive income and are not subsequently reclassified to statement of income.

The change in accounting policy had a positive impact of \$0.30 on basic and diluted earnings per share for the period ended 31 December 2011.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

2. **Significant accounting policies** (continued)

ii) **Changes in accounting policies and disclosures** (continued)

New accounting policies adopted in the current year

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012 except for the standards and interpretations noted below:

IAS 1 Presentation of Items of Other Comprehensive Income - Amendments to IAS 1

This is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that would be reclassified (or recycled) to the statement of income at a future point in time (for example derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments do not change the nature of the items that are currently recognised in OCI, nor do they impact the determination of whether items in OCI are reclassified through statement of income in future periods.

IAS 12 Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets

This amendment is effective for annual periods beginning on or after 1 January 2012. The amendment to IAS 12 introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed, an own use basis must be adopted. The amendment also introduces the requirement that deferred tax on non-depreciable assets measured using the revaluation model of IAS 16 should always be measured on a sale basis.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. Except as otherwise stated, the Group does not expect the adoption of these standards to have a significant impact on its financial statements.

IFRS 1 Government Loans - Amendments to IFRS 1

This is effective for annual periods beginning on or after 1 January 2013. The IASB has added an exception to the retrospective application of IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement, as applicable) and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. These amendments require first-time adopters to apply the requirements of IAS 20 prospectively to government loans existing at the date of transition to IFRS.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

2. **Significant accounting policies** (continued)

ii) **Changes in accounting policies and disclosures** (continued)

Standards issued but not yet effective (continued)

IFRS 7 Disclosure - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7

This is effective for annual periods beginning on or after 1 January 2013. These amendments require an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set off in accordance with IAS 32.

IFRS 10 Consolidated Financial Statements, IAS 27 *Separate Financial Statements*

This is effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces the portion of IAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation - Special Purpose Entities resulting in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures and associates in separate financial statements.

IFRS 11 Joint Arrangements, IAS 28 Investments in Associates and Joint Ventures

This is effective for annual periods beginning on or after 1 January 2013. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities - Non-monetary contributions by Venturers. Joint control under IFRS 11 is defined as contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. The reference to "control" in "joint control" refers to the definition of "control" in IFRS 10.

IFRS 12 Disclosure of Interests in Other Entities

This is effective for annual periods beginning on or after 1 January 2013. IFRS 12 applies to an entity that has an interest in subsidiaries, joint arrangements, associates and/or structured entities. Many of the disclosure requirements of IFRS 12 were previously included in IAS 27, 28 and 31, while others are new.

The objective of the new disclosure requirements is to help the users of the financial statements understand the following:

- The effects of an entity's interests in other entities on its financial position, financial performance and cash flows;
- The nature of, and the risks associated with, the entity's interest in other entities.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

2. **Significant accounting policies** (continued)

ii) **Changes in accounting policies and disclosures** (continued)

Standards issued but not yet effective (continued)

IFRS 13 Fair Value Measurement

This is effective for annual periods beginning on or after 1 January 2013. IFRS 13 does not affect when fair value is used, but rather describes how to measure fair value where fair value is required or permitted by IFRS.

Fair value under IFRS 13 is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (i.e., an "exit price"). "Fair value" as used in IFRS 2 Share-based Payments and IAS 17 Leases is excluded from the scope of IFRS 13.

IAS 19 Employee Benefits (Revised)

This is effective for annual periods beginning on or after 1 January 2013. The revised standard includes a number of amendments that range from fundamental changes to simple clarification and re-wording. The more significant changes include the following:

- For defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed, as revised, actuarial gains and losses are recognized in OCI when they occur. Amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit asset (liability) are recognised in OCI with no subsequent recycling to profit or loss.
- Objectives for disclosures of defined benefit plans are explicitly stated in the revised standard, along with new or revised disclosure requirements. These new disclosures include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.
- Termination benefits will be recognised at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognised under IAS 37 Liabilities.
- The distinction between short-term and other long-term employee benefits will be based on expected timing of settlement rather than the employee's entitlement to the benefits.

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32

This is effective for annual periods beginning on or after 1 January 2014. These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

2. **Significant accounting policies** (continued)

ii) **Changes in accounting policies and disclosures** (continued)

Standards issued but not yet effective (continued)

IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32 (continued)

IAS 32 paragraph 42(a) requires that "a financial asset and a financial liability shall be offset when, and only when, an entity currently has a legally enforceable right to set off the recognized amounts." The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The amendments also clarify that rights of set-off must not be contingent on a future event.

The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendments clarify those only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. As at 31 December 2012, management is currently assessing the impact of this amendment and will adopt the standard when it becomes effective.

iii) **Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in the statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

2. **Significant accounting policies** (continued)

iii) **Business combinations and goodwill** (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

iv) **Cash and short-term funds**

Cash and short-term funds are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash on hand and at bank with original maturities of three months or less and subject to insignificant risks of change in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

v) **Statutory deposits with Central Bank**

Pursuant to the provisions of the Central Bank Act 1964 and the Financial Institutions Act 2008, the Bank is required to maintain with the Central Bank of Trinidad and Tobago statutory balances in relation to deposit liabilities and certain funding instruments of the institutions.

vi) **Financial instruments**

Financial assets

a) ***Initial recognition and subsequent measurement***

All regular way purchases or sales of financial assets are recognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

vi) Financial instruments (continued)

Financial assets (continued)

a) Initial recognition and subsequent measurement (continued)

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt instruments that are designated as at fair value through statement of income on initial recognition):

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

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments measured subsequently at amortised cost. Interest income is recognised in statement of income and is included in the "investment income" line item.

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

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

2. **Significant accounting policies** (continued)

vi) **Financial instruments** (continued)

Financial assets (continued)

a) ***Initial recognition and subsequent measurement*** (continued)

Financial assets at fair value through other comprehensive income (FVOCI) (continued)

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to statement of income on disposal of the investments.

Dividends on these investments in equity instruments are recognised in the statement of income when the Group's right to receive the dividend is established in accordance with IAS 18 *Revenue*, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised in the statement of income and are included in the 'investment income' line item (Note 27).

Financial assets at fair value through statement of income (FVSI)

Investments in equity instruments are classified as at FVSI, unless the Group designates an investment that is not held for trading as at FVOCI on initial recognition.

Debt instruments that do not meet the amortised cost criteria are measured at FVSI. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVSI are measured at FVSI. A debt instrument may be designated as at FVSI upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVSI when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVSI on initial recognition is not allowed.

Financial assets at FVSI are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the statement of income. The net gain or loss recognised in the statement of income is included in the 'investment income' line item (Note 27). Fair value is determined in the manner described in Note 38.

Interest income on debt instruments as at FVSI is included in the net gain or loss described above. Dividend income on investments in equity instruments at FVSI is recognised in the statement of income when the Group's right to receive the dividends is established in accordance with IAS 18 *Revenue* and is included in the net gain or loss described above.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

2. **Significant accounting policies** (continued)

vi) **Financial instruments** (continued)

Financial assets (continued)

b) ***Impairment of financial assets***

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For assets at amortised cost, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of income to the extent that the carrying amount of the investment at the date the impairment does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

2. **Significant accounting policies** (continued)

vi) **Financial instruments** (continued)

Financial assets (continued)

c) ***Derecognition of financial assets***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the statement of income.

On derecognition of a financial asset that is classified as FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to the statement of income, but is reclassified to retained earnings.

Financial liabilities

a) ***Initial recognition and subsequent measurement***

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through the statement of income , loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. The Group's financial liabilities include other payables, bank overdrafts, deposit liabilities and debt securities in issue.

The Group has not designated any financial liabilities upon initial recognition as at fair value through statement of income.

b) ***Derecognition of financial liabilities***

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

2. **Significant accounting policies** (continued)

vi) **Financial instruments** (continued)

Financial liabilities (continued)

b) Derecognition of financial liabilities (continued)

When 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, such an exchange or modification is treated as a derecognizing of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

vii) **Fair valuation of financial instruments**

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs at the close of business at the end of the reporting period for listed instruments.

For financial instruments not traded in an active market, the fair value is determined using appropriate internal valuation techniques. These pricing models consider, among other factors, contractual and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

viii) **Repurchase and reverse repurchase agreements**

Securities sold subject to a linked repurchase agreement ('repo') are retained in the financial statements as trading securities and the counterparty liability is included in amounts due to other banks, deposits from banks, or other deposits as appropriate. Securities purchased under an agreement to resell ('reverse repo') are recorded as loans and advances to other banks. The difference between the sale and repurchase price is treated as interest and accrued over the life of the repo agreement using the effective yield.

ix) **Derivative instruments**

The Group uses derivative financial instruments, such as forward contracts to hedge its foreign currency risks in its investment in Ansa Euro Income Fund.

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

ix) Derivative instruments (continued)

The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk. The Bank has credit exposure to the counterparties of forward contracts. The credit risk related to futures contracts is considered minimal because the cash margin requirements of the exchange help ensure that these contracts are always honoured. Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

The change in the fair value of a hedging derivative and the change in the fair value of the hedged item attributable to the risk hedged is recognised in the statement of income.

x) Product classification

Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. This contract is with and without discretionary participation features (DPF). For insurance contracts with DPFs, the guaranteed element has not been recognized separately.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

Investment contracts

Any contracts not considered insurance contracts under IFRS are classified as investment contracts. Deposits collected and benefit payments under investment contracts are not accounted for through the statement of income , but are accounted for directly through the statement of financial position as a movement in the investment contract liability.

xi) Insurance receivables

Insurance receivables are recognised when due. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income.

xii) Reinsurance assets

The Group assumes and cedes reinsurance in the normal course of business. Reinsurance assets primarily include balances due from reinsurance companies for ceded insurance liabilities. Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract. Premiums ceded and claims reimbursed are presented on a gross basis.

Notes to the Financial Statements

For the year ended 31st December 2012
(Expressed in Thousands of Trinidad and Tobago dollars)

2. **Significant accounting policies** (continued)

xii) **Reinsurance assets** (continued)

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance assets are impaired only if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract and it can be measured reliably.

xiii) **Taxation**

Current income tax
Tax on the statement of income for the year comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the taxable income for the year using the prevailing tax rate and any adjustment to tax payable for previous years.

Deferred tax
Deferred tax is provided using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable profit.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Tax on profit is charged at varying rates depending on the type of business that the individual entities are engaged in and the country in which they reside.

xiv) **Investment properties**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured using the cost model, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment properties are valued using the fair value model, which reflects market conditions at the reporting date.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of income in the period in which they arise.

Fair values are evaluated annually either by way of by an accredited external, independent valuator, applying a valuation model recommended by the International Valuation Standards Committee or valued by way of the Directors' who are experienced and qualified to conduct such valuations. Each property is externally valued at least once every three (3) years.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

xv) Property and equipment

Property and equipment are stated at historical cost net of accumulated depreciation and/or accumulated impairment loss, if any. Depreciation is provided on the reducing balance method at various rates sufficient to write off the cost of the assets over their estimated useful lives, with the exception of leasehold improvements, which are provided on a straight-line basis. All other repair and maintenance costs are recognised in the statement of income as incurred.

The rates used are as follows:	% per annum
Motor vehicles	25
Computer equipment	25 - 33⅓
Leasehold improvements	10
Office furniture, machinery and equipment	10 - 25

Depreciation is computed over the estimated useful life of the asset. Investment property which is owner occupied is accounted for as property and equipment.

xvi) Employee benefits

The Group's employees are covered by the Ansa McAL Pension Plan for Monthly Paid Employees. This is a contributory defined benefit plan that offers members' retirement benefits in accordance with the plan's Trust Deed and Rules. The pension plan is administered by trustees and the trust is entirely divorced from the Group's finances. The plan is funded by payments from employees and by the relevant Group companies, taking into account recommendations of independent, qualified actuaries.

The pension accounting costs for the plan are assessed using the projected unit credit method. Under this method the cost of providing pensions is charged to the statement of income so as to spread the regular cost over the service lives of the employees in accordance with the advice of the qualified actuary who carries out a full valuation of the plan every three years.

The Group also provides post-employment medical health benefits to their retirees. The entitlement to these benefits is based on the employee remaining in service up to retirement age, and the completion of the minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for the defined benefit plan.

Actuarial gains and losses are amortised in the statement of income over the expected average remaining working lives of the participating employees.

Pension benefits in respect of agents are being funded under a deposit administration contract in accordance with the advice of the actuaries.

Notes to the Financial Statements

For the year ended 31st December 2012
(Expressed in Thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

xvii) Insurance contract liabilities

Life insurance contract liabilities
The provision for a life insurance contract is calculated on the basis of a cash flow matching method where the expected cash flows are based on prudent assumptions depending on the circumstances prevailing.

The liability is determined as the sum of the discounted value of the expected benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the actual gross premiums that would be paid over the expected future lifetime of the contract. The liability is based on best estimate assumptions as to mortality, persistency, investment income and maintenance expenses that are expected to prevail over the life of the contract.

A margin for adverse developments is added to each best estimate assumption to provide a prudent estimate of possible future claims. Adjustments to the liabilities at each end of reporting period are recorded in the statement of income as an expense.

General insurance contract liabilities
General insurance contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at year end, whether reported or not. Significant delays can be experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, therefore the ultimate cost cannot be known with certainty at the end of the reporting period.

Provision for unearned premiums
The proportion of written premiums attributable to subsequent periods is deferred as unearned premium. The change in the provision for unearned premium is taken to the statement of income in the order that revenue is recognised over the period of risk.

Liability adequacy test
In accordance with IFRS 4, reserving for liabilities existing as at the statement of financial position date from property and casualty lines of business has been tested for adequacy by independent actuarial consultants using the Bornhuetter-Fergusson model.

The Bornhuetter-Fergusson model can be summarised as follows:

- This valuation method makes an independent estimate of the gross ultimate claims to a corresponding premium for each underwriting year based on expectations of claims arising from the gross premiums written in that year;
- It estimates a claim run-off pattern of how claims emerge year by year until all is known about the total ultimate claim;
- From the independent estimate of gross ultimate claims, the portion that relates to past periods is removed and the resultant balance is the gross claims yet to emerge.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

xvii) Insurance contract liabilities (continued)

Liability adequacy test (continued)

The independent actuaries concluded in their report dated 26 February 2013 that the carrying amounts of the insurance liabilities of the general insurance subsidiary as at 31 December 2012, in respect of IBNR claims and claims from unexpired contracts were adequate.

xviii) Provision for other liabilities

A provision is recognized when the Group has a present legal or constructive obligation, as a result of a past event, which could probably result in an outflow of resources and when a reliable estimate of the amount of the obligation can be made.

xix) Guarantee reserve fund

The Bank has guaranteed 100% return of the principal invested in Ansa Secured Fund and Ansa Secured Fund US$, subject to minimum period of investment and a fixed minimum yield on the units held subject to a defined period of time, established a the time of purchase.

The Bank establishes a guarantee reserve fund as a liability on its statement of financial position through the statement of income for any shortfalls that may arise in respect of either principal or interest under the guarantee. At each end of reporting period, the Bank values these guarantees and any changes required are adjusted accordingly through the statement of income.

xx) Revenue recognition

Loans and advances

Income from loans, including origination fees, is recognised on an amortised basis. Interest is accounted for on the accruals basis except where a loan becomes contractually three months in arrears where the interest is suspended and then accounted for on a cash basis until the loan is brought up to date.

Investment income

Interest income is recognised in the statement of income as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Investment income includes the amortisation of any discount or premium on the constant yield basis. Investment income also includes dividends and any fair value changes.

Interest income is accrued until the investment becomes contractually three months in arrears at which time the interest is suspended and then accounted for on a cash basis until the investment is brought up to date.

Rental income from investment property under operating leases is recognised in the statement of income on a straight line basis over the term of the lease.

Notes to the Financial Statements
For the year ended 31st December 2012
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2. **Significant accounting policies** (continued)

xx) **Revenue recognition** (continued)

Premium income
Premiums from life insurance contracts are recognized as revenue when payable by the policyholders. For single premium business this is the date from which the policy is effective. For non-life business, premiums written are recognized on policy inception and earned on a pro rata basis over the term of the related policy coverage.

Fees and commissions
Unless included in the effective interest calculation, fees are recognised on an accrual basis as the service is provided. Fees and commissions not integral to the effective interest arising from negotiating or participating in the negotiation of a transaction from a third party are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contract.

Other income and expenditure
Other income and expenditure, inclusive of borrowing costs, are brought into account on the accruals basis.

xxi) **Deposit insurance contribution**

The Central Bank and the Financial Institutions (Non-Banking) (Amendment) Act 1986 established a Deposit Insurance Fund for the protection of depositors. An annual premium of 0.2% is levied on the average deposit liability outstanding at the end of each quarter of the preceding year.

xxii) **Benefits and claims**

Life insurance business claims reflect the cost of all claims incurred during the year. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Reported outstanding general insurance claims comprise the estimated costs of all claims incurred but not settled at the end of the reporting period, less any reinsurance recoveries. In estimating the liability for the cost of reported claims not yet paid, the Group considers any information available from adjusters and information on the cost of settling claims with similar characteristics in previous periods. Provision is made for claims incurred but not reported (IBNR's) until after the end of the reporting period. Differences between the provisions for outstanding claims and subsequent revisions and settlement are included in the statement of income in the year the claims are settled.

xxiii) **Foreign currency translation**

Foreign currency transactions
The financial statements are presented in Trinidad and Tobago dollars (expressed in thousands), which is the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

xxiii) Foreign currency translation (continued)

Foreign entities
Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Trinidad and Tobago dollars at the rate of exchange ruling at the statement of financial position date. Exchange differences on foreign currency transactions are recognised in the statement of income.

On consolidation, assets and liabilities of foreign subsidiaries are translated to Trinidad and Tobago dollars at a rate of exchange ruling at the year end (i.e. 31 December) and its statement of income is translated at the weighted average exchange rates for the year. The exchange differences arising on re-translation are taken directly to reserves. The same treatment applies to assets and liabilities and statement of income relating to the ANSA US$ Secured Fund, ANSA US$ Income Fund and ANSA Euro Income Fund under management by the Bank.

xxiv) Equity movements

Stated capital
The Group has issued ordinary shares that are classified as equity. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

Treasury shares
Own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognised in the statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Dividends on ordinary share capital
Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's Board of Directors. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the statement of financial position date are dealt with as an event after the end of reporting date.

xxv) Statutory reserve fund

The Financial Institutions Act 2008 requires that not less than 10% of the net profit of the Bank after deduction of taxes in each year be transferred to a statutory reserve fund until the balance standing to the credit of this reserve is equal to the paid up capital of the Bank.

xxvi) Statutory surplus reserve

As required by Section 171 of the Insurance Act 1980 of Trinidad and Tobago at least 25% of an insurance company's profit from general insurance business, for the preceding year is to be appropriated towards a statutory surplus reserve until such surplus equals or exceeds the reserves in respect of its outstanding unexpired policies. This reserve is not distributable.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

xxvii) General loan loss reserve

The Bank has established a general reserve for loan losses in accordance with the guidelines issued by the Central Bank of Trinidad and Tobago. The reserve has been calculated at one half of one percent of the loan balance at the year-end and encompasses hire purchase loans, finance leases and premium financing loans after deducting unearned finance charges. This reserve has been accounted for as an appropriation of retained earnings and is disclosed in the statement of changes in equity.

xxviii) Earnings per share

Earnings per share have been calculated by taking the profit for the year attributable to shareholders over the weighted average number of ordinary shares outstanding during the year net of treasury shares (2012: nil; 2011: 1,419,786). There are no dilutive ordinary shares in issue.

xxix) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the assets in prior years. Such reversal is recognised in the statement of income unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

3. Significant accounting judgements and estimates in applying Group policies

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Notes to the Financial Statements

For the year ended 31st December 2012
(Expressed in Thousands of Trinidad and Tobago dollars)

3. Significant accounting judgements and estimates in applying Group policies (continued)

Going concern
The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Valuation of investments
Fair values are based on quoted market prices for the specific instrument, comparisons with other similar financial instruments, or the use of valuation models. Establishing valuations where there are no quoted market prices inherently involves the use of judgement and applying judgement in establishing reserves against indicated valuations for aged positions, deteriorating economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, model risk itself and other factors.

Pension and other post employment benefits
The cost of defined benefit pension plans and other post employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Deferred taxes
In calculating the provision for deferred taxation, management uses judgement to determine the possibility that future taxable profits will be available to facilitate utilisation of temporary tax differences which may arise.

Insurance contract liabilities
The estimation of the ultimate liability arising from claims made under life and general insurance contracts is an accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Group will ultimately pay for those claims.

For the life insurance contracts, estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group based these estimates on standard industry mortality tables that reflect historical mortality experience, adjusted where appropriate to reflect the Group's unique risk exposure. The number of deaths determines the value of possible future benefits to be paid out which will be factored into ensuring sufficient cover reserves, which in return is monitored against current and future premiums. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, both epidemic, as well as wide ranging changes to lifestyle, could result in significant changes to the expected future mortality exposure. All of this result in even more uncertainty in estimating the ultimate liability.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

3. **Significant accounting judgements and estimates in applying Group policies** (continued)

Insurance contract liabilities (continued)
Estimates for future deaths, voluntary terminations, investment returns and administration expenses are determined at the inception of the contract and are used to calculate the liability over the term of the contract. At each end of reporting period, these estimates are reassessed for adequacy and changes will be reflected in adjustments to the liability.

For general insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the end of a reporting period and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the end of a reporting period. It can take a significant period of time before the ultimate claims costs can be established with certainty. The primary technique adopted by management in estimating the cost of notified and IBNR claims is that of using past claim settlement trends to predict future claims settlement estimates. At each end of reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision. General insurance claims provisions are not discounted for the time value of money.

Goodwill
The Group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. The Group performs its annual impairment test of goodwill as at 31 December. Previously recorded impairment losses for goodwill are not reversed in future periods.

When goodwill forms part of a cash-generating unit (or group of cash generating units) and part of the operations within that unit is disposed of, the goodwill associated with the operations disposed of is included in the carrying amount of the operation to determine the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operations disposed of and the portion of the cash-generating units retained.

4. **Cash and short-term funds**

Parent			Group	
2011	**2012**		**2012**	**2011**
		Cash and short-term funds		
140,325	118,041	Cash in hand and at bank	510,333	214,723
123,382	114,209	Short-term deposits with other banks	248,522	216,980
263,707	232,250		758,855	431,703
52,920	47,180	Central Bank Reserve	47,180	52,920
316,627	279,430		806,035	484,623

Cash held at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Notes to the Financial Statements

For the year ended 31st December 2012
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4. Cash and short-term funds (continued)

The Financial Institutions Act 2008 requires that every financial institution hold and maintain an account with the Central Bank of Trinidad and Tobago to be called a Central Bank reserve account which, at present, is equivalent to 9% of the average total liabilities of prescribed deposit and funding instruments. This reserve account is non-interest bearing.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

Parent			Group	
2011	**2012**		**2012**	**2011**
140,325	118,041	Cash held and at bank	510,333	214,723
123,382	114,209	Short-term deposits with other banks	248,522	216,980
263,707	232,250		758,855	431,703
(52,611)	(9,343)	Bank overdraft	(9,343)	(55,871)
211,096	222,907		749,512	375,832

5. Net investment in leased assets and other installment loans

a) Net investment in leased assets and other installment loans

Parent			Group	
2011	**2012**		**2012**	**2011**
595,693	707,688	Hire purchase	707,688	595,693
194,750	225,314	Finance leases	224,901	194,178
790,443	933,002	Performing	932,589	789,871
4,228	2,936	Non-performing	2,936	4,228
794,671	935,938	Gross investment	935,525	794,099
(152,119)	(172,762)	Unearned finance charges and loan fees	(172,695)	(152,001)
642,552	763,176	Net investment in leased assets before provision	762,830	642,098
(1,342)	(1,236)	Specific provision	(1,236)	(1,342)
(667)	(728)	Collective provision	(728)	(667)
640,543	761,212	Net investment in leased assets net of provision	760,866	640,089

Notes to the Financial Statements

For the year ended 31st December 2012

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5. Net investment in leased assets and other installment loans (continued)

b) New business less unearned income

Parent 2011	Parent 2012		Group 2012	Group 2011
213,949	291,086	New business less unearned income	291,086	213,949

c) Net investment in leased assets and other installments loans before provision has the following sectorial breakdown:

Parent 2011	Parent 2012		Group 2012	Group 2011
230,949	253,876	Personal	253,875	230,949
411,603	509,300	Commercial	508,955	411,149
642,552	763,176		762,830	642,098

d) Net investment in leased assets and other installment loans before provision has the following maturity profile:

Parent 2011	Parent 2012		Group 2012	Group 2011
53,194	68,571	Within 1 year	68,571	53,194
568,580	648,658	1 to 5 years	648,313	568,126
20,778	45,947	Over 5 years	45,946	20,778
642,552	763,176		762,830	642,098

e) The movement in specific provision for leases and other installment loans is as follows:

Parent and Group	**2012**	**2011**
Balance at 1 January	2,009	2,097
Charge for the year	1,200	1,200
Amounts written off	(1,245)	(1,288)
At 31 December	1,964	2,009

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For the year ended 31st December 2012
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5. Net investment in leased assets and other installment loans (continued)

Repossessed collateral

As at 31 December 2012, the Group had in possession repossessed vehicles with a fair value of $1,487 (2011: $900). Repossessed vehicles are sold as soon as practical, with the proceeds used to reduce the outstanding indebtedness.

6. Loans and advances

Parent			Group	
2011	**2012**		**2012**	**2011**
–	–	Policy loans	10,866	11,081
–	–	Mortgage loans	88,628	72,302
436,144	401,598	Other loans and advances	401,598	436,144
436,144	401,598	Performing advances	501,092	519,527
–	–	Non-performing advances	834	2,729
436,144	401,598		501,926	522,256
–	–	Specific provision	(351)	(351)
436,144	401,598		501,575	521,905
		Sectorial analysis of advances before provision		
4,272	3,749	Personal	14,615	15,704
55,805	76,833	Retail/distribution/manufacturing	76,833	55,805
212,864	219,405	Hotel and restaurant	219,405	212,864
111,530	–	Services	–	111,530
51,673	101,611	Construction and real estate	191,073	126,353
436,144	401,598		501,926	522,256
		Loans and advances have the following maturity profile before provision		
221,514	318,913	Within 1 year	318,983	221,578
50,245	65,037	1 to 5 years	67,246	53,034
164,385	17,648	Over 5 years	115,697	247,644
436,144	401,598		501,926	522,256

Notes to the Financial Statements

For the year ended 31st December 2012
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7. Investment securities

Investment securities are stated net of impairment provisions for both the Parent and Group and comprise of investment securities designated as at fair value through statement of income, investment securities measured at amortised cost and investment securities measured at fair value through statement of comprehensive income.

Parent			Group	
2011	**2012**		**2012**	**2011**
		Investment securities:		
202,369	192,586	Designated as at fair value through statement of income	1,406,674	1,207,146
789,313	390,630	Amortised cost	1,419,563	1,935,715
61,285	56,361	Fair value through other comprehensive income	–	–
1,052,967	639,577	Total investment securities	2,826,237	3,142,861
		Investment securities designated as at fair value through statement of income		
–	–	Unquoted equities	6,190	12,476
9,040	7,701	Quoted equities	349,663	391,127
161,939	83,190	Government bonds	530,392	301,774
–	57,105	State-owned company securities	235,292	66,720
31,390	44,590	Corporate bonds	285,137	435,049
202,369	192,586		1,406,674	1,207,146
		Investment securities measured at amortised cost		
69,502	27,540	Government bonds	304,674	312,612
252,350	152,985	State-owned company securities	530,520	726,869
467,461	210,105	Corporate bonds	584,369	896,234
789,313	390,630		1,419,563	1,935,715
		Investment securities designated and measured at FVOCI		
61,285	56,361	Quoted equities	–	–
61,285	56,361		–	–
1,052,967	639,577	**Total investment securities**	2,826,237	3,142,861

Quoted equities listed under investment securities designated and measured at fair value through other comprehensive income relate to the Bank's investment in the mutual funds' under management.

Notes to the Financial Statements

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8. Forward contract

As at 31 December 2012 the Bank had a forward contract that was used as a hedge for its exposure for the changes in the ANSA Euro Income Fund amounting to €4,200,000 (2011: €5,000,000), whereby the Bank sells Euros and receives USD at the respective foreign exchange rates prevailing upon maturity. The profit or loss on the hedge and the change in the foreign currency gain or loss is recorded in the statement of income.

9. Assets pledged

Parent			Group	
2011	**2012**		**2012**	**2011**
–	–	Cash and short-term funds	115,570	84,338
–	–	Loans and advances	73,541	85,761
–	–	Bonds and debentures	751,975	549,857
–	–	Equities	201,762	154,287
–	–	Real estate	22,000	22,000
–	–	Other	–	270,777
–	–		1,164,848	1,167,020

Under the provisions of the Insurance Act 1980 the Group has established and maintains a statutory fund and a statutory deposit of which the assets are pledged and held to the order of the Inspector of Financial Institutions.

10. Insurance receivables

Parent			Group	
2011	**2012**		**2012**	**2011**
–	–	Premiums receivable	37,676	30,420
–	–	Reinsurance receivables	9,652	6,662
–	–		47,328	37,082

Notes to the Financial Statements

For the year ended 31st December 2012

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11. Other debtors and prepayments

Parent			Group	
2011	**2012**		**2012**	**2011**
11,646	8,258	Fees and rent receivable	2,753	3,548
–	–	Proceeds from investment maturities/repayments	19,819	18,459
493	523	Prepayments	3,002	6,333
–	156	VAT receivable	156	–
2,730	995	Other receivables	7,500	14,676
14,869	9,932		33,230	43,016

12. Investment in subsidiaries

The consolidated financial statements include the financial statements of the Group and the subsidiaries listed in the following table:

Name of Company	Country of incorporation and operation	Proportion of issued capital held
Trinidad and Tobago Insurance Limited	Trinidad and Tobago	100%
Tatil Life Assurance Limited	Trinidad and Tobago	99.93%
Tatil Re Limited	St Lucia	100%
BEH Holding Limited	Trinidad and Tobago	100%
ANSA Securities Limited	Trinidad and Tobago	100%

On 1 January 2004, the Bank acquired 100% of the issued ordinary shares of Trinidad and Tobago Insurance Limited. The cost of acquisition was $622.5 million, resulting in goodwill of $133.8 million. The purchase consideration was discharged by the issuance of 54,605,263 new ordinary shares of the Bank at a price of $11.40 per share, which was the publicly listed price at 31 December 2003. As at 30 September 2010, the Bank invested $10 million into its subsidiary ANSA Securities Limited which represents 100% of its shareholding.

Notes to the Financial Statements

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13. Investment properties

Parent 2011	Parent 2012		Group 2012	Group 2011
–	–	Valuation at beginning of the year	119,469	119,469
–	–	Gain from revaluation	9,474	–
–	–	Valuation at close of the year	128,943	119,469
–	–	Rental income from properties	18,899	16,760
–	–	Direct operating expenses arising from investment properties that generated rental income during the period	6,671	6,940

14. Property and equipment

Parent 2012	Furniture & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Land & buildings	Total
Cost						
At beginning of the period	1,433	3,345	1,319	2,935	–	9,032
Additions	13	1,782	–	–	–	1,795
Disposals	–	–	–	–	–	–
At end of the period	1,446	5,127	1,319	2,935	–	10,827
Accumulated depreciation						
At beginning of the period	946	2,703	191	1,744	–	5,584
Current depreciation	50	418	252	294	–	1,014
Disposals	–	–	–	–	–	–
At end of the period	996	3,121	443	2,038	–	6,598
Net book value	450	2,006	876	897	–	4,229

Notes to the Financial Statements

For the year ended 31st December 2012

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14. Property and equipment (continued)

Parent 2011	**Furniture & equipment**	**Computer equipment**	**Motor vehicles**	**Leasehold improvements**	**Land & buildings**	**Total**
Cost						
At beginning of the period	1,389	3,113	1,021	2,935	–	8,458
Additions	44	232	1,000	–	–	1,276
Disposals	–	–	(702)	–	–	(702)
At end of the period	1,433	3,345	1,319	2,935	–	9,032
Accumulated depreciation						
At beginning of the period	893	2,347	591	1,450	–	5,281
Current depreciation	53	356	107	294	–	810
Disposals	–	–	(507)	–	–	(507)
At end of the period	946	2,703	191	1,744	–	5,584
Net book value	487	642	1,128	1,191	–	3,448

Group 2012	**Furniture & equipment**	**Computer equipment**	**Motor vehicles**	**Leasehold improvements**	**Land & buildings**	**Total**
Cost						
At beginning of the period	18,721	55,259	1,320	2,935	18,857	97,092
Additions	4,160	9,613	–	–	–	13,773
Disposals	–	(10,296)	–	–	–	(10,296)
At end of the period	22,881	54,576	1,320	2,935	18,857	100,569
Accumulated depreciation						
At beginning of the period	15,725	38,065	196	1,744	5,856	61,586
Current depreciation	464	1,155	248	294	84	2,245
Disposals	–	–	–	–	–	–
At end of the period	16,189	39,220	444	2,038	5,940	63,831
Net book value	6,692	15,356	876	897	12,917	36,738

Notes to the Financial Statements

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14. Property and equipment (continued)

Group 2011	Furniture & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Land & buildings	Total
Cost						
At beginning of the period	17,498	45,699	1,022	2,935	18,857	86,011
Additions	1,223	9,560	1,000	–	–	11,783
Disposals	–	–	(702)	–	–	(702)
At end of the period	18,721	55,259	1,320	2,935	18,857	97,092
Accumulated depreciation						
At beginning of the period	15,224	36,876	592	1,450	5,770	59,912
Current depreciation	501	1,189	109	294	86	2,179
Disposals	–	–	(505)	–	–	(505)
At end of the period	15,725	38,065	196	1,744	5,856	61,586
Net book value	2,996	17,194	1,124	1,191	13,001	35,506

As at 31 December 2012, the gross carrying amount of fully depreciated assets still in use amounted to $388 for Parent (2011: $289) and $28,232 for the Group (2011: $28,153). There were no property and equipment retired, held for disposal, restrictions on title and pledged as security for liabilities as well as no contractual commitments for the acquisition of property and equipment as at 31 December 2012 and at 31 December 2011 for both the Parent and the Group.

15. Goodwill

In accordance with IFRS 3, all assets that gave rise to goodwill were reviewed for impairment at 31 December using the 'value in use' method. Based on the results of this review no impairment expense was required.

Impairment testing of goodwill

Goodwill arising through business combinations was generated by the acquisition of Trinidad and Tobago Insurance Limited and its subsidiaries on 1 January 2004.

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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For the year ended 31st December 2012

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15. Goodwill (continued)

Impairment testing of goodwill (continued)

The following table highlights the goodwill and impairment information for each cash-generating unit:

Carrying amount of Goodwill:	133,762
Basis for recoverable amount:	Value in use
Discount rate:	13.30%
Cash flow projection term:	Five years
Growth rate (extrapolation period):	5%

Key assumptions used in the value in use calculations

The values assigned to key assumptions reflect past experience. The cash flow projections are based on budgets approved by senior management and the Board of Directors of the respective companies.

The calculation of value in use is most sensitive to the following assumptions:

- Discount rates
- Growth rates used to extrapolate cash flows beyond the forecast period

16. Deferred taxation

Parent			Group	
2011	2012		2012	2011
		Deferred taxation asset arising from:		
95	108	Employee benefit obligation	880	784
117	–	Property and equipment	2,887	130
2,041	807	Unrealised investment losses	7,425	8,450
2,253	915	**Total deferred tax asset**	11,192	9,364
		Deferred taxation liability arising from:		
–	–	Life insurance reserves	51,241	54,150
2,026	2,127	Employee benefit asset	23,751	21,845
6,530	17,932	Finance leases	17,932	6,530
–	43	Property and equipment	43	–
330	2,241	Unrealised investment gains	45,630	36,596
8,886	22,343	**Total deferred tax liability**	138,597	119,121

A deferred tax provision is recorded in these financial statements based on the total liability, which could foreseeably arise, should the entire distributable reserve in relation to life insurance business be transferred to the shareholders' account.

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17. Employee benefits

	Defined benefit pension plan 2012	Defined benefit pension plan 2011	Post retirement health benefits 2012	Post retirement health benefits 2011
a) Amounts recognised in the statement of financial position				
Parent				
Present value of defined benefit obligation	10,105	6,099	624	435
Fair value of plan assets	(16,264)	(14,818)	–	–
	(6,159)	(8,719)	624	435
Unrecognised actuarial (losses)/gains	(2,348)	619	(190)	(55)
(Asset)/liability recognised in the statement of financial position	(8,507)	(8,100)	434	380
Group				
Present value of defined benefit obligation	79,309	54,002	5,318	3,897
Fair value of plan assets	(170,015)	(159,787)	–	–
	(90,706)	(105,785)	5,318	3,897
Unrecognised asset	–	6,180	–	(768)
Unrecognised actuarial (losses)/gains	(4,296)	11,970	(1,770)	–
(Asset)/liability recognised in the statement of financial position	(95,002)	(87,635)	3,548	3,129
b) Amounts recognised in the statement of income				
Parent				
Current service cost	525	505	31	27
Interest cost	480	433	33	30
Expected return on plan assets	(1,197)	(1,130)	–	–
Net actuarial loss recognised	–	–	1	2
(Income)/expense recognised in the statement of income	(192)	(192)	65	59
Group				
Current service cost	2,088	1,791	196	168
Interest cost	3,960	3,681	294	239
Expected return on plan assets	(12,635)	(12,300)	–	–
Net actuarial (gain)/loss recognised in year	4,894	(398)	1	7
(Income)/expense recognised in the statement of income	(1,693)	(7,226)	491	414

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

17. Employee benefits (continued)

	Defined benefit pension plan		Post retirement health benefits	
	2012	**2011**	**2012**	**2011**
c) Changes in the present value of the defined benefit obligation				
Parent				
Opening present value of defined benefit obligation	6,099	5,500	435	397
Current service cost	525	505	31	27
Plan participant contributions	215	175	1	–
Interest cost	480	433	33	30
Actuarial losses/(gains) on obligation	2,937	(375)	135	(9)
Benefits paid	(151)	(139)	(11)	(10)
Closing present value of defined benefit obligation	10,105	6,099	624	435
Group				
Opening present value of defined benefit obligation	54,002	48,845	3,897	3,143
Current service cost	2,088	1,791	196	168
Plan participant contributions	(766)	697	(28)	–
Interest cost	3,960	3,681	294	239
Actuarial losses on obligation	22,204	1,010	1,055	434
Benefits paid	(2,179)	(2,022)	(53)	(87)
Closing present value of defined benefit obligation	79,309	54,002	5,361	3,897
d) Movement in net (asset)/liability recognised in the statement of financial position				
Parent				
Net (asset)/liability at the start of the year	(8,100)	(7,733)	380	331
Net (income)/expense recognised in the statement of income	(192)	(192)	65	59
Contributions paid	(215)	(175)	(11)	(10)
Movement in net (asset)/liability recognised at the end of the year	(8,507)	(8,100)	434	380

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

17. Employee benefits (continued)

	Defined benefit pension plan 2012	Defined benefit pension plan 2011	Post retirement health benefits 2012	Post retirement health benefits 2011
d) Movement in net (asset)/liability recognised in the statement of financial position (continued)				
Group				
Net (asset)/liability at the start of the year	(87,635)	(79,712)	3,129	2,802
Net income	(6,587)	(7,226)	491	414
Actuarial (gains)/loss recognised	–	–	24	–
Contributions paid	(780)	(697)	(96)	(87)
Movement in net (asset)/liability recognised at the end of the year	(95,002)	(87,635)	3,548	3,129
e) Changes in the fair value of plan assets				
Parent				
Opening fair value of plan assets	14,818	14,024	–	–
Expected return on plan assets	1,197	1,130	–	–
Actuarial (loss)/gain on plan assets	(30)	(547)	–	–
Employer contributions for current service	215	175	11	10
Plan participant contributions for current service	215	175	–	–
Benefits paid	(151)	(139)	(11)	(10)
Closing fair value of plan assets	16,264	14,818	–	–
Group				
Opening fair value of plan assets	159,787	154,060	–	–
Transfers	(1,546)	–	–	–
Expected return on plan assets	12,635	12,300	–	–
Actuarial (loss)/gain on plan assets	(242)	(5,945)	–	–
Employer contributions for current service	780	697	96	49
Plan participant contributions for current service	780	697	–	38
Benefits paid	(2,179)	(2,022)	(96)	(87)
Closing fair value of plan assets	170,015	159,787	–	–

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

17. Employee benefits (continued)

f) Principal actuarial assumptions

Parent and Group	**Defined benefit pension plan**	
	2012	**2011**
Discount rate	5.00%	7.50%
Expected return on plan assets	5.00%	8.00%
Future salary increases	5.00%	6.00%
Medical costs trend rates	3.00%	4.00%

g) Major categories of plan assets as a percentage of total plan assets

	Defined benefit pension plan	
	2012	**2011**
Local equities	34%	33%
Local bonds	34%	37%
Foreign investments	22%	20%
Real estate/mortgages	2%	2%
Short-term securities	8%	8%
	100%	100%

h) Experience history for the current and previous periods

Parent	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
Defined benefit obligation	(10,105)	(6,099)	(5,500)	(4,827)	(3,790)	(3,473)
Plan asset	16,264	14,818	14,024	11,895	10,667	10,550
Surplus	6,159	8,719	8,524	7,068	6,877	7,077
Experience adjustments on plan liabilities	(307)	(375)	(54)	(22)	15	(359)
Experience adjustments on plan assets	(30)	(547)	925	93	(786)	(766)

Notes to the Financial Statements

For the year ended 31st December 2012
(Expressed in Thousands of Trinidad and Tobago dollars)

17. **Employee benefits** (continued)

h) Experience history for the current and previous periods (continued)

Group	2012	2011	2010	2009	2008	2007
Defined benefit obligation	(79,309)	(54,002)	(48,845)	(45,463)	(39,379)	(38,800)
Plan asset	170,015	159,787	154,060	132,902	122,094	122,541
Surplus	90,706	105,785	105,215	87,439	82,715	83,741
Experience adjustments on plan liabilities	(519)	(1,381)	(33)	(2)	239	(1,710)
Experience adjustments on plan assets	(692)	(3,554)	10,236	1,058	(9,099)	(4,313)

i) Return on plan assets

	Defined benefit pension plan		Post retirement health benefits	
Parent	**2012**	**2011**	**2012**	**2011**
Expected return on plan assets	1,197	1,130	–	–
Actuarial loss on plan assets	(30)	(547)	–	–
	1,167	583	–	–
Group				
Expected return on plan assets	12,635	12,300	–	–
Actuarial (loss)/gain on plan assets	(242)	(5,945)	498	469

j) The Group expects to contribute $820 to its defined benefit plan in 2013.

k) Effect of one percentage point change in medical expense increase assumption

	Aggregate service and interest costs	Year end defined benefit obligation
Medical expense increase by 1% p.a.	101	991
Medical expense decrease by 1% p.a.	(80)	(777)

Notes to the Financial Statements

For the year ended 31st December 2012
(Expressed in Thousands of Trinidad and Tobago dollars)

18. Accrued interest and other payables

Parent 2011	Parent 2012		Group 2012	Group 2011
22,007	20,219	Interest payable	10,665	13,644
14,123	74,998	Client funds held for investment	74,998	2,019
1,648	1,609	Accrued expenses	13,793	11,987
5,645	8,130	Due to statutory authorities	16,913	9,053
–	–	Distributions payable	4,149	3,491
293	293	Deferred fee income	293	293
–	–	Unapplied premiums	2,383	5,351
–	–	Commissions payable	6,866	3,203
2,052	2,499	Stale dated cheques	3,813	4,805
–	–	Due to reinsurers	21,009	16,534
2,054	11,859	Other creditors	18,089	12,327
47,822	119,607		172,971	82,707

19. Customers' deposits and other funding instruments

Sectorial analysis of customers' deposits and other funding instruments

Parent 2011	Parent 2012		Group 2012	Group 2011
139,572	21,676	Individuals	689,744	657,423
159	309	Pension funds/credit unions/trustees	89,080	98,615
1,138,137	903,663	Private companies/estates/ financial institutions	988,597	1,011,754
1,277,868	925,648		1,767,421	1,767,792

20. Debt securities in issue

Parent 2011	Parent 2012		Group 2012	Group 2011
87,389	–	Fixed rate bond (2001-2016)	–	87,389
670,465	669,073	Medium & long term notes	669,073	670,465
757,854	669,073		669,073	757,854

(Expressed in Thousands of Trinidad and Tobago dollars)

20. **Debt securities in issue** (continued)

In 2001 the Bank issued a fixed rate bond, which is repayable by 2016. Interest is fixed at a rate of 12.625% per annum and the bond is secured by a charge over the Ultimate Parent's assets up to the sum of $87.4 million. The Bank had an option to prepay the bond which commenced on the seventh anniversary of issue. The Bank exercised this option in June 2012 and prepaid in full. The balance is now $ nil.

On December 2009, the Bank issued TT$350 million medium term notes maturing on 4 June 2015. Interest is fixed at 6.5% per annum. On 2 August 2011, the Bank issued US$50 million medium term notes in three tranches. Tranche 1, 2 and 3 will mature on 2014, 2016 and 2018, respectively. Interest is fixed at 3.40% for Tranche 1, 4.60% for Tranche 2 and 5.20% for Tranche 3.

21. **Investment contract liabilities**

	Group	
	2012	**2011**
At the beginning of year	156,795	144,800
Premiums received	10,604	9,358
Interest received	6,761	6,761
Liabilities realised for payment on death, surrender and other terminations in the year	(9,101)	(4,724)
Other movements	(4,909)	600
	160,150	156,795

These investment contracts have neither reinsurance arrangements nor discretionary participation features.

(a) **Reinsurance assets**

	2012	**2011**
Life insurance contract	7,700	5,500
General insurance contracts:		
Premiums	47,653	52,363
Claims	29,226	67,275
	84,579	125,138

Notes to the Financial Statements

For the year ended 31st December 2012
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22. Insurance contract liabilities

(a) Reinsurance asset

	Notes	2012 Insurance contract liabilities	2012 Reinsurers' share of liabilities	2012 Net	2011 Insurance contract liabilities	2011 Reinsurers' share of liabilities	2011 Net
Life insurance contracts	22 (b)	817,417	(7,700)	809,717	745,586	(5,500)	740,086
General insurance contracts	22 (c)	262,707	(76,879)	185,828	310,523	(119,638)	190,885
Total insurance contract liabilities		1,080,124	(84,579)	995,545	1,056,109	(125,138)	930,971

(b) Life insurance contract liabilities may be analysed as follows:

	2012 Insurance contract liabilities	2012 Reinsurers' share of liabilities	2012 Net	2011 Insurance contract liabilities	2011 Reinsurers' share of liabilities	2011 Net
(i)						
With DPF	216,004	–	216,004	211,978	–	211,978
Without DPF	577,367	–	577,367	511,116	–	511,116
	793,371	–	793,371	723,094	–	723,094
Outstanding claims	24,046	(7,700)	16,346	22,492	(5,500)	16,992
Total life insurance contract liabilities	817,417	(7,700)	809,717	745,586	(5,500)	740,086
(ii)						
At 1 January	745,586	(5,500)	740,086	712,945	(11,877)	701,068
Premiums received	119,158	(6,408)	112,750	111,088	(7,991)	103,097
Liabilities realised for payment on death, surrender and other terminations in the year	(47,327)	4,208	(43,119)	(78,447)	14,368	(64,079)
At 31 December	817,417	(7,700)	809,717	745,586	(5,500)	740,086

Notes to the Financial Statements

For the year ended 31st December 2012
(Expressed in Thousands of Trinidad and Tobago dollars)

22. Insurance contract liabilities (continued)

c) General insurance contracts may be analysed as follows:

	2012			2011		
	Insurance contract liabilities	**Reinsurers' share of liabilities**	**Net**	**Insurance contract liabilities**	**Reinsurers' share of liabilities**	**Net**
Claims reported and IBNR	133,930	(29,226)	104,704	182,162	(67,275)	114,887
Provisions for unearned premiums and unexpired risk	128,777	(47,653)	81,124	128,361	(52,363)	75,998
Total at end of year	262,707	(76,879)	185,828	310,523	(119,638)	190,885

i) Claims reported and IBNR						
Provisions for claims reported by policy holders	146,576	(53,820)	92,756	116,217	(23,470)	92,747
Provisions for claims incurred but not reported (IBNR)	35,586	(13,455)	22,131	28,075	(5,868)	22,207
	182,162	(67,275)	114,887	144,292	(29,338)	114,954
Cash paid for cliams settled in the year	(155,687)	74,955	(80,732)	(72,764)	(13,123)	(85,887)
Claims incurred	107,455	(36,906)	70,549	110,634	(24,814)	85,820
Total at end of year	133,930	(29,226)	104,704	182,162	(67,275)	114,887
Provisions for claims reported by policy holders	107,761	(23,382)	84,379	146,576	(53,820)	92,756
Provisions for claims incurred but not reported (IBNR)	26,169	(5,844)	20,325	35,586	(13,455)	22,131
	133,930	(29,226)	104,704	182,162	(67,275)	114,887

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

22. Insurance contract liabilities (continued)

(c) General insurance contracts may be analysed as follows: (continued)

ii) Provisions for unearned premiums and unexpired rsk

	2012			2011		
	Insurance contract liabilities	**Reinsurers' share of liabilities**	**Net**	**Insurance contract liabilities**	**Reinsurers' share of liabilities**	**Net**
Provision for unearned premiums	114,223	(46,514)	67,709	114,345	(40,775)	73,570
Provision for unexpired risk	14,138	(5,849)	8,289	14,158	(5,132)	9,026
	128,361	(52,363)	75,998	128,503	(45,907)	82,596
Increase in the period	292,259	(137,902)	154,357	303,129	(150,689)	152,440
Release in the period	(291,843)	142,612	(149,231)	(303,271)	144,233	(159,038)
Total at end of year	128,777	(47,653)	81,124	128,361	(52,363)	75,998
Provision for unearned premiums	114,577	(42,359)	72,218	114,223	(46,514)	67,709
Provision for unexpired risk	14,200	(5,294)	8,906	14,138	(5,849)	8,289
	128,777	(47,653)	81,124	128,361	(52,363)	75,998

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. Trinidad and Tobago Insurance Limited reports this claims information by underwriting year of account

Claims development table

The risks associated with these insurance contracts and in particular, casualty insurance contracts, are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The development of insurance liabilities provides a measure of an insurance company's ability to estimate the ultimate value of claims. The table below illustrates how the Company's estimate of total gross claims outstanding for each accident year has changed at successive year-ends.

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For the year ended 31st December 2012
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22. Insurance contract liabilities (continued)

Claims development table (continued)

Insurance claims

Underwriting year	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**Total**
Estimate of outstanding claims costs:							
- at end of accident year	113,609	98,214	63,325	73,747	57,923	57,448	–
- one year later	64,732	70,477	79,910	142,398	77,366	–	–
- two years later	26,985	26,405	31,870	58,109	–	–	–
- three years later	18,522	19,467	21,665	–	–	–	–
- four years later	21,889	18,423	–	–	–	–	–
- five years later	11,192	–	–	–	–	–	–
Current estimate of cumulative claims	11,192	18,423	21,665	58,109	77,366	57,448	244,203
Cumulative payments to date	(2,647)	(4,867)	(4,900)	(35,522)	(46,203)	(32,043)	(126,182)
Liability recognized in the statement of financial position	8,545	13,556	16,765	22,587	31,163	25,405	118,021
Liability in respect of prior years							15,909
Total liability included in the statement of financial position							133,930

It is impracticable to prepare information about claims development on a net basis and claims development that occurred prior to the 2004 accident year.

23. Insurance contracts, investment contracts and reinsurance assets - terms, assumptions and sensitivities

a) Life insurance contracts and investment contracts

Terms and conditions

The Group offers a combination of individual life, pension, annuity and group life contracts with and without discretionary participation features. These contracts are determined by actuaries and all subsequent valuation assumptions are determined by independent consulting actuaries.

Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions relating to both life insurance contracts and investment contracts. Assumptions in use are based on past experience, current internal data and conditions and external market indices and benchmarks, which reflect current observable market prices and other published information. Assumptions are determined as appropriate and prudent estimates are made at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

Notes to the Financial Statements

For the year ended 31st December 2012

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23. Insurance contracts, investment contracts and reinsurance assets - terms, assumptions and sensitivities (continued)

a) Life insurance contracts and investment contracts (continued)

Key assumptions (continued)

For insurance contracts, estimates are made in two stages; at inception of the contract, the Group determines the assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. Secondly, at the end of each reporting period, new estimates are developed to determine whether the liabilities are appropriate in light of the latest current estimates. If the liabilities are not appropriate, the assumptions are altered to reflect the current estimates.

For investment contracts, assumptions used to determine the liabilities are also updated at the end of each reporting period to reflect latest estimates.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality and morbidity rates
Assumptions are based on underlying experience as well as standard industry mortality tables, according to the type of contract written. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected future mortality improvements. Assumptions are differentiated by sex, underwriting class and contract type.

Mortality rates higher than expected will lead to a larger number of insurance claims and claims will occur sooner than anticipated, which will increase the expenditure and reduce profits for the shareholders.

Investment return
The weighted average rate of return is derived from a model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. An increase in investment return would lead to an increase in profits for the shareholders.

Expenses
Operating expense assumptions reflect the projected costs of maintaining and servicing in force policies and associated overhead expenses. An increase in the level of expenses would result in an increase in expenditure thereby reducing profits for the shareholders.

Lapse and surrender rates
Lapses relate to the termination of policies due to non payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Group's experience and vary by product type, policy duration and changes in policyholders' circumstances.

The impact of a decrease in lapse rates at early duration of the policy would tend to reduce profits for the shareholders but lapse rates at later policy durations is broadly neutral in effect.

Notes to the Financial Statements

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23. Insurance contracts, investment contracts and reinsurance assets - terms, assumptions and sensitivities (continued)

a) Life insurance contracts and investment contracts (continued)

Sensitivities

The table below indicates the impact of various changes in assumptions which are within a reasonable range of possible outcomes given the uncertainties involved in the estimation process.

The table demonstrates the effect of changes in key assumptions whilst other assumptions remain unchanged, if these assumptions were changed in a single calendar year. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact on the claims liabilities due to changes in assumptions, these assumption changes had to be done on an individual basis. It should also be stressed that these assumptions are non linear and larger or smaller impacts cannot easily be gleaned from these results.

Assumption change	Required increase in insurance contract liabilities
2% Increase in mortality	3,100
5% Increase in expenses	9,700
10% Change in lapse rates	3,400
1% Decrease in investment earnings	86,100

b) General insurance contracts

Terms and conditions

The major classes of general insurance written by the Group include motor, property, casualty, marine, general accident and other miscellaneous classes of business. Risks under these policies usually cover a 12 month duration.

For general insurance contracts, claims provisions (comprising provisions for claims reported by policyholders and claims incurred but not yet reported) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the end of reporting period.

The provisions are refined as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported. Outstanding claims provisions are not discounted for the time value of money.

Notes to the Financial Statements

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23. **Insurance contracts, investment contracts and reinsurance assets - terms, assumptions and sensitivities** (continued)

(b) **General insurance contracts** (continued)

Assumptions

The principal assumption underlying the estimates is the Group's past claims development experience. Judgement is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates, as well as testing reported claims subsequent to the end of reporting period.

The general insurance claims provision is sensitive to the above key assumptions. The sensitivity of certain assumptions like legislative change, uncertainty in the estimation process and other factors is not possible to quantify. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claims provisions are not known with certainty at the end of the reporting period.

Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognised in subsequent financial statements.

24. **Stated capital**

Parent			Group	
2011	**2012**		**2012**	**2011**
		Authorised		
		An unlimited number of shares		
		Issued		
		85,605,263 (2011: 85,605,263)		
667,274	667,274	ordinary shares of no par value	667,274	667,274

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25. Net insurance revenue

Parent 2011	Parent 2012		Group 2012	Group 2011
–	–	Gross insurance contracts premium revenue	411,417	414,218
–	–	Reinsurer's share of insurance contracts premium revenue	(133,338)	(148,657)
–	–	Net insurance contracts premium revenue	278,079	265,561
–	–	Gross change in unearned premium provision and unexpired risks	(416)	143
–	–	Reinsurer's share of change in unearned premium provision and unexpired risks	(4,709)	6,455
–	–	Net change in unearned premium provision and unexpired risks	(5,125)	6,598
–	–	**Net insurance revenue**	272,954	272,159

26. Finance charges, loan fees and other interest income

Parent 2011	Parent 2012		Group 2012	Group 2011
91,229	95,835	Finance charges earned	95,785	91,229
25,581	22,653	Interest income on loans and advances	22,653	25,581
18,028	6,256	Other income	6,257	18,028
134,838	124,744		124,695	134,838

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27. Investment income

Parent 2011	Parent 2012		Group 2012	Group 2011
11,478	9,073	Interest and dividend income from investments at fair value through statement of income	37,963	69,097
78,503	69,031	Interest and dividend income from other financial assets	142,650	97,085
2,315	31,765	Realised gains from investment securities	40,109	1,335
1,419	3,674	Unrealised gains on investments at fair value through statement of income	48,417	14,112
(9,337)	13,835	Other investment income	18,528	(9,263)
84,378	127,378		287,667	172,366

28. Other income

Parent 2011	Parent 2012		Group 2012	Group 2011
27,882	32,890	Administrative fees and commissions	24,301	24,936
20,141	3,757	Foreign exchange trading and gains	3,757	23,825
1,935	785	Lease sales and recoveries	785	1,935
–	–	Property rental	16,170	14,869
–	–	Trustee and other fiduciary fees	5,661	5,430
3,117	6,457	Other	11,166	8,223
53,075	43,889		61,840	79,218

29. Net insurance benefits and claims incurred

There are no insurance benefits and claims incurred by the Parent. The following table represents the insurance benefits and claims incurred by the Group.

	General insurance 2012	General insurance 2011	Life insurance 2012	Life insurance 2011	Total 2012	Total 2011
Gross insurance contracts benefits and claims incurred	107,455	110,634	65,806	65,067	173,261	175,701
Resinsurers' share of gross insurance benefits and claims paid	(36,906)	(24,814)	(3,476)	(949)	(40,382)	(25,763)
Net change in insurance contract liabilities	–	–	68,078	31,580	68,078	31,580
	70,549	85,820	130,408	95,698	200,957	181,518

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30. Interest expense

Parent			Group	
2011	**2012**		**2012**	**2011**
37,377	25,774	Customer deposits	47,651	55,788
41,824	41,747	Debt securities in issue	41,747	41,824
79,201	67,521		89,398	97,612

31. Provision for impairment of investments

The impairment provisions arise from the Group's debt investment securities at amortised cost.

Parent			Group	
2011	**2012**		**2012**	**2011**
–	12,625	State owned	14,816	–
7,026	52,785	Corporate	87,939	7,026
7,026	65,410		102,755	7,026

32. Marketing and policy expenses

Parent			Group	
2011	**2012**		**2012**	**2011**
–	–	Agents and brokers commissions	25,093	25,327
–	–	Agents allowance and bonus	20,328	17,257
–	–	Agents policy epenses	2,390	2,609
12,902	10,558	Asset finance promotional expense	10,558	12,902
2,364	2,214	Advertising costs	4,225	4,601
15,266	12,772		62,594	62,696

33. Personnel expenses

Parent			Group	
2011	**2012**		**2012**	**2011**
10,049	17,479	Salaries and bonus	37,341	28,280
138	142	Group health and life plan	1,990	1,489
542	513	Other staff cost	2,322	1,767
10,729	18,134		41,653	31,535


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34. General administrative expenses

Parent 2011	Parent 2012		Group 2012	Group 2011
2,385	1,929	Professional insurance	5,134	4,196
1,778	1,829	Property related expenses	7,716	8,192
1,217	1,592	Subscriptions & donations	1,696	1,398
556	868	Finance charges	2,086	1,254
394	439	Communications	2,830	2,883
283	613	Travel & entertainment	1,257	477
192	214	Printing & stationery	1,643	904
–	–	Write off of capital expenditure	6,900	–
2,282	2,889	General expenses	16,094	20,548
9,087	10,373		45,356	39,852

35. Taxation expense

Parent 2011	Parent 2012		Group 2012	Group 2011
19,740	8,602	Corporation tax	25,065	34,397
10,082	13,456	Deferred tax	13,993	10,850
278	436	Green Fund levy	1,122	817
30,100	22,494		40,180	46,064

Reconciliation between taxation expense and accounting profit

Income taxes in the consolidated statement of income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:

Parent 2011	Parent 2012		Group 2012	Group 2011
151,007	**117,426**	Accounting profit	**189,812**	**229,680**
37,752	29,357	Tax at applicable statutory tax rates	54,765	57,589
		Tax effect of items that are adjustable in determining taxable profit:		
(14,598)	(26,443)	Tax exempt income	(26,153)	(16,396)
15,807	36,250	Non-deductible expenses	37,848	16,249
(9,139)	(17,106)	Allowable deductions	(25,435)	(12,196)
278	436	Provision for Green Fund Levy and other taxes	(845)	818
30,100	**22,494**	**Total taxation expense**	**40,180**	**46,064**

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36. Segmental information

For management purposes the Group is organised into four operating segments based on the following core areas of operation to the Group:

Banking services	Asset financing, Merchant banking, Investment services, Securities trading and Foreign exchange trading.
Mutual funds	ANSA Secured Fund, ANSA US$ Secured Fund, ANSA EURO Income Fund, ANSA TTS Income Fund and ANSA US$ Income Fund. These Funds are registered in Trinidad & Tobago and established by the Bank. The Bank is the Sponsor, Investment Manager, Administrator and Distributor of these Funds.
Life insurance operations	Underwriting the following classes of longer-term insurance business: (i) individual par and non par life insurance, (ii) group life insurance, (iii) individual insurance and (iv) group annuity and pension.
General insurance operations	Underwriting the following classes of short-term insurance business: (i) commercial and residential fire, (ii) general accident, (iii) marine, (iv) motor, (v) workmen compensation, (vi) group and individual health and rental of property.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating statement of income and is measured consistently with operating statement of income in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the bank's total revenue in 2012 or 2011.

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36. Segmental information (continued)

The following table presents income and profit and certain asset and liability information regarding the bank's operating segments.

	Banking services	Mutual funds	Life insurance operations	General insurance operations	Eliminations	Total
2012						
Total operating income	296,011	72,824	207,350	221,494	(50,523)	747,156
Total operating expense	(68,721)	(22,489)	(138,180)	(107,666)	45,501	(291,555)
Provision for impairment	(65,410)	(25,481)	(6,013)	(5,851)	–	(102,755)
Selling and admininstration expense	(44,454)	(37,211)	(43,827)	(36,624)	(918)	(163,034)
Profit before tax	117,426	(12,357)	20,341	72,753	(8,351)	189,812
Taxation	(22,494)	–	(3,324)	(14,362)		(40,180)
Profit after taxation	94,932	(12,357)	17,017	58,391	(8,351)	149,632
Total assets	2,756,531	1,185,053	1,673,578	824,348	(908,156)	5,531,354
Total liabilities	1,746,448	1,197,962	1,087,864	344,967	(373,069)	4,004,172
Purchase of fixed assets	1,795	–	1,506	10,472	–	13,773
Depreciation	(1,014)	–	(689)	(542)	–	(2,245)
2011						
Total operating income	272,291	53,291	166,557	228,308	(61,866)	658,581
Total operating expense	(76,206)	(23,482)	(103,580)	(120,699)	47,832	(276,135)
Provision for impairment	(7,027)	(324)	–	–	325	(7,026)
Selling and admininstration expense	(38,052)	(28,528)	(35,649)	(37,931)	(5,580)	(145,740)
Profit before tax	151,007	957	27,328	69,678	(19,289)	229,680
Taxation	(30,100)	–	(3,865)	(12,099)	–	(46,064)
Profit after taxation	120,907	957	23,463	57,580	(19,289)	183,617
Total assets	2,760,754	958,080	1,580,779	817,986	(668,550)	5,449,049
Total liabilities	1,746,447	961,633	1,009,950	381,089	(97,075)	4,002,044
Purchase of fixed assets	1,276	–	8,846	1,661	–	11,783
Depreciation	(810)	–	(783)	(586)	–	(2,179)

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36. Segmental information (continued)

	Domestic services	Regional	International	Eliminations	Total
2012					
Total operating income	711,871	67,066	18,742	(50,523)	747,156
Total operating expense	(335,637)	–	(1,419)	45,501	(291,555)
Provision for impairment	(76,371)	(26,384)	–	–	(102,755)
Selling and admininstration expense	(162,116)			(918)	(163,034)
Profit before tax	140,158	40,682	17,323	(8,351)	189,812
Taxation	(40,180)	–	–	–	(40,180)
Profit after taxation	99,978	40,682	17,323	(8,351)	149,632
Total assets	5,811,908	249,241	378,361	(908,156)	5,531,354
Total liabilities	4,377,241	–	–	(373,069)	4,004,172
Purchase of fixed assets	13,773	–	–	–	13,773
Depreciation	(2,245)	–	–	–	(2,245)
2011					
Total operating income	701,879	24,858	(6,290)	(61,866)	658,581
Total operating expense	(323,967)	–	–	47,832	(276,135)
Provision for impairment	(324)	(7,027)	–	325	(7,026)
Selling and admininstration expense	(140,160)	–	–	(5,580)	(145,740)
Profit before tax	237,428	17,831	(6,290)	(19,289)	229,680
Taxation	(46,063)			–	(46,063)
Profit after taxation	191,365	17,831	(6,290)	(19,289)	183,617
Total assets	5,640,375	41,866	435,358	(668,550)	5,449,049
Total liabilities	4,099,119	–	–	(97,075)	4,002,044
Purchase of fixed assets	11,783	–	–	–	11,783
Depreciation	(810)	–	(783)	(586)	(2,179)


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37. Related party transactions and balances

Parties are considered to be related if one has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The Bank is ultimately owned by ANSA McAL Limited, incorporated in Trinidad and Tobago, which owns 82.48% of the stated capital of the Bank.

A number of transactions are entered into with related parties in the normal course of business. These include hire purchase, finance leases, premium financing, deposits, insurance coverage and foreign currency transactions. These transactions were carried out on commercial terms and at market rates.

The related assets, liabilities, income and expense from these transactions are as follows:

Parent			Group	
2011	**2012**		**2012**	**2011**
		Assets		
66,371	55,136	ANSA McAL Group	85,093	112,873
72,449	65,607	Subsidiaries	–	–
4,399	701	Directors and key management personnel	701	4,399
96,574	990	Other related parties	14,856	114,620
239,793	122,434		100,650	231,892
		Liabilities		
34,978	39,895	ANSA McAL Group	50,773	179,781
369,815	240,375	Subsidiaries	–	–
107,679	–	Directors and key management personnel	51,920	137,178
–	66,120	Other related parties	137,660	629
512,472	346,390		240,353	317,588
		Interest and other income		
28,085	4,203	ANSA McAL Group	27,535	54,298
25,550	33,107	Subsidiaries	–	–
131	47	Directors and key management personnel	47	131
9,596	716	Other related parties	3,592	10,330
63,362	38,073		31,174	64,759

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37. Related party transactions and balances (continued)

Parent 2011	Parent 2012		Group 2012	Group 2011
		Interest and other expense		
2,436	2,385	ANSA McAL Group	8,649	10,722
8,651	7,881	Subsidiaries	–	–
6,240	4,341	Directors and key management personnel	5,618	6,240
–	3,575	Other related parties	7,548	10,023
17,327	18,182		21,815	26,985

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

Key management compensation

Parent 2011	Parent 2012		Group 2012	Group 2011
5,224	5,827	Short-term benefits	9,838	10,266
27	31	Post employment benefits	82	68
5,251	5,858		9,920	10,334

38. Financial Instruments

Fair values

The Group's accounting policy on fair value measurements is discussed in accounting policy Note 2 vii. With the exception of insurance contracts which are specifically excluded under IFRS 7, the estimated fair values of certain financial instruments have been determined using available market information or other appropriate valuation methodologies that require judgement in interpreting market data and developing estimates.


Notes to the Financial Statements

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38. Financial Instruments (continued)

Fair values (continued)

(i) Short-term financial assets and liabilities

The carrying amount of short-term financial assets and liabilities comprising cash and short-term funds, fixed deposits, interest receivable and insurance receivable and other debtors and prepayments, customer deposits and other funding instruments, accrued interest and other payables are a reasonable estimate of their fair values because of the short maturity of these instruments.

(ii) Investment securities

The fair value of trading investments is based on market quotations, when available. When market quotations are not readily available, fair values are based on discounted cash flows or estimated using quoted market prices of similar investments. In the absence of a market value, discounted cash flows will approximate fair value. This process relies on available market data to generate a yield curve for each country in which valuations were undertaken, using interpolated results where there were no market observable rates.

In pricing callable bonds, where information is available, the price of a callable bond is determined as at the call date using the yield to worst. For bonds with irregular cash flows (sinking funds, capitalization of interest, moratoria, amortizations or balloon payments) a process of iteration using the internal rate of return is used to arrive at bond values. Yields on all tax-free bonds are grossed-up to correspond to similar taxable bonds at the prevailing rate of corporation tax.

(iii) Loans and advances

The estimated fair value for performing loans is computed as the future cash flows discounted and the yield to maturity based on the carrying values as the inherent rates of interest in the portfolio as those rates approximate market conditions. When discounted, the cash flow values are equal to the carrying value.

(iv) Debt securities in issue

The Group values the debt and asset-backed securities using valuation models which use discounted cash flow analysis which incorporates either only observable data or both observable and non-observable data. Observable inputs include assumptions regarding current rates of interest and real estate prices; unobservable inputs include assumptions regarding expected future default rates, prepayment rates and liquidity discounts.

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38. Financial instruments (continued)

Fair values (continued)

(v) Carrying amounts and fair values

The tables in the following pages summarise the carrying amounts and the fair values of the Parent's and the Group's financial assets and liabilities for 2012 and 2011.

2012

Parent				Group		
Carrying values	**Fair values**	**Unrecognised gain/(loss)**	**Financial assets**	**Carrying values**	**Fair values**	**Unrecognised gain/(loss)**
279,430	279,430	–	Cash and short-term funds	806,035	806,035	–
–	–	–	Fixed deposits	26,586	26,586	–
761,212	761,212	–	Net leases	760,866	760,866	–
401,598	401,598	–	Loans and advances	501,575	501,575	–
639,577	658,011	18,434	Investment securities	2,826,237	2,976,216	149,978
7,468	7,468	–	Interest receivable	26,908	26,908	–
–	–	–	Insurance receivable	47,328	47,328	–
2,089,285	2,107,719	18,434		4,995,535	5,145,514	149,978
			Financial liabilities			
925,648	925,648	–	Customers' deposits	1,767,421	1,767,421	–
9,343	9,343	–	Bank overdraft	9,343	9,343	–
119,607	119,607	–	Accrued interest and other payable	172,971	172,971	–
669,073	669,073	–	Debt securities in issue	669,073	669,073	–
–	–	–	Investment contract liabilities	160,150	160,150	–
1,723,671	1,723,671	–		2,778,958	2,778,958	–

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38. Financial instruments (continued)

Fair values (continued)

(v) Carrying amounts and fair values (continued)

2011

Parent				Group		
Carrying values	Fair values	Unrecognised gain/(loss)	**Financial assets**	Carrying values	Fair values	Unrecognised gain/(loss)
316,627	316,627	–	Cash and short-term funds	484,623	484,623	–
–	–	–	Fixed deposits	21,390	21,390	–
640,543	640,543	–	Net leases	640,089	640,089	–
436,144	436,144	–	Loans and advances	521,905	521,905	–
1,052,967	1,071,780	18,813	Investment securities	3,142,861	3,139,100	(3,761)
18,316	18,316	–	Interest receivable	42,051	42,051	–
–	–	–	Insurance receivables	37,082	37,082	–
2,464,597	2,483,410	18,813		4,890,001	4,886,240	(3,761)
			Financial liabilities			
1,277,868	1,277,868	–	Customers' deposits	1,767,792	1,767,792	–
52,611	52,611	–	Bank overdraft	55,871	55,871	–
47,822	47,822	–	Accrued interest and other payables	82,707	82,707	–
757,854	757,854	–	Debt securities in issue	757,854	757,854	–
–	–	–	Investment contract liabilitie	156,795	156,795	–
2,136,155	2,136,155	–		2,821,019	2,821,019	–

(vi) Determination of fair value and fair value hierarchies

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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38. Financial instruments (continued)

Fair values (continued)

(vi) Determination of fair value and fair value hierarchies (continued)

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market. This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Parent				
Investment securites designated as at FVSI				
Quoted equities	7,449	252	–	7,701
Government bonds	–	83,190	–	83,190
State owned company securities	–	57,105	–	57,105
Corporate bonds and debentures	–	44,517	73	44,590
	7,449	185,064	73	192,586
Investment securites measured at OCI				
Quoted equities	56,361	–	–	56,361
Group				
Investment securites designated as at FVSI				
Unquoted equities	–	–	6,190	6,190
Quoted equities	294,839	54,824	–	349,663
Government bonds	54,892	475,500	–	530,392
State owned company securities	36,185	199,107	–	235,292
Corporate bonds and debentures	148,324	136,740	73	285,137
	534,240	866,171	6,263	1,406,674

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38. Financial instruments (continued)

Fair values (continued)

(vi) Determination of fair value and fair value hierarchies (continued)

2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Parent				
Investment securites designated as at FVSI				
Quoted equities	8,914	126	–	9,040
Government bonds	–	161,939	–	161,939
Corporate bonds and debentures	18,194	13,196	–	31,390
	27,108	175,261	–	202,369
Investment securites measured at OCI				
Quoted equities	61,285	–	–	61,285
Group				
Investment securites designated as at FVSI				
Unquoted equities	–	–	12,461	12,461
Quoted equities	310,093	81,034	–	391,127
Government bonds	56,534	245,240	–	301,774
State owned company securities	38,733	27,987	–	66,720
Corporate bonds and debentures	146,162	288,887	–	435,049
	551,522	643,148	12,461	1,207,131

(vii) Transfers between Level 1 and Level 2

As at 31 December 2012, there were no transfers of assets between Level 1 and 2.

(viii) Movements in Level 3 financial instruments measured at fair value

Parent			Group	
2011	**2012**		**2012**	**2011**
		Assets		
–	–	Balance at 1 January	12,476	6,075
–	–	Gains recognized	–	6,401
–	73	Purchases	223	–
–	–	Transfers out of Level 3	(6,436)	–
–	73		6,263	12,476

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39. Risk management

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to their responsibilities. The Group is exposed to credit risk, liquidity risk and market risk.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies, principles and policies and procedures. Day to day adherence to risk principles is carried out by the executive management of the Bank and its subsidiaries in compliance with the policies approved by the Board of Directors.

Treasury management

The Bank and its subsidiaries employ Treasury functions which are responsible for managing their assets and liabilities and the overall financial structure. The Treasury function is also primarily responsible for the funding and liquidity risks of the Bank and its subsidiaries.

Credit risk management

The Group takes on exposure to credit risk, which is the potential for loss due to a counter-party or borrower's failure to pay amounts when due. Credit risk arises from traditional lending, underwriting and investing activity, and from settling payments between financial institutions. Impairment provisions are established for losses that have been incurred at the end of the reporting period.

Significant changes in the economy, or in the state of a particular industry segment that represents a concentration in the Group's portfolio, could result in losses that are different from those provided at the end of the reporting period. Management therefore carefully manages its exposure to credit risk.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on an ongoing basis, and limits on the levels of credit risk that the Group can engage in are approved by the Board of Directors.

Notes to the Financial Statements

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39. Risk management (continued)

Credit risk management (continued)

Exposure to credit risk is further managed through regular analysis of the ability of borrowers to meet capital and interest repayment obligations and by changing these lending limits when appropriate. In addition, collateral, corporate, state and personal guarantees are obtained.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as the primary underwriter. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The following table shows the maximum exposure to credit risk which represents a worst case scenario of credit risk exposure, without taking account of any collateral held or other credit enhancements attached. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Parent Gross maximum exposure			Group Gross maximum exposure	
2011	**2012**		**2012**	**2011**
316,627	279,430	Cash and short-term funds	806,035	484,623
–	–	Fixed deposits	26,586	21,390
640,543	761,212	Net leases	760,866	640,089
436,144	401,598	Loans and advances	501,575	521,905
982,642	575,514	Investment securities	2,470,384	2,739,258
18,316	7,468	Interest receivable	26,908	42,051
–	–	Insurance receivables	47,328	37,082
–	–	Reinsurance assets	84,579	125,138
2,394,272	**2,025,222**		**4,724,261**	**4,611,536**
3,265	612	Contingent liabilities	612	3,265
–	–	Mortgages with recourse	104	104
–	–	Commitments	18	16,612
2,397,537	**2,025,834**		**4,724,995**	**4,631,517**

The main types of collateral obtained are as follows:

- For hire purchase and leases - charges over auto vehicles and industrial and general equipment;
- For reverse repurchase transactions - cash and securities;
- For corporate loans - charges over real estate property, industrial equipment, inventory and trade receivables;
- For mortgage loans - mortgages over commercial and residential properties.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

39. **Risk management** (continued)

Cash and short-term funds and fixed deposits

These funds are placed with highly rated local banks and Central Banks within the Caribbean region where the Group transacts business. In addition, cash is held by international financial institutions with which the Group has relationships as custodians or fund managers. All custodians and fund managers are highly rated by Moody's and have been classified with a 'stable' outlook. Management therefore considers the risk of default of these counterparties to be very low.

Net investment in leased assets and other installment loans, mortgages and policy loans

These leases and loans are individually insignificant. With the exception of policy loans, these facilities are typically secured by the related asset. Policy loans are lent up to the maximum cash surrender value of the policy to which it relates, and therefore there is no risk of loss to the Group.

An aging analysis of these facilities is as follows:

		In Arrears				
	Current	**1-30 days**	**31-60 days**	**61-90 days**	**Over 90 days**	**Total**
Parent						
2012	694,589	52,646	9,215	1,689	3,073	761,212
2011	577,947	51,747	7,067	2,009	1,773	640,543
Group						
2012						
Net leases	694,401	52,488	9,215	1,689	3,073	760,866
Mortgages	73,914	11,555	3,271	3	368	89,111
Policy loans	10,866	–	–	–	–	10,866
	779,181	64,043	12,486	1,692	3,441	860,843
2011						
Net leases	577,493	51,747	7,067	2,009	1,773	640,089
Mortgages	67,769	–	2,113	1,516	3,283	74,681
Policy loans	11,081	–	–	–	–	11,081
	656,343	51,747	9,180	3,525	5,056	725,851

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

39. Risk management (continued)

Other loans and advances

The credit quality of other loans and advances has been analysed into the following categories:

High grade	These facilities are current and have been serviced in accordance with the loan agreements. In addition, these loans are well secured typically by mortgages over properties in desirable locations, or shares in publicly traded companies on the local stock exchange. Also included in this category are loans with Related Parties which meet all of the above criteria.
Standard	These facilities are current and have been serviced in accordance with the loan agreements.
Special monitoring	These are loans that are typically not serviced on time, but are in arrears for less than 90 days. Payments are normally received after follow up with the client.
Sub-standard	These facilities are either greater than 90 days in arrears but are not considered to be impaired, or have been restructured in the past financial year.
Impaired	These facilities are non-performing.

Parent

	High grade	Standard	Special monitoring	Sub-standard	Impaired	Total
2012	233,782	155,449	–	12,367	–	401,598
2011	408,290	15,504	–	12,350	–	436,144

Investment debt securities

The credit quality of investment debt securities has been analyzed into the following categories:

High grade	These include Regional Sovereign Debt Securities issued directly or through a state intermediary body where there has been no history of default.
Standard	These securities are current and have been serviced in accordance with the terms and conditions of the underlying agreements. In addition, included in this category are securities issued by related parties and fellow subsidiaries within the ANSA McAL Group of companies.
Sub-standard	These securities are either greater than 90 days in arrears but are not considered to be impaired, or have been restructured in the past financial year.
Impaired	These securities are non-performing.

Notes to the Financial Statements
For the year ended 31st December 2012
(Expressed in Thousands of Trinidad and Tobago dollars)

39. **Risk management** (continued)

Investment debt securities (continued)

	High grade	Standard	Sub-standard	Impaired	Total
Parent					
2012	157,518	325,475	65,853	26,668	575,514
2011	361,137	528,491	33,615	59,399	982,642
Group					
2012	1,114,710	1,209,380	79,460	66,834	2,470,384
2011	1,009,498	1,557,901	107,346	64,513	2,739,258

Insurance receivablesg

An aged analysis of insurance receivables held by the Group is as follows:

	Up to 45 days	45-90 days	Over 90 days	Total
2012				
Gross premiums receivable	22,307	4,298	16,120	42,725
Provision for premiums receivables	–	–	(5,048)	(5,048)
Gross reinsurance receivables	1,045	210	9,478	10,733
Provision for reinsurance receivables	–	–	(1,082)	(1,082)
	23,352	4,508	19,468	47,328
2011				
Gross premiums receivable	7,486	4,101	23,756	35,343
Provision for premiums receivables	–	–	(4,923)	(4,923)
Gross reinsurance receivables	2,695	62	4,987	7,744
Provision for reinsurance receivables	–	–	(1,082)	(1,082)
	10,181	4,163	22,738	37,082

Notes to the Financial Statements

For the year ended 31st December 2012
(Expressed in Thousands of Trinidad and Tobago dollars)

39. Risk management (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group manages its interest rate exposure by offering fixed rates on its funding instruments over the respective term. On the lending side, loans will be granted at fixed rates over specified periods. As interest rates on both deposits and loans remain fixed over their lives, the risk of fluctuations in market conditions is mitigated.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by the Group Treasury department.
The table below demonstrates the sensitivity to a reasonably possible change in interest rates on the Group's income with all other variables held constant. The sensitivity of income is the effect of the assumed changes in interest rates on the income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December.

		Sensitivity of income	
	Change in basis points	**2012**	**2011**
Parent	+ 100	200	1,745
	– 100	(200)	(1,745)
Group	+ 100	25,635	21,191
	– 100	(25,635)	21,191

Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The tables on the following pages indicate the currencies to which the Parent and Group had significant exposure at 31 December on its monetary assets and liabilities. The analysis also calculates the effects of a reasonably possible movement of each currency rate against the Trinidad and Tobago dollar, with other variables held constant.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

39. Risk management (continued)

Currency risk (continued)

Parent	USD	EURO	JPY	OTHER	TOTAL
2012					
Cash and short-term funds	228,156	2,102	47	1,442	231,747
Loans and advances	227,374	–	–	–	227,374
Investment securities	373,906	35,465	–	4,777	414,148
Interest receivable	5,289	–	–	46	5,335
Total financial assets	834,725	37,567	47	6,265	878,604
Customers' deposits and other funding instruments	238,551	–	–	–	238,551
Debt securities	319,073	–	–	–	319,073
Total financial liabilities	557,624	–	–	–	557,624
Net currency risk exposure	**277,101**	**37,567**	**47**	**6,265**	**320,980**
Reasonably possible change in currency rate	5%	5%	5%	5%	5%
Effect on profit before tax	**13,855**	**1,878**	**2**	**313**	**16,049**
2011					
Cash and short-term funds	182,233	23	46	137	182,439
Loans and advances	234,815	–	–	–	234,815
Investment securities	504,196	41,119	–	–	545,315
Total financial assets	921,244	41,142	46	137	962,569
Customers' deposits and other funding instruments	732,760	–	–	–	732,760
Total financial liabilities	732,760	–	–	–	732,760
Net currency risk exposure	**188,484**	**41,142**	**46**	**137**	**229,809**
Reasonably possible change in currency rate	5%	5%	5%	5%	5%
Effect on profit before tax	**9,424**	**2,057**	**2**	**7**	**11,490**

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

39. Risk management (continued)

Currency risk (continued)

Group

2012	**USD**	**BDS**	**EURO**	**OTHER**	**TOTAL**
Cash and short-term funds	371,633	3,184	2,102	2,069	378,988
Fixed deposits	–	22,255	–	4,331	26,586
Loans and advances	227,799	–	–	–	227,799
Investment securities	1,040,740	22,573	–	6,550	1,069,863
Interest receivable	7,938	609	–	128	8,675
Insurance receivables	3,544	15,049	–	–	18,593
Total financial assets	1,651,654	63,670	2,102	13,078	1,730,504
Customers' deposits and other funding instruments	238,551	–	–	–	238,551
Bank overdraft	319,073	–	–	–	319,073
Total financial liabilities	557,624	–	–	–	557,624
Net currency risk exposure	**1,094,030**	**63,670**	**2,102**	**13,078**	**1,172,880**
Reasonably possible change in currency rate	5%	5%	5%	5%	5%
Effect on profit before tax	**54,701**	**3,184**	**105**	**654**	**58,644**
2011					
Cash and short-term funds	256,418	15,707	23	669	272,817
Fixed deposits	–	14,832	–	4,436	19,268
Loans and advances	234,815	–	–	–	234,815
Investment securities	1,123,169	23,468	2,323	3,445	1,152,405
Insurance receivables	1,282	11,488	–	–	12,770
Total financial assets	1,615,684	65,495	2,346	8,550	1,692,075
Financial liabilities					
Customers' deposits and other funding instruments	665,825	–	–	–	665,825
Total financial liabilities	665,825	–	–	–	665,825
Net currency risk exposure	**949,859**	**65,495**	**2,346**	**8,550**	**1,026,250**
Reasonably possible change in currency rate	5%	5%	5%	5%	5%
Effect on profit before tax	**47,493**	**3,275**	**117**	**428**	**51,313**

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

39. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulty in meeting obligations associated with financial instruments when they fall due under normal and stress circumstances. To mitigate this risk, Management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group sources funds for the provision of liquidity from three main sources; retail and wholesale deposits, funding instruments and the capital markets. A substantial portion of the funding for the Group is provided by core deposits and premium income. The Group maintains a core funding base which can be drawn on to meet immediate liquidity needs. Facilities are also established with correspondent banks, which can provide additional liquidity if conditions demand.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Group. The Group employs various asset/liability techniques to manage liquidity gaps. Liquidity gaps are mitigated by the marketable nature of a substantial segment of the Group's assets as well as generating sufficient cash from new and renewed customer deposits and insurance policies.

Analysis of financial liabilities by remaining contractual maturities

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2012 and 2011, based on contractual undiscounted repayment obligations, over the remaining life of those liabilities.

Parent	Up to one year	Two to five years	Over five years	Total
2012				
Customers' deposits and other funding instruments	834,154	91,494	–	925,648
Bank overdraft	9,343	–	–	9,343
Debt securities in issue	–	573,351	95,722	669,073
	843,497	664,845	95,722	1,604,064
2011				
Customers' deposits and other funding instruments	861,169	403,748	12,951	1,277,868
Bank overdraft	52,611	–	–	52,611
Debt securities in issue	–	574,326	183,528	757,854
	913,780	978,074	196,479	2,088,333

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

39. Risk management (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

Group	Up to one year	Two to five years	Over five years	Total
2012				
Customers' deposits and other funding instruments	1,744,096	23,325	–	1,767,421
Bank overdraft	9,343	–	–	9,343
Debt securities in issue	–	573,351	95,722	669,073
Investment contracts	160,150	–	–	160,150
	1,913,589	596,676	95,722	2,605,987
2011				
Customers' deposits and other funding instruments	1,670,993	96,798	–	1,767,792
Bank overdraft	55,871	–	–	55,871
Debt securities in issue	–	574,326	183,528	757,854
Investment contracts	156,795	–	–	156,795
	1,883,659	671,124	183,528	2,738,312

Equity price risk

Equity price risk is the risk that the fair values of equities will decrease as the result of decrease in equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio. The effect on income will arise as a result of the change in fair value of equity instruments categorised as fair value through the statement of income. The effect on income at 31 December due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

Market indices	Change in equity price	Effect on income	
	%	2012	2011
Parent			
TTSE	+/- 3	223	3
S&P 500	+/- 8	20	713
Group			
TTSE	+/- 3	7,743	6,925
S&P 500	+/- 8	3,531	13,881

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

40. Capital management

The primary objectives of the Group's capital management policy are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

When managing capital which is a broader concept than the 'equity' in the statement of financial position the objectives of the Parent and its subsidiaries are:

- To comply with the capital requirements set by the regulators of the markets where the parent and its subsidiaries operate;
- To safeguard the parent and the subsidiaries' ability to continue as a going concern so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored monthly by Management, employing techniques based on the guidelines developed and implemented by the Central Bank of Trinidad & Tobago for supervisory purposes. The required information is filed with the Central Bank on a monthly basis.

The Central Bank requires each bank or banking group to: (a) hold the minimum level of the regulatory capital of $15 million, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the internationally agreed minimum of 8%.

In each country in which the Group's insurance subsidiaries operates, the local insurance regulator indicates the required minimum amount and type of capital that must be held by each of the subsidiaries in addition to their insurance liabilities. The Group is subject to the insurance solvency regulations in all the territories in which it issues insurance contracts. The minimum required capital must be maintained at all times throughout the year.

For 2012 and 2011, the Parent and its subsidiaries complied with all of the externally imposed capital and funding requirements to which they are subject at the date of this report.

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

41. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled based on contractual undiscounted cashflows.

Parent	2012			2011		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
Assets						
Cash and short-term funds	279,430	–	279,430	316,627	–	316,627
Net leases	68,571	692,641	761,212	51,186	589,357	640,543
Loans and advances	318,914	82,684	401,598	221,924	214,220	436,144
Investment securities	107,020	532,557	639,577	90,370	962,597	1,052,967
Interest receivable	7,468	–	7,468	18,316	–	18,316
Other debtors and prepayments	9,932	–	9,932	14,869	–	14,869
Taxation recoverable	11,163	–	11,163	4,559	–	4,559
Investment in subsidiaries	–	632,500	632,500	–	632,500	632,500
Property and equipment	–	4,229	4,229	–	3,448	3,448
Deferred tax asset	–	915	915	–	2,253	2,253
Employee benefit	–	8,507	8,507	–	8,100	8,100
Total assets	802,498	1,954,033	2,756,531	717,851	2,412,475	3,130,326
Liabilities						
Customers' deposits	849,734	75,914	925,648	861,169	416,699	1,277,868
Bank overdraft	9,343	–	9,343	52,611	–	52,611
Accrued interest and other payables	119,607	–	119,607	47,822	–	47,822
Debt securities in issue	–	669,073	669,073	–	757,854	757,854
Deferred tax liability	–	22,343	22,343	–	8,886	8,886
Employee benefit obligation	–	434	434	–	380	380
Total liabilities	978,684	767,764	1,746,448	961,602	1,183,819	2,145,421

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For the year ended 31st December 2012
(Expressed in Thousands of Trinidad and Tobago dollars)

41. Maturity analysis of assets and liabilities (continued)

Group	2012			2011		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
Assets						
Cash and short-term	806,035	–	806,035	484,623	–	484,623
Fixed deposits	26,586	–	26,586	21,390	–	21,390
Net leases	68,571	692,295	760,866	51,186	588,903	640,089
Loans and advances	318,982	182,593	501,575	221,988	299,917	521,905
Investment securities	877,331	1,948,906	2,826,237	937,323	2,205,538	3,142,861
Interest receivable	26,908	–	26,908	42,051	–	42,051
Insurance receivables	47,328	–	47,328	37,082	–	37,082
Other debtors and prepayments	33,230	–	33,230	43,016	–	43,016
Reinsurance assets	76,879	7,700	84,579	125,138	–	125,138
Taxation recoverable	12,373	–	12,373	5,158	–	5,158
Investment properties	–	128,943	128,943	–	119,469	119,469
Property and equipment	–	36,738	36,738	–	35,506	35,506
Goodwill	–	133,762	133,762	–	133,762	133,762
Deferred tax asset	–	11,192	11,192	–	9,364	9,364
Employee benefit asset	–	95,002	95,002	–	87,635	87,635
Total assets	2,294,224	3,237,130	5,531,354	1,968,955	3,480,094	5,449,049
Liabilities						
Customers' deposits	1,744,096	23,325	1,767,421	1,670,994	96,798	1,767,792
Debt securities in issue	–	669,073	669,073	–	757,854	757,854
Bank overdraft	9,343	–	9,343	55,871	–	55,871
Accrued interest and other payables	172,971	–	172,971	82,707	–	82,707
Taxation payable	2,945	–	2,945	2,666	–	2,666
Deferred tax liability	–	138,597	138,597	–	119,121	119,121
Employee benefit obligation	–	3,548	3,548	–	3,129	3,129
Investment contract liabilities	160,150	–	160,150	156,795	–	156,795
Insurance contract liabilities	286,753	793,371	1,080,124	333,015	723,094	1,056,109
Total liabilities	2,376,258	1,627,914	4,004,172	2,302,048	1,699,996	4,002,044

Notes to the Financial Statements

For the year ended 31st December 2012

(Expressed in Thousands of Trinidad and Tobago dollars)

42. Capital commitments

Parent 2011	Parent 2012		Group 2012	Group 2011
		Capital commitments		
–	–	Contracts outstanding	18	16,612

43. Contingent liabilities

(i) Customers' liability under acceptances, guarantees, indemnities and letters of credit

The Group's potential liability, for which there are equal and offsetting claims, against its customers in the event of a call on these commitments is as follows:

Parent 2011	Parent 2012		Group 2012	Group 2011
3,265	612	Acceptances	612	3,265

(ii) Litigation

At 31 December 2012, there were certain legal proceedings outstanding against the Group. Provisions have been established as indicated necessary based on professional advice received.

44. Proposed dividends

The Board of Directors declared a final dividend of $0.70 (2011: $0.70) per share for the year ended 31 December 2012. This dividend amounting to $59,924 (2011: $59,924) is not recorded as a liability in the statement of financial position.

45. Subsequent events

As at 1 January 2013, the Bank entered into an agreement to acquire 100% of Consolidated Finance Company Limited, which will become a subsidiary of the Bank and form part of the Bank Group. The details of the acquisition are expected to be completed within the first half of 2013.

Our Leadership Team
Reliable Financial Solutions

From left to right: M. Musa Ibrahim - Managing Director, Tatil
Gregory N. Hill - Managing Director, ANSA Merchant Bank
Dr. Anthony N. Sabga - Chairman, ANSA Merchant Bank
Chip Sa Gomes - Sector Head, Financial Services
Kathleen Galy - Executive Director, ANSA Merchant Bank
Nigel Edwards - Chief Executive, Tatil Life

ansa MERCHANT BANK LIMITED

50 YEARS 1963-2013

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Corporate Information

Board of Directors

Anthony N. Sabga (Chairman)
Ray A. Sumairsingh (Deputy Chairman)
Gregory N. Hill (Managing Director)
Kathleen Galy
Chip Sa Gomes
Judy Chang
Timothy Hamel-Smith
Jeremy Matouk
Nicholas W. S. Owen
Ian E. Welch

Corporate Secretary

Nigel Edwards

Management Team

Melissa Deo-Mohammed – Chief Financial Officer
Robert I. Ferreira – Manager Risk
Ian Chin- Corporate Manager, Merchant Banking
Randy Cyrus – Transaction & Advisory Manager
Carla Kelshall – Manager Investments
Kennedy Sammy – Corporate Manager Collections
Arnand Ramlal – Manager, San Fernando Branch
Aaron Armoogam–Manager, Grand Bazaar Branch

Registered Office

ANSA Centre,
11A Maraval Road
Port of Spain

Registrar & Transfer Office

W. Keith Welch
11th Floor, TATIL Building
11A Maraval Road
Port of Spain

Head Office

ANSA Centre,
11A Maraval Road
Port of Spain

Branch Offices

ANSA Mc AL Centre
25 Royal Road
San Fernando

Building L, First Floor
Grand Bazaar Mall
Valsayn

Classes of Business

1. Confirming House/Acceptance House
2. Finance House/Finance Company
3. Leasing Corporation
4. Mortgage Institution
5. Merchant Bank
6. Trust Company
7. Unit Trust
8. Financial Services

Auditors

Ernst & Young
5/7 Sweet Briar Road
Port of Spain

Principal Bankers

Republic Bank Limited
59 Independence Square
Port of Spain

Attorneys at Law

M. Hamel-Smith & Co.
Eleven Albion
Cor. Dere & Albion Streets
Port of Spain

J.D. Sellier & Co.
129-131 Abercromby Street
Port of Spain

Audit Committee

Judy Chang
Timothy Hamel-Smith
Jeremy Matouk
Nicholas W. S. Owen

Corporate Information
Tatil & Tatil Life Assurance Limited

Board of Directors

Anthony N. Sabga (Chairman)
Ray A. Sumairsingh (Deputy Chairman)
M. Musa Ibrahim (Managing Director, Tatil)
Nigel Edwards (Chief Executive, Tatil Life)
Chip Sa Gomes
Gerry Brooks
W. David Clarke
Dr. Michael A. Moses (Tatil Life)
Inez Sinanan
Michal Andrews

Corporate Secretary

Ronald Tai Fang

Management Team
Tatil
Vijay Seudath - Technical Manager
Sarita Parsad - Manager Legal and Compliance
Daran Seondarsingh - Manager Finance
Ricardo St. Cyr - Manager Claims
Gary Chung - Operations Manager
Derek Jindar - Manager, Group Risk
Joseph Elias - Asst Manager, non-Motor Claims
Andy Livingston - Manager Motor Claims
Padma Ramesh - Manager, Accident & Health
Mokesh Saroop - Manager, Corporate Sales and Agents Compliance

Management Team
Tatil Life
Stafford Yorke – GM - Agencies
Michelle Newallo – Finance Manager
Ulric Miller - Chief Risk Officer
Feyand Khan - Manager, Actuary
Claudine Allert - Life Operations Manager
Allison Seales - Lead, Sales Administration
Erica Ortiz - Manager, Client Services

Registered Office

11 Maraval Road
Port of Spain

Principal Bankers
Republic Bank Limited
59 Independence Square
Port of Spain

Auditors
Ernst & Young
5/7 Sweet Briar Road
Port of Spain

Attorneys at Law

J. D. Sellier & Co.
129-131 Abercromby Street
Port of Spain

Pollonais, Blanc, de La Bastide & Jacelon
17-19 Pembroke Street
Port of Spain

Audit Committee
W. David Clarke (Chairman)
Ray A. Sumairsingh
Inez Sinanan
Michal Andrews

Branch Offices

67 Independence Square
Port of Spain

Cor. Green & Cocorite Streets
Arima

Mid Centre Mall
Chaguanas

Grand Bazaar
Valsayn

13A Queen Street
San Fernando

ANSA McAL Centre
25 Royal Road
San Fernando

ANSA McAL Building
Milford Road
Scarborough, Tobago

Directors' and Substantial Interests

	March 31, 2012 Beneficial	March 31, 2013 Beneficial
Anthony N. Sabga, CMT	0	0
Ray A. Sumairsingh	2,000	2,000
Chip Sa Gomes	4,000	5,000
Gregory Hill	0	0
Kathleen Galy	0	0
Timothy Hamel-Smith	0	0
Judy Chang	0	0
Jeremy Matouk	3,202	3,202
Nicholas W. S. Owen	0	0
Ian E. Welch	0	0

NOTES:

(a) Dr. Anthony N. Sabga has a beneficial interest in ANSA INVESTMENTS LIMITED, the major shareholder of ANSA McAL LTD.

SUBSTANTIAL INTERESTS

	Shares of no par value as at March 31, 2013
ANSA McAL Limited	70,605,263

A substantial interest means a holding of one-twentieth or more of the issued shares of the Company.

Report of the Directors

The Directors present their report and Statement of Accounts for the year ended December 31, 2012.

FINANCIAL RESULTS FOR THE YEAR	$000	$000
Profit attributable to shareholders		149,620
Dividends on ordinary shares		
– Final paid (2011) – 75¢	(59,884)	
– Interim paid – 15¢	(12,840)	
		(72,724)
Transfer to Statutory Reserve		(16,440)
Transfer to General contingency reserves		(1,005)
Other Life Insurance Movements		(2,315)
Other reserve Movements		3,570
		60,706
Adjusted prior year balance		653,348
Retained profits at the end of the year		714,054

DIVIDENDS

The Directors declared a final dividend of 70¢ per ordinary share, which, with the interim of 15¢ already paid, makes a total of 85¢ for the year. The final dividend will be paid on May 24, 2013 to members on the register of shareholders at May 16, 2013.

DIRECTORS

Pursuant to paragraph 4.4 of By-Law No. 1 of the Bank, Messrs Anthony N. Sabga, Ray A. Sumairsingh, Timothy Hamel-Smith, Jeremy Matouk, Nicholas W. S. Owen, and Ian E. Welch elected at the last Annual Meeting, together with Mr. Chip Sa Gomes, retire and, being eligible, offer themselves for re-election.

Pursuant to paragraph 4.3 of By-Law No. 1 of the Company, the Directors propose that Mrs. Kathleen Galy and Judy Chang be elected as Directors.

AUDITORS

Auditors, Ernst & Young, have expressed their willingness to continue in office and offer themselves for re-election.

BY ORDER OF THE BOARD

Nigel Edwards
Corporate Secretary

ANSA Centre
11 Maraval Road
Port of Spain
April 15, 2013

Notice of Annual Meeting of Shareholders

NOTICE IS HEREBY GIVEN that the Thirty Fifth Annual Meeting of Shareholders of ANSA MERCHANT BANK LIMITED will be held at the ANSA McAL Board Room, 10th Floor, Tatil Building, 11A Maraval Road, Port of Spain on Wednesday May 22, 2013 at 4:00 p.m. for the following purpose:

ORDINARY BUSINESS

1. To receive and consider the Report of the Directors and the Audited Financial Statements for the financial year ended December 31, 2012 together with the Report of the Auditors and to note the final dividend.
2. To elect Directors.
3. To appoint the Auditors and to authorize the Directors to fix their remuneration.

DATED at Port of Spain, Trinidad, this 15th day of April, 2013

BY ORDER OF THE BOARD

Nigel Edwards
Corporate Secretary

NOTES

1. No service contracts were entered into between the Company and any of its Directors.
2. A member of the company entitled to attend and vote at the above meeting is entitled to appoint proxy to attend and vote in his or her stead. Such proxy need not also be a member of the Company.
3. Attached is a Proxy Form which must be completed, signed and deposited with the Corporate Secretary of the Company not less than 48 hours before the time fixed for holding the Meeting.

Management Proxy Calendar

1. NAME OF COMPANY: **ANSA Merchant Bank Limited**
   COMPANY NO: A – 350 (c)

2. PARTICULARS OF MEETING:
   The Thirty Fifth Annual Meeting of the Company to be held at the ANSA McAL Board Room, 10th Floor, Tatil Building, 11A Maraval Road, Port of Spain, Wednesday May 22, 2013 at 4:00pm

3. SOLICITATION:
   It is intended to vote the Proxy solicited hereby (unless the Shareholder(s) directs otherwise) in favour of all resolutions therein.

4. ANY DIRECTOR'S STATEMENT SUBMITTED PURSUANT TO SECTION 76 (2):
   No statement has been received from any Director pursuant to Section 76 (2) of The Companies Act, 1995.

5. ANY AUDITOR'S STATEMENT SUBMITTED PURSUANT TO SECTION 171 (1):
   No statement has been received from the Auditors of the Company pursuant to Section 171 (1) of The Companies Act, 1995.

6. ANY SHAREHOLDER'S PROPOSAL AND/OR STATEMENT SUBMITTED PURSUANT TO SECTIONS 116 (a) AND 117 (2):
   No proposal has been received from any shareholder pursuant to Sections 116 (a) and 117 (2) of The Companies Act, 1995.

DATE	NAME AND TITLE	SIGNATURE
April 15, 2013	Nigel Edwards Corporate Secretary	

Form of Proxy

REPUBLIC OF TRINIDAD AND TOBAGO.
THE COMPANIES ACT, 1995. [SECTION 144]

I/We .... being a member/members of ANSA Merchant Bank Limited hereby appoint Dr. Anthony N. Sabga of Port of Spain, or failing him Mr. Ray A. Sumairsingh of Port of Spain, or failing him .... of .... as my/our proxy to vote for me/us on my/our behalf at the Annual Meeting of the Company to be held on Wednesday, May 22, 2013 and at any adjournment thereof.

Dated this .... day of .... 2013.

Signed ....

PLEASE INDICATE WITH AN "X" IN THE SPACES BELOW HOW YOU WISH YOUR VOTES TO BE CAST.

	FOR	AGAINST
1. To receive the Directors' Report and Financial Statements.		
2. To elect the following Directors in place of those retiring:		
Dr. Anthony N. Sabga	A	A
Mr. Ray A. Sumairsingh	B	B
Mr. Chip Sa Gomes	C	C
Mr. Timothy Hamel-Smith	D	D
Mr. Jeremy Matouk	E	E
Mr. Nicholas W.S. Owen	F	F
Mr. Ian E. Welch	G	G
3. To elect Mrs. Kathleen Galy and Mrs. Judy Chang as a Director of the company.	H	H
	I	I
4. To appoint Auditors and to authorize the Directors to fix their remuneration.		

NOTES:

1. To be effective, this Form or other authority (if any) must be deposited at the Registered Office of the Company, ANSA Centre, 11A Maraval Road, Port of Spain, not less than forty-eight hours before the time appointed for holding the Meeting.
2. Any alteration made to this Form of Proxy should be initialed.
3. If the appointer is a Corporation, this Form of Proxy must be under its Common Seal, or under the hand of an officer or attorney duly authorized in writing.
4. In the case of joint holders, the signature of any holder is sufficient but the names of all joint holders should be stated.
5. Return of the completed Form of Proxy will not preclude a member from attending and voting at the Meeting.

Notes

Notes

MERCHANT BANK LIMITED

www.ansabank.com