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MERCHANT BANK LIMITED

ANNUAL REPORT 2013

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MERCHANT BANK LIMITED

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BOARD OF DIRECTORS


Anthony N. Sabga
Chairman


Gregory N. Hill
Managing Director


Kathleen Galy
Executive Director


Chip Sa Gomes
Director


Ray A. Sumairsingh
Deputy Chairman

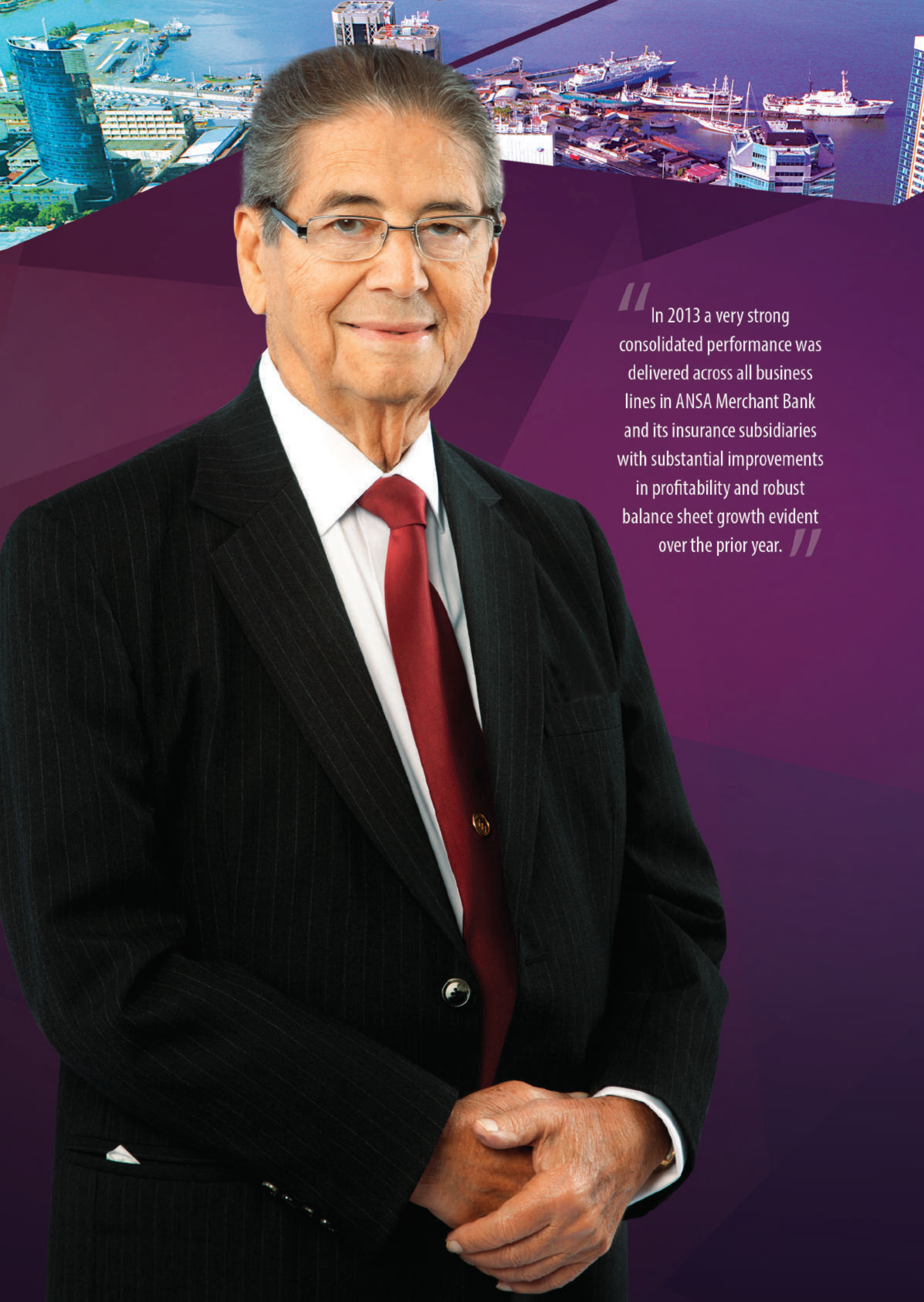
Jeremy Matouk
Director

Timothy Hamel-Smith
Director

Ian E. Welch
Director

Nicholas W. S. Owen
Director

Judy Chang
Director



"In 2013 a very strong consolidated performance was delivered across all business lines in ANSA Merchant Bank and its insurance subsidiaries with substantial improvements in profitability and robust balance sheet growth evident over the prior year."

Chairman's Report 2013

Earnings Before Tax in 2013 was 80% higher at $339 million (2012: $188 million). Profit Attributable to Shareholders and Non-Controlling Interest also grew by 80% at $266 million (2012: $148 million). Earnings Per Share (EPS) for 2013 was $3.11 (2012: $1.73). Total Assets increased in 2013 by 10% to $6.1 billion (2012: $5.5 billion), supported by Total Liabilities of $4.4 Billion and Total Equity of $1.7 billion.

Directors have approved a Final Dividend of 85 cents per share representing a total dividend for the year of $1 per share, approximately 32% of Earnings After Tax. The total dividend payout represents an increase of 18% over the prior year.

The strong performance of the Bank in 2013 was derived largely from growth in the core banking and insurance operations against the backdrop of a modest recovery in the economic and investment climate.

ASSET FINANCE

Asset Finance continues to be a key driver of our banking business. Having introduced In One ten years ago it remains unmatched in delivering the best overall customer experience for vehicle acquisition. Though there have been attempts, none of our competitors have been successful in duplicating the main value drivers of the In One product. New business volumes in 2013 increased on average by 32% over the prior year, while maintaining our delinquency in the portfolio below 1%, which is best in market.

INVESTMENT BANKING

Our Investment Banking business in 2013 continued its growth trajectory with significantly increased transaction volumes, which was supported by a more active domestic capital market. We continue to view this business as one that is relationship and innovation driven and consequently our focus has been on structuring creative products which foster the sharing of acceptable risks and rewards amongst our financing partners and investors in the capital market.

INVESTMENTS

2013 marked a year of modest recovery in our investment portfolios as the domestic investment environment reflected positive metrics and the global markets performed well. The local equity component of our portfolios performed quite favorably throughout 2013 in line with the upswing in the local market fuelled by domestic IPO activity. However, this was subdued by the declining yields in the domestic fixed income market. Our foreign portfolios have undergone realignment strategies during 2012 and 2013, specifically to build a conservative and more diversified platform in response to greater market volatility over the last few years. We expect more stable returns going forward as these strategies are further deployed in 2014.

MUTUAL FUNDS

This business line continues to earn great market returns for unitholders and acceptable revenue for the Bank, in spite of declining fixed income yields in the domestic market. The investing public continues to embrace our Mutual Funds since the launch of our very first fund in 2005. Our most recent funds, the ANSA TT$ and US$ Income Funds continued to do well in 2013 with the TT$ Income Fund reflecting a 23% increase in AUM, while the US$ Income Fund maintaining its AUM despite the shortage of US$ in the domestic market. The annualized returns since inception of these Income Funds were a commendable 5.31% and 2.52% p.a. respectively, demonstrating our ability to deliver superior returns to our unitholders, despite the uncertain investment climate.

TATIL

Our General Insurance Company celebrated 50 years of operations and marked this golden anniversary with a solid performance, reflecting a 5% increase in Profit Before Tax at $91 million (2012: $87 million). Gross Written Premium Income showed a 7% improvement over prior year also, coupled with a 17% increase in Underwriting Profits at $43 million (2012: $37 million). 2013 also saw continued management of claims cost and the maintenance of a favourable loss ratio of below 50%. Our AM Best Rating was once again reaffirmed at A (-) with a Stable Outlook.

TATIL LIFE

Tatil Life also generated a strong performance in 2013. All revenue lines showed strong growth of 20% over 2012 with total revenue of $248 million (2012: $207 million). Gross earned premium in 2013 was $137 million (2012: $119 million) an increase of 15%. Investment income was $105 million in 2013 representing an increase of 28% over investment income of $82 million in 2012. Net benefits and claims was $129 million (2012: $130 million). The Policyholder Liabilities grew by $58.4 million or 6% over 2012. The combination of strong revenues and well managed expenses resulted in significant growth of profit with profit before tax increasing to $68 million (2012: $19.5 million).

CONCLUSION

Overall the Bank produced an exceptional performance in 2013 largely due to the success of our strategies deployed in the current and prior year in the face of uncertain regional economic conditions. These strategies resulted in good profitability which was experienced in all of the key business segments namely Banking, General Insurance, Life Insurance and Mutual Funds.

Given the robust foundation established in 2013, we expect continued growth in 2014 and beyond, as we continue to focus on our customers and the development of our people. Therefore, we opened our newest branch at Grand Bazaar, which now services our clients from the eastern and central part of the country to ensure improved accessibility to our products and services. I am confident that the Group will continue to generate sustainable returns for its shareholders, and offer greater returns to all of our customers and investors.

I wish to thank our hard working staff for their relentless efforts and directors for their vision and dedication.

Dr. Anthony N. Sabga ORTT
Chairman

Corporate information
ANSA Merchant bank limited

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
Robert I. Ferreira

Bank Management
Alan Sadler - Finance Director
Melissa Deo-Mohomed - Chief Financial Officer
Kavita Suratsingh - Head of Investments
Ian Chin - Corporate Manager, Merchant Banking
Randy Cyrus - Manager, Transaction & Advisory
Dale Khan - Manager, Treasury
Sheldon Ramharack- IT Manager
Kennedy Sammy - Corporate Manager, Collections
Nigel Sabga - Manager, Investments
Arnand Ramlal - Manager, San Fernando Branch
Aaron Armoogam - Manager, Grand Bazaar Branch

Sector Staff
Trevor Edwards - Sector Chief Financial Officer
Tiffany Campbell-Joseph - Manager, Marketing

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

Registered Office/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 (Chairman)
Timothy Hamel-Smith
Jeremy Matouk
Nicholas W. S. Owen

Corporate information
TATIL and TATIL Life Assurance Limited

Board of Directors
Anthony N. Sabga (Chairman)
Ray A. Sumairsingh (Deputy Chairman)
M. Musa Ibrahim (Managing Director, Tatil)
Ronald Lai Fang (Chief Executive, (Ag) Tatil Life)
Chip Sa Gomes
Gerry Brooks
W. David Clarke
Dr. Michael A. Moses (Tatil Life)
Michal Andrews

Corporate Secretary
Ronald Lai Fang

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

Management Team
Tatil Life
Ronald Lai Fang- Chief Executive (Ag)
Michelle Newallo – Chief Finance Officer
Shaun Isaac – Manager, Risk
Feyaad Khan - Manager, Actuary
Claudine Allert - Life Operations Manager
Allison Seales - Manager, Sales Administration
Erica Ortiz - Manager, Client Services
Luanna Rahman- Manager, Pensions

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
Michal Andrews

Branch Offices
67 Independence Square
Port of Spain

Cor. Green & Cocorite Streets
Arima

Mid Centre Mall
Chaguanas

Grand Bazaar
Valsayn

13A Quenca Street
San Fernando

ANSA McAL Centre
25 Royal Road
San Fernando

ANSA McAL Building
Milford Road
Scarborough, Tobago

ANSA McAL Group of Companies

The ANSA McAL Group of Companies is a local company headquarted in Port of Spain, Trinidad and Tobago and has been doing business since 1881. ANSA McAL is listed on the Trinidad and Tobago Stock Exchange (TTSE: AMCL) and it is one of the largest congolmerates in the Caribbean. Today the strength of the Group is unparalled and this is attributed to the commitment and dedication of its people.

Through the years, the ANSA McAL Group has grown considerably with an asset base of TT$ 12.2 Billion, revenues of TT$ 6.2 Billion (TT$ 5.9 Billion – 2012) and profit before tax of TT$ 1.1 Billion (TT$ 948 Million – 2012) as of December 31, 2013. The Group's business operations span 8 sectors throughout the Caribbean including Trinidadad and Tobago, Barbados, St. Kitts and Nevis, St. Lucia, Guyana, Grenada and the United States of America. The Group possesses a diverse workforce of approximately 6,000 employees.

The 8 Sectors of the ANSA McAL Group are:

AUTOMOTIVE SECTOR

David Sabga
Sector Head - Automotive
Executive Director - ANSA McAL Group of Companies

Companies in the Automotive Sector include:

i.	Burmac - A division of ANSA Automotive	1961
ii.	Carmax Limited	1999
iii.	Classic Motors	1992
iv.	Diamond Motors	1992
v.	McEnearney Motors	1919
vi.	McEnearney Quality Inc	1918
vii.	Oxford Motors	2011
viii.	Richmond Motors	2011
ix.	Trafalgar Motors	2011

BEVERAGE SECTOR

Andrew Sabga
Sector Head - Beverage
Executive Director - ANSA McAL Group of Companies

Companies in the Beverage Sector include:

i.	CARIB Brewery Limited	1947
ii.	CARIB Glassworks Limited	1948
iii.	Grenada Breweries Limited	1960
iv.	CARIB Brewery (St. Kitts & Nevis) Limited	1960
v.	DCI Miami Inc	-

FINANCIAL SERVICES SECTOR

Chip Sa Gomes | Sector Head - Financial Services | Member of the Executive Management Team

Companies in the Financial Services Sector include:

i.	ANSA Merchant Bank Limited	1977
ii.	Brydens Insurance Inc	1932
iii.	Consolidated Finance Company Limited	1983
iv.	Trinidad and Tobago Insurance Lmited	1963

DISTRIBUTION SECTOR

Jose Nivet
Sector Head - Distribution
Member of the Executive Management Team

Companies in the Distribution Sector include:

i.	Alstons Marketing Company Limited (AMCO)	1882
ii.	Tobago Marketing Company Limited (TOMCO)	1961
iii.	ANSA McAL Trading (Guyana) Limited	1992
iv.	Bryden Stokes Limited	2012
v.	Twee Limited	-

MEDIA SECTOR

Gabriel Faria
Managing Director -
Media, Retail and Services

The Media Sector subsidiaries operate under one publicly traded entity - Guardian Media Limited (GML) and comprise:

i.	Trinidad Publishing	1917
ii.	Trinidad Broadcasting	1935
iii.	CNC3	2005

RETAIL SECTOR

David G. Inglefield
Sector Head - Media, Retail and Services
Member of the Executive Management Team

Companies in the Distribution Sector include:

i.	Standards Distributors	1945
ii.	Trimart Inc	2002

MANUFACTURING SECTOR

Gerry C. Brooks
Sector Head - Manufacturing
Executive Director -
ANSA McAL Group of Companies

Companies in the Manufacturing Sector include:

i.	Abel Building Solutions (ABS)	1957
ii.	ANSA McAL Chemicals Limited	1986
iii.	ANSA Coatings Limited	2012
iv.	ANSA Polymer Limited	1996
v.	Caribbean Roof Tile Company Limited	2004
vi.	Trinidad Match Limited	1887

SERVICES SECTOR

David G. Inglefield
Sector Head - Media, Retail and Service
Member of the Executive Management Team

Companies in the Services Sector include:

i.	Alstons Shipping Limited	1948
ii.	Alstons Travel Limited	1969
iii.	ANSA McAL (US) Inc	1992
iv.	ANSA Technologies Limited	1983
v.	Brydens Retail	1998
vi.	Brydens Xpress	1998
vii.	McEnearney Business Machines/Crown Industries Limited / Standard Equipment	1968

Report of the Directors

The Directors present their report and Statement of Accounts for the year ended December 31, 2013.

FINANCIAL RESULTS FOR THE YEAR	**$000**	**$000**
Profit attributable to shareholders		266,373
Dividends on ordinary shares		
– Final paid (2012) – 75¢	(59,924)	
– Interim paid – 15¢	(12,840)	
		(72,764)
Transfer to Statutory Reserve		(16,373)
Transfer to General contingency reserves		(6,904)
Remeasurement Gains on Defined Benefit Plan		9,875
Other Life Insurance Movements		5,272
Other reserve Movements		(9,101)
		176,378
Adjusted prior year balance		703,757
Retained profits at the end of the year		880,135

DIVIDENDS
The Directors declared a final dividend of 85¢ per ordinary share which, with the interim of 15¢ already paid, makes a total of $1.00 for the year. The final dividend will be paid on May 30, 2014 to members on the register of shareholders at May 21, 2014.

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 Masters A. Norman Sabga and Alan Sadler 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

Robert I. Ferreira
Corporate Secretary

ANSA Centre
11 Maraval Road
Port of Spain
March 26, 2014

DIRECTORS' INTERESTS

	March 31, 2013 Beneficial	March 31, 2012 Beneficial
Anthony N. Sabga, CMT	0	0
Ray A. Sumairsingh	2,000	2,000
Gregory Hill	0	0
Kathleen Galy	1,000	0
Chip Sa Gomes	5,000	4,000
Judy Chang	0	0
Timothy Hamel-Smith	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 MASA Investments Ltd. and ANSA INVESTMENTS LIMITED, which is the major shareholder of ANSA McAL Limited.

(b) Norman Finance Development Co. Ltd., connected person to Dr. Anthony N. Sabga holds 848,090 shares in ANSA Merchant Bank Limited.

(c) Tower Investments Limited and Empire Investments Limited, connected person to Dr. Anthony N. Sabga and Mrs. Kathleen Galy, holds 260,608 shares in ANSA Merchant Bank Limited.

SUBSTANTIAL INTERESTS

Top 10 Shareholding of ANSA Merchant Bank Limited

Shareholder Name	Shares held as at December 31, 2013
ANSA McAL Limited	70,605,263
MASA Investments Ltd.	2,323,793
T&T Unit Trust Corporation - FUS	1,798,833
Republic Bank Limited – 1162 (Trustee)	1,752,215
Norman Finance Development Co. Ltd.	848,090
The ANSA McAL Foundation	530,820
Guardian Life of the Caribbean Ltd. - PFP	370,473
TATIL Life Assurance Ltd. A/C B	300,426
Guardian Life of the Caribbean Ltd.	281,383
Republic Bank Limited – 0778 (as Trustee)	210,539

Notice of annual meeting to shareholders

NOTICE IS HEREBY GIVEN that the Thirty Sixth 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 28, 2014 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, 2013 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 26th day of March, 2014

BY ORDER OF THE BOARD

Robert I. Ferreira
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 Circular

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

2. **PARTICULARS OF MEETING:**
   The Thirty Sixth 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 28, 2014 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
March 26, 2014	Robert I. Ferreira Corporate Secretary	

Financial Highlights
For the year ended 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)

2009 - 2013 ($000's)	Dec-13	Dec -12 Restated	Dec-11	Dec-10	Dec-09
ANSA Merchant Bank Consolidated					
Profit Before Tax	338,910	188,170	229,680	225,995	227,574
Profit After Tax and Minority Interest	266,414	148,401	183,616	174,607	193,316
Total Assets	6,092,409	5,537,125	5,449,049	5,121,300	4,826,555
Actual Number Of Issued Shares	85,605	85,605	85,605	85,605	85,605
Weighted Average Number Of Shares	85,605	85,605	84,185	84,185	84,185
Return On Average Assets	4.58%	2.70%	3.47%	3.51%	4.19%
Return On Average Shareholders' Equity	16.32%	9.97%	13.15%	13.59%	17.50%
Dividends	85,605	72,764	72,764	72,764	72,764
Earnings Per Share ($)	3.11	1.73	2.18	2.07	2.30
Dividends Per Share ($)	1.00	0.85	0.85	0.85	0.85
Net Book Value Per Share ($)	20.25	17.88	17.19	15.99	14.53
ANSA Merchant Bank (Parent)					
Net Operating Income	225,742	161,880	189,058	175,369	147,332
Efficiency Ratio	18.79%	27.46%	20.13%	16.72%	20.57%
Risk Adjusted Capital Ratio*	13.81%	18.67%	20.02%	35.60%	33.20%
Trinidad & Tobago Insurance (TATIL)					
Net Premium Income	187,230	178,953	174,496	176,939	178,230
Underwriting Profits	43,181	47,989	42,655	23,785	21,978
Net Retention	66%	61%	58%	61%	65%
Claims Ratio	41%	41%	47%	59%	59%
Combined Ratio	83%	82%	83%	94%	93%
TATIL Life Assurance					
# of Field Force Agents	87	100	96	86	67
Annual Premium Income (A.P.I.) $	21,275	21,267	20,055	21,334	16,870
Avg API/ Agent ($)	245	213	209	248	252
Persistency	88	87	88	87	82

* Risk Adjusted Capital Ratio was restated for period ending December 2011 - 2012

MERCHANT BANK LIMITED

ANNUAL REPORT 2013

FINANCIAL STATEMENTS

PERFORMANCE Driven. Value CREATION.

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 statement of financial position as at 31 December 2013, separate and consolidated statement of income, separate and consolidated statement of comprehensive income, separate and consolidated statement of changes in equity and separate and consolidated statement 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 misstatement.

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' judgment, 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 consolidated and separate financial statements presents fairly in all material respects the financial position of the Parent and the Group as at 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Port of Spain,
TRINIDAD:
26 March 2014

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)

Parent				Notes	Group		
1 Jan 2012 Restated	**31 Dec 2012 Restated**	**31 Dec 2013**			**31 Dec 2013**	**31 Dec 2012 Restated**	**1 Jan 2012 Restated**
			Assets				
316,627	279,430	296,227	Cash and short-term funds	4	1,051,686	806,035	484,623
–	–	–	Fixed deposits		54,483	26,586	21,390
640,543	761,212	917,519	Net investment in leased assets and other installment loans	5	917,519	760,866	640,089
436,144	401,598	498,382	Loans and advances	6	589,341	501,575	521,905
1,052,967	639,577	518,076	Investment securities	7	2,628,133	2,826,237	3,142,861
18,316	7,468	4,943	Interest receivable		28,382	26,908	42,051
–	–	–	Insurance receivables	10	42,772	47,328	37,082
14,869	9,932	114,349	Other debtors and prepayments	11	279,468	33,230	43,016
–	–	–	Reinsurance assets	21	88,976	84,579	125,138
4,559	11,163	–	Taxation recoverable		–	12,373	5,158
632,500	632,500	632,500	Investment in subsidiaries	12	–	–	–
–	–	–	Investment properties	13	111,443	128,943	119,469
3,448	4,229	3,683	Property and equipment	14	38,095	36,738	35,506
–	–	–	Goodwill	15	133,762	133,762	133,762
2,267	935	190	Deferred tax asset	16	10,713	11,425	9,557
8,719	8,230	9,192	Employee benefit asset	17	117,636	100,540	93,815
3,130,959	**2,756,274**	**2,995,061**	**Total assets**		**6,092,409**	**5,537,125**	**5,455,422**

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)

(Continued)

Parent				Notes	Group		
1 Jan 2012 Restated	31 Dec 2012 Restated	31 Dec 2013			31 Dec 2013	31 Dec 2012 Restated	1 Jan 2012 Restated
			Liabilities				
1,277,868	925,648	1,124,428	Customers' deposits and other funding instruments	19	2,090,111	1,767,421	1,767,792
52,611	9,343	93	Bank overdraft	4	955	9,343	55,871
47,822	119,606	66,285	Accrued interest and other payables	18	114,926	172,971	82,707
757,854	669,073	671,925	Debt securities in issue	20	671,925	669,073	757,854
–	–	17,663	Taxation payable		19,901	2,945	2,666
9,041	22,274	32,266	Deferred tax liability	16	156,958	139,982	117,856
435	514	311	Employee benefit obligation	17	3,048	4,481	3,897
–	–	–	Investment contract liabilities	21	168,244	160,150	156,795
–	–	–	Insurance contract liabilities	22	1,132,870	1,080,124	1,056,109
2,145,631	1,746,458	1,912,971	**Total liabilities**		4,358,938	4,006,490	4,001,547

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)

(Continued)

Parent 1 Jan 2012 Restated	Parent 31 Dec 2012 Restated	Parent 31 Dec 2013		Note	Group 31 Dec 2013	Group 31 Dec 2012 Restated	Group 1 Jan 2012 Restated
			Equity				
667,274	667,274	667,274	Stated capital	24	667,274	667,274	667,274
–	–	–	Treasury shares		–	–	(833)
87,868	99,183	113,362	Statutory reserve fund		129,306	112,933	101,618
–	–	–	Statutory surplus		51,163	45,048	39,923
2,800	3,805	4,594	General loan loss reserve		4,594	3,805	2,800
(4,228)	(2,595)	545	Foreign currency reserve		545	(2,595)	(3,776)
231,614	242,149	296,315	Retained earnings		880,135	703,757	646,468
985,328	1,009,816	1,082,090	Equity attributable to the equity holders of the parent		1,733,017	1,530,222	1,453,474
–	–	–	Non-controlling interest		454	413	401
985,328	1,009,816	1,082,090	**Total equity**		1,733,471	1,530,636	1,453,875
3,130,959	**2,756,274**	**2,995,061**	**Total liabilities and equity**		**6,092,409**	**5,537,125**	**5,455,422**

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

These financial statements were approved by the Board of Directors and authorized for issue on 26 March 2014 and signed on their behalf by:

Anthony N. Sabga
Director

Gregory N. Hill
Director

Statement of income for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)

Parent 2012 Restated	Parent 2013		Notes	Group 2013	Group 2012 Restated
–	–	Net insurance revenue	25	293,462	272,954
124,744	154,431	Finance charges, loan fees and other interest income	26	154,421	124,695
127,378	82,467	Investment income	27	269,210	287,667
43,889	55,278	Other income	28	79,925	61,840
296,011	292,176	**Total operating income**		797,018	747,156
–	–	Net insurance benefits and claims incurred	29	(199,049)	(200,957)
(67,521)	(48,779)	Interest expense	30	(72,356)	(89,398)
(65,410)	(15,623)	Provision for impairment of investments	31	(19,017)	(102,755)
(1,200)	(2,032)	Provision for losses on loans and advances		(2,032)	(1,200)
161,880	225,742	**Net operating income**		504,564	352,846
(12,772)	(8,957)	Marketing and policy expenses	32	(60,924)	(62,594)
(18,209)	(18,865)	Personnel expenses	33	(46,155)	(43,295)
(1,014)	(1,447)	Depreciation	14	(4,884)	(2,245)
(2,161)	(2,160)	Management fees		(8,495)	(11,186)
(10,373)	(10,992)	General administrative expenses	34	(45,196)	(45,356)
(44,529)	(42,421)	**Total selling and administration expenses**		(165,654)	(164,676)
117,351	183,321	**Net profit before taxation**		338,910	188,170
(22,475)	(42,980)	Taxation expense	35	(72,496)	(39,769)
94,876	140,341	**Profit for the year**		266,414	148,401
		Profit attributable to:			
94,876	140,341	Equity holders of the Parent		266,373	148,389
–	–	Non-controlling interest		41	12
94,876	140,341			266,414	148,401
		Basic and diluted earnings per share ($ per share)		3.11	1.73
		Weighted average number of shares ('000)		85,605	85,605

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

Statement of comprehensive income for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)

Parent 2012 Restated	Parent 2013		Group 2013	Group 2012 Restated
94,876	**140,341**	**Profit for the year**	**266,414**	**148,401**
		Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
(846)	800	Re-measurement gains/(losses) on defined benefit plans	13,167	836
212	(200)	Income tax effect	(3,292)	(209)
(634)	600		9,875	627
1,633	4,248	Exchange differences on translation of investment securities	4,248	1,181
1,633	4,248		4,248	1,181
999	4,848	**Other comprehensive income that may be reclassified subsequently to profit and loss, net of tax**	14,123	1,808
95,875	**145,189**	**Total comprehensive income for the year, net of tax**	**280,537**	**150,209**
		Attributable to:		
95,875	145,189	Equity holders of the Parent	280,496	150,197
–	–	Non-controlling interest	41	12
95,875	**145,189**		**280,537**	**150,209**
		Basic and diluted earnings per share ($ per share)	3.28	1.75
		Weighted average number of shares ('000)	85,605	85,605

There are no items that may be re-classified to profit or loss in subsequent periods.

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

Statement of changes in equity for the year ended 31 december 2013

(Expressed in Thousands of Trinidad and Tobago dollars)

Parent	Stated capital	Statutory reserve fund	General loan loss reserve	Foreign currency reserve	Retained earnings	Total equity
Reported balance as at 31 December 2011	667,274	87,868	2,800	(4,228)	231,191	984,905
Impact of adopting IAS 19 (Note 2 iii)	–	–	–	–	423	423
Restated balance as at 1 January 2012	667,274	87,868	2,800	(4,228)	231,614	985,328
Total comprehensive income	–	–	–	1,633	94,242	95,875
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 (Restated)	667,274	99,183	3,805	(2,595)	242,149	1,009,816
Total comprehensive income	–	–	–	4,248	140,941	145,189
Tranfer to general loan loss reserve	–	–	789	–	(789)	–
Transfer to statutory reserve fund	–	14,179	–	–	(14,179)	–
Dividends (Final 2012 and Interim 2013)	–	–	–	–	(72,764)	(72,764)
Other reserve movements	–	–	–	(1,108)	957	(151)
Balance as at 31 December 2013	**667,274**	**113,362**	**4,594**	**545**	**296,315**	**1,082,090**

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

Statement of changes in equity for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

Group	Stated capital	Treasury shares	Statutory reserve fund	Statutory surplus reserve	General loan loss reserve	Foreign currency reserve	Retained earnings	Total	Non-controlling interest	Total equity
Reported 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
Impact of adopting IAS 19 (Note 2 iii)	–	–	–	–	–	–	6,870	6,870	–	6,870
Reclassification of catastrophe reserve	–	–	13,750	–	–	–	(13,750)	–	–	–
Restated balance as at 1 January 2012	667,274	(833)	101,618	39,923	2,800	(3,776)	646,468	1,453,474	401	1,453,875
Total comprehensive income	–	–	–	–	–	1,181	149,016	150,197	12	150,209
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	–	–	–	–	–	–	757	757	–	757
Balance as at 31 December 2012 (Restated)	667,274	–	112,933	45,048	3,805	(2,595)	703,757	1,530,222	413	1,530,635
Total comprehensive income	–	–	–	–	–	4,248	276,248	280,496	41	280,537
Other life insurance reserve movements	–	–	–	–	–	–	5,272	5,272	–	5,272
Sale of treasury shares	–	–	–	–	–	–	–	–	–	–
Transfer to general contingency reserves	–	–	–	6,115	789	–	(6,904)	–	–	–
Transfer to statutory reserve fund	–	–	16,373	–	–	–	(16,373)	–	–	–
Dividends (Final 2012 and Interim 2013)	–	–	–	–	–	–	(72,764)	(72,764)	–	(72,764)
Other reserve movements	–	–	–	–	–	(1,108)	(9,101)	(10,209)	–	(10,209)
Balance as at 31 December 2013	**667,274**	**–**	**129,306**	**51,163**	**4,594**	**545**	**880,135**	**1,733,017**	**454**	**1,733,471**

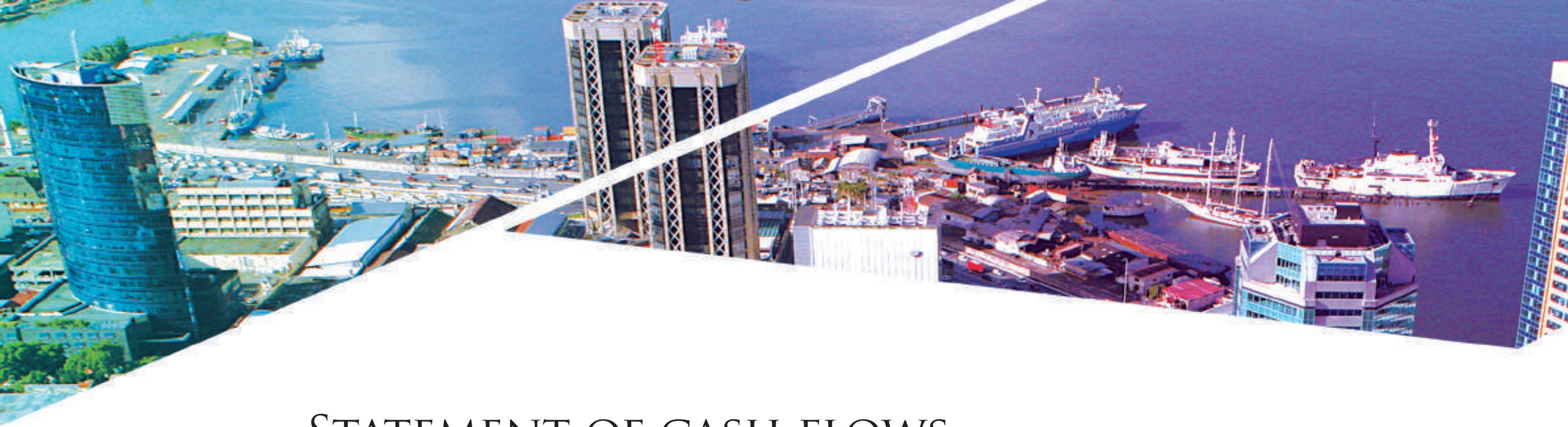
The accompanying notes form an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)

Parent				Group	
2012 Restated	2013		Notes	2013	2012 Restated
		Cash flows from operating activities			
117,351	183,321	Profit before taxation		338,910	188,170
		Adjustments for:			
(52)	(142)	Employee benefits	17	(4,434)	(4,430)
1,014	1,447	Depreciation	14	4,884	2,245
65,410	15,623	Impairment on investments	31	19,017	102,755
(13,173)	(5,249)	Interest capitalized		(18,492)	(23,549)
1,200	2,032	Provisions for losses on loans and advances		2,032	1,200
(3,674)	6,172	(Gain)/loss on revaluation of investment	27	(63,975)	(48,417)
–	–	Gain on revaluation of investment property	13	(832)	(9,474)
(31,765)	(30,797)	Gain on sale of investments and fixed assets	27	(37,725)	(40,109)
–	–	Write-off of capital expenditure	34	5,403	6,900
9,384	(233)	Foreign exchange losses/(gains)		(13,906)	15,991
145,695	172,174	Operating profit before working capital changes		230,882	191,282
(86,123)	(253,091)	Increase in investment in leased assets and loans and advances		(244,419)	(100,447)
15,785	(101,892)	Decrease/(increase) in interest receivable and debtors and prepayments		(247,553)	58,729
(352,220)	198,780	(Decrease)/increase in customers' deposits and other funding instruments and debt securities		322,690	(371)
71,784	(53,321)	Increase/(decrease) in accrued interest and other payables		(58,045)	90,264
5,740	(26,498)	Increase/(decrease) in Central Bank reserve account		(26,498)	5,740
–	–	Increase in insurance and investment contracts		60,840	27,370
(199,339)	(63,848)			37,897	272,567
(15,213)	(3,677)	Taxes paid		(23,568)	(32,197)
(214,552)	(67,525)	Cash (used in)/generated from operating activities		14,329	240,370

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



Statement of cash flows for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

Parent 2012 Restated	Parent 2013		Notes	Group 2013	Group 2012 Restated
		Cash flows from investing activities			
–	–	Placement of fixed deposits		(49,044)	(32,586)
–	–	Maturity of fixed deposits		21,906	27,496
–	–	Proceeds from sale of fixed assets		4	–
(1,795)	(901)	Additions to fixed assets	14	(11,648)	(13,773)
(1,252,491)	(843,208)	Purchase of investments		(2,124,819)	(4,383,871)
1,642,154	983,947	Sale or maturity of investments		2,431,252	4,697,549
–	–	Net cash inflow from redemption of interests in subsidiary		18,325	–
387,868	139,838	Net cash generated from investing activities		285,976	294,815
		Cash flows from financing activities			
(88,781)	–	Repayment of debt securities		–	(88,781)
(72,724)	(72,764)	Dividends paid	44	(72,764)	(72,724)
(161,505)	(72,764)	Net cash used in financing activities		(72,764)	(161,505)
11,811	(451)	**Net increase/(decrease) in cash and cash equivalents**		227,541	373,680
211,096	222,907	**Cash and cash equivalents at the beginning of the year**		749,512	375,832
222,907	222,456	**Cash and cash equivalents at the end of the year**		977,053	749,512
		Represented by:			
232,250	222,549	Cash and cash equivalents	4	978,008	758,855
(9,343)	(93)	Bank overdraft		(955)	(9,343)
222,907	222,456			977,053	749,512
		Supplemental information:			
75,801	87,410	Interest and dividends received		149,125	123,724
69,423	50,234	Interest paid		71,564	71,977

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

ANSA MERCHANT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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 Authorized Dealer Status by the Central Bank of Trinidad and Tobago under Section 5 of the Exchange Control Act, Chapter 79:50 and is authorized 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 four subsidiaries at 31 December 2013. 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 (TT$) which is the functional currency and all values are rounded to the nearest thousand, except when otherwise indicated.

The financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 1 January 2012 is presented in these consolidated financial statements due to retrospective application of IAS 19 – Employee Benefits (Revised 2011). Refer to Note 2 (iii).

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

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

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).

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 are 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. An analysis of recovery or settlement in the 12 months after the statement of financial position date (current) and greater 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 2013. 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.

The Bank re-assessed whether or not it controls any investee in accordance with I*FRS 10 – Consolidated Financial Statements*. This assessment also extended to the Bank's open-ended mutual funds. The criteria for control includes:

(i) The power to govern the financial and operating policies,
(ii) Exposure, or rights, to variable returns from its involvement; and
(iii) The ability to use its power over the investee to affect the amount of the investor's returns.

Based on the application of the new criteria, the Bank has consolidated the Funds into these financial statements. 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.

ANSA MERCHANT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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

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

Basis of consolidation (continued)

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

ii) **Defined benefit pension plan – prior period amendment**

The principal assumptions used in the valuation of the ANSA McAL Trinidad & Tobago defined benefit pension plans are evaluated annually based on market and experience trends. As at 31 December 2012, the discount rate and future salary increase assumptions for the year ended 31 December 2011 were changed from 7.5% and 6% respectively, to 5%. The Group's compensation policy has always been strategically managed such that a spread margin is maintained between the discount rate and the rate of future salary increases. This spread margin did not exist in 2012 following the assumption changes, creating an inconsistency with Group HR strategy. As at 31 December 2013, the Group in accordance with IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' the updated future salary increase assumption has been applied retrospectively. The impact of this restatement on the current and prior periods is disclosed in note 2 (iii).

iii) **Changes in accounting policies and disclosures**

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

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., foreign currency gains on investment securities) have to be presented separately from items that will not be reclassified (e.g., re-measurement gains on defined benefit plans). The amendments affect presentation only and have no impact on the Group's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position (as at 1 January 2012 in the case of the Group), presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. As a result, the Group has not included comparative information in respect of the opening statement of financial position as at 1 January 2012. The amendments affect presentation only and have no impact on the Group's financial position or performance.

2. Significant accounting policies (continued)

iii) Changes in accounting policies and disclosures (continued)

IFRS 9 - Financial Instruments: Classification and Measurement

The Group has early adopted IFRS 9 – Financial Instruments (as issued in November 2009 and revised in October 2010) effective 1 January 2011 and the related consequential amendments in advance of its effective date. The Group chose 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.

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:

IFRS 7 Disclosures - 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 will 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 recognized financial instruments that are set-off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized 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.

The implementation of this standard had no impact on the Group's statement of financial position or financial results for the period ending 31 December 2013.

ANSA MERCHANT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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

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

New accounting policies adopted in the current year (continued)

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. The standard combines and enhances the disclosure requirements included in the previous accounting standards *IAS 27 Consolidated and Separate Financial Statements* (now revised to *IAS 27 Separate Financial Statements), IAS 28 Investment in Associates* (now revised to *IAS 28 Investment in Associates and Joint ventures)* and *IAS 31 Interests in Joint Ventures* (now repealed).

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

- 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.

The implementation of this standard had no impact on the Group's statement of financial position or financial results for the year ended 31 December 2013.

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" as used in *IFRS 2 - Share-based Payments* and *IAS 17 - Leases* is excluded from the scope of IFRS 13.

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price (as detailed above). As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets whose fair values were determined. Fair value hierarchy is provided in Note 38.

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

iii) Changes in accounting policies and disclosures (continued)

New accounting policies adopted in the current year (continued)

IAS 19 Employee Benefits (Revised)

This is effective for annual periods beginning on or after 1 January 2013.

IAS 19 (revised 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the statement of financial position to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (revised 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognized in profit or loss and other comprehensive income in prior years (see the tables below for details). In addition, IAS 19 (revised 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to first-time application of IAS 19 (revised 2011). The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis (see the tables below for details).

ANSA MERCHANT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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

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

New accounting policies adopted in the current year (continued)

IAS 19 Employee Benefits (Revised) (continued)

Parent

Impact on total comprehensive income for the year ended 31 December 2013 of the above new and revised standards	**For the year ended 31 December 2013 under previous policy $'000**	**Application of IAS 19 (Revised) $'000**	**Correction of Prior Period Error $'000**	**For the year ended 31 December 2013 – under new policy $'000**
Impact on the income statement				
Selling and administration expenses	(42,947)	131	395	(42,421)
Profit before taxation	182,795	131	395	183,321
Taxation	(42,848)	(33)	(99)	(42,980)
Profit for the year	139,947	98	296	140,341
Impact on the statement of comprehensive income				
Re-measurement gains/(losses) on defined benefit plans	–	3,375	(2,575)	800
Income tax effect	–	(844)	644	(200)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	–	2,531	(1,931)	600
Other comprehensive income for the year, net of tax	4,248	2,531	(1,931)	4,848
Total comprehensive income for the year, net of tax	144,195	2,629	(1,635)	145,189

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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

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

New accounting policies adopted in the current year (continued)

IAS 19 Employee Benefits (Revised) (continued)

Group

Impact on total comprehensive income for the year ended 31 December 2013 of the above new and revised standards	**For the year ended 31 December 2013 under previous policy $'000**	**Application of IAS 19 (Revised) $'000**	**Correction of Prior Period Error $'000**	**For the year ended 31 December 2013 – under new policy $'000**
Impact on the income statement				
Selling and administration expenses	(168,025)	752	1,619	(165,654)
Profit before taxation	336,539	752	1,619	338,910
Taxation	(71,903)	(188)	(405)	(72,496)
Profit for the year	264,636	564	1,214	266,414
Attributable to:				
Equity holders of the Parent	264,595	564	1,214	266,373
Non-controlling interests	41	–	–	41
	264,636	564	1,214	266,414
Earnings per share				
Basic (expressed in $ per share)	3.09	–	0.02	3.11
Impact on the statement of comprehensive income				
Re-measurement gains/ (losses) on defined benefit plans	–	25,458	(12,291)	13,167
Income tax effect	–	(6,365)	3,073	(3,292)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	–	19,093	(9,218)	9,875
Other comprehensive income for the year, net of tax	4,248	19,093	(9,218)	14,123
Total comprehensive income for the year, net of tax	268,884	19,657	(8,004)	280,537
Attributable to:				
Equity holders of the Parent	268,843	19,657	(8,004)	280,496
Non-controlling interests	41	–	–	41
	268,884	19,657	(8,004)	280,537

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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

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

New accounting policies adopted in the current year (continued)

IAS 19 Employee Benefits (Revised) (continued)

Parent

Impact on total comprehensive income for the year ended 31 December 2012 of the above new and revised standards	**For the year ended 31 December 2012 – as previously reported $'000**	**Application of IAS 19 (Revised) $'000**	**Correction of Prior Period Error $'000**	**For the year ended 31 December 2012 – as restated $'000**
Impact on the income statement				
Total selling and administrative expenses	(44,454)	(75)	–	(44,529)
Profit before taxation	117,426	(75)	–	117,351
Taxation	(22,494)	19	–	(22,475)
Profit for the year	94,932	(56)	–	94,876
Impact on the statement of comprehensive income				
Re-measurement gains/(losses) on defined benefit plans	–	(3,026)	2,180	(846)
Income tax effect	–	757	(545)	212
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	–	(2,269)	1,635	(634)
Other comprehensive income for the year, net of tax	1,633	(2,269)	1,635	999
Total comprehensive income for the year, net of tax	96,565	(2,325)	1,635	95,875

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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

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

New accounting policies adopted in the current year (continued)

IAS 19 Employee Benefits (Revised) (continued)

Group

Impact on total comprehensive income for the year ended 31 December 2012 of the above new and revised standards	**For the year ended 31 December 2012 – as previously reported $'000**	**Application of IAS 19 (Revised) $'000**	**Correction of Prior Period Error $'000**	**For the year ended 31 December 2012 – as restated $'000**
Impact on the income statement				
Total selling and administrative expenses	(163,034)	(1,642)	–	(164,676)
Profit before taxation	189,812	(1,642)	–	188,170
Taxation	(40,180)	411	–	(39,769)
Profit for the year	149,632	(1,231)	–	148,401
Attributable to:				
Equity holders of the Parent	149,620	(1,231)	–	148,389
Non-controlling interests	12	–	–	12
	149,632	(1,231)	–	148,401
Earnings per share				
Basic (expressed in $ per share)	1.74	(0.01)	–	1.73
Impact on the statement of comprehensive income				
Re-measurement gains/(losses) on defined benefit plans	–	(9,806)	10,642	836
Income tax effect	–	2,452	(2,661)	(209)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	–	(7,354)	7,981	627
Other comprehensive income for the year, net of tax	1,181	–	–	1,181
Total comprehensive income for the year, net of tax	150,813	(8,585)	7,981	150,209
Attributable to:				
Equity holders of the Parent	150,801	(8,585)	7,981	150,197
Non-controlling interests	12	–	–	12
	150,813	(8,585)	7,981	150,209

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Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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

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

New accounting policies adopted in the current year (continued)

IAS 19 Employee Benefits (Revised) (continued)

Parent

Impact on assets liabilities and equity as at 1 January 2012 of the above new and revised standards	**As at 1 January 2012 – as previously reported $'000**	**Application of IAS 19 (Revised) $'000**	**Correction of Prior Period Error $'000**	**As at 1 January 2012 – as restated $'000**
Employee benefit asset	8,100	619	–	8,719
Deferred tax asset	2,253	14	–	2,267
Employee benefit liability	(380)	(55)	–	(435)
Deferred tax liability	(8,886)	(155)	–	(9,041)
Total Effect on Net Assets	(1,087)	423	–	1,510

Impact on assets liabilities and equity as at 31 December 2012 of the above new and revised standards	**As at 31 December 2012 – as previously reported $'000**	**Application of IAS 19 (Revised) $'000**	**Correction of Prior Period Error $'000**	**As at 31 December 2012 – as restated $'000**
Employee benefit asset	8,507	(2,348)	2,071	8,230
Deferred tax asset	915	20	–	935
Employee benefit liability	(434)	(80)	–	(514)
Deferred tax liability	(22,343)	587	(518)	(22,274)
Total Effect on Net Assets	(13,355)	(1,821)	1,553	(13,623)

(Expressed in Thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

iii) Changes in accounting policies and disclosures (continued)

New accounting policies adopted in the current year (continued)

IAS 19 Employee Benefits (Revised) (continued)

Group

Impact on assets liabilities and equity as at 1 January 2012 of the above new and revised standards	**As at 1 January 2012 – as previously reported $'000**	**Application of IAS 19 (Revised) $'000**	**Correction of Prior Period Error $'000**	**As at 1 January 2012 – as restated $'000**
Employee benefit asset	87,635	6,180	–	93,815
Deferred tax asset	9,364	193	–	9,557
Employee benefit liability	(3,129)	(768)	–	(3,897)
Deferred tax liability	(119,121)	(1,265)	–	(117,856)
Total Effect on Net Assets	(25,252)	6,870	–	(18,381)
Equity holders of the Parent	(25,217)	6,870	–	(18,347)
Non-controlling interests	(34)	–	–	(34)
Total Effect on Equity	(25,252)	6,870	–	(18,381)

Impact on assets liabilities and equity as at 31 December 2012 of the above new and revised standards	**As at 31 December 2012 – as previously reported $'000**	**Application of IAS 19 (Revised) $'000**	**Correction of Prior Period Error $'000**	**As at 31 December 2012 – as restated $'000**
Employee benefit asset	95,002	(4,296)	9,834	100,540
Deferred tax asset	11,192	335	(102)	11,425
Employee benefit liability	(3,548)	(1,341)	408	(4,481)
Deferred tax liability	(138,597)	1,074	(2,459)	(139,982)
Total Effect on Net Assets	(35,951)	(4,228)	7,681	(32,498)
Equity holders of the Parent	(35,916)	(4,228)	7,679	(32,465)
Non-controlling interests	(35)	–	2	(33)
Total Effect on Equity	(35,951)	(4,228)	7,681	(32,498)

ANSA MERCHANT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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

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

New accounting policies adopted in the current year (continued)

IAS 19 Employee Benefits (Revised) (continued)

Impact on assets liabilities and equity as at 31 December 2013 of the application of IAS 19 (Revised)	**IAS 19 Adjustments $'000**
Employee benefit asset	19,214
Deferred tax asset	(248)
Employee benefit liability	396
Deferred tax liability	(4,656)
Total Effect on Net Assets	14,706
Non-controlling interests	5
Equity holders of the Parent	14,701
Total Effect on Equity	14,706

The transition did not have an impact on the net increase or decrease cash flows for the current or prior period.

2. Significant accounting policies (continued)

iii) Changes in accounting policies and disclosures (continued)

New accounting policies not adopted in the current year

The Group has not adopted the following new and revised IFRS and IFRIC interpretations that have been issued as these standards/interpretations do not apply to the activities of the Group.

IFRS 1 Government Loans Amendments
IFRS 11 Joint Arrangements
IAS 28 Investments in Associates and Joint Ventures
IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

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 is a listing 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 10, IFRS 12 and IAS 27 Investment Entities (Amendments)

Effective for annual periods beginning on or after 1 January 2014. The investment entities amendments apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity.

The key amendments include:

- 'Investment entity' as defined in IFRS 10;
- An investment entity must meet three elements of the definition and consider four typical characteristics, in order to qualify as an investment entity;
- An entity must consider all facts and circumstances, including its purpose and design, in making its assessment;
- An investment entity accounts for its investments in subsidiaries, associates and joint ventures at fair value through statement of income in accordance with IFRS 9 (or IAS 39, as applicable), except for investments in subsidiaries, associates and joint ventures that provide services that relate only to the investment entity, which must be consolidated (investments in subsidiaries) or accounted for using the equity method (investments in associates or joint ventures);
- An investment entity must measure its investment in another controlled investment entity at fair value;
- A non-investment entity parent of an investment entity is not permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees;
- For venture capital organizations, mutual funds, unit trusts and others that do not qualify as investment entities, the existing option in IAS 28, to measure investments in associates and joint ventures at fair value through profit or loss, is retained.

ANSA MERCHANT BANK

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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

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

Standards issued but not yet effective (continued)

IAS 32 – Financial Instruments: Presentation 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. 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 realize 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 2013, management is assessing the impact of this amendment and will adopt the standard when it becomes effective.

IAS 36 – Impairment of Assets Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36

Effective for annual periods beginning on or after 1 January 2014. The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. When *IAS 36 - Impairment of Assets* was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment.

(Expressed in Thousands of Trinidad and Tobago dollars)

2. Significant accounting policies (continued)

iii) Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

IAS 39 – Financial Instruments: Recognition and Measurement Novation of Derivatives and Continuation of Hedge Accounting — Amendments to IAS 39

Effective for annual periods beginning on or after 1 January 2014. The amendments provide an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument.

IFRIC 21 – Levies

Effective for annual periods beginning on or after 1 January 2014. IFRIC 21 is applicable to all levies, other than outflows that are within the scope of other standards (e.g., IAS 12), and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by the government on entities in accordance with legislation.

IFRIC 21 is not expected to apply to the Group and as such would not be adopted.

Improvements to International Financial Reporting Standards (2009-2011 cycle)

The IASB's annual improvements process deals with non-urgent but necessary clarifications and amendments to IFRS. In the 2009-2011 annual improvements cycle. The amendments are applicable to annual periods beginning on or after 1 January 2013. The following shows the IFRS and topics addressed by the amendments.

IFRS	Subject of amendment
IFRS 1 – First-time adoption of International Financial Reporting Standards	Repeated application of IFRS 1
IFRS 1 – First-time adoption of International Financial Reporting Standards	Capitalization of borrowing costs
IAS 1 – Presentation of Financial Statements	Clarification of the requirements for comparative information
IAS 16 – Property, Plant and Equipment	Classification of servicing equipment
IAS 32 – Financial Instruments: Presentation	Tax effects of distributions to holders of equity instruments
IAS 34 – Interim Financial Reporting	Interim financial reporting and segment information for total assets and liabilities

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(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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

iv) **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 the statement of other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

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 is 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.

2. Significant accounting policies (continued)

v) 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. Bank overdrafts, should they exist, are disclosed separately under 'Liabilities' on the statement of financial position.

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.

vi) 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.

vii) Financial instruments

Financial assets

a) Initial recognition and subsequent measurement

All regular way purchases or sales of financial assets are recognized 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 recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Amortized cost and effective interest method

Debt instruments that meet the following conditions are subsequently measured at amortized 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.

ANSA MERCHANT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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

vii) **Financial instruments** (continued)

Financial assets (continued)

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

Amortized cost and effective interest method

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 recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest income is recognized in the statement of income and is included in the investment income.

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.

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 recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to the statement of income on disposal of the investments.

Dividends on these investments in equity instruments are recognized 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 recognized in the statement of income and are included in the investment income.

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

vii) **Financial instruments** (continued)

Financial assets (continued)

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

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 amortized cost criteria are measured at FVSI. In addition, debt instruments that meet the amortized 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. The Group has not designated any debt instrument as at FVSI.

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

Financial assets as at FVSI are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognized in the statement of income.

The net gains or losses recognized in the statement of income are included in the 'investment income' line item (note 27). Fair value is determined in the manner described in note 38 of these financial statements.

Interest income on debt instruments as at FVSI is included in the net gains or losses described above. Dividend income on investments in equity instruments at FVSI is recognized 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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

vii) **Financial instruments** (continued)

Financial assets (continued)

a) Initial recognition and subsequent measurement (continued)

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- For financial assets that are classified as FVSI, the foreign exchange component is recognized in the Statement of Income; and
- For financial assets that are designated as FVOCI, any foreign exchange component is recognized in Other Comprehensive Income.
- For foreign currency denominated debt instruments measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the financial assets and are recognized in the Statement of Income.

b) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The carrying value of all financial assets not carried at fair value through the Statement of Income (FVSI) is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The identification of impairment and the determination of recoverable amounts is an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices.

The impairment review focuses on issuer specific developments regarding financial condition and future prospects, taking into account the intent and ability to hold the securities under the Group's long-term investment.

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

vii) **Financial instruments** (continued)

Financial assets (continued)

b) ***Impairment of financial assets*** (continued)

IAS 39 lists objective evidence of impairment to 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-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as loans and receivables, assets that are assessed not to be impaired individually are also 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 beyond 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 recognized 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 recognized 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 recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

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(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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

vii) **Financial instruments** (continued)

Financial assets (continued)

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

The Group derecognizes 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 recognizes 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 recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized 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.

2. Significant accounting policies (continued)

vii) Financial instruments (continued)

Financial liabilities (continued)

b) Derecognition of financial liabilities

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

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.

viii) 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.

ix) 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.

ANSA MERCHANT BANK

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

2. Significant accounting policies (continued)

x) Product classification

Insurance contracts
IFRS 4 – Insurance Contracts, an insurance contract are described as one 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 insurance contracts not considered to be transferring significant risk are, under IFRS, 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 recognized 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 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 recognized 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.

The benefit to which the Group is entitled under its reinsurance contract held is recognized as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contract.

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.

2. Significant accounting policies (continued)

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 recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

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 an accredited external, independent valuator, for example RICS, applying a valuation model recommended by the International Valuation Standards Committee or valued by way of the Directors' valuations. Each property is externally valued at least once every three years.

ANSA MERCHANT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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 recognized 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. Where the carrying value of an item of property and equipment exceeds the recoverable amount, the excess would be immediately taken to the statement of income. An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of income.

xvi) **Employee benefits**

The Ansa McAL Pension Plan for Monthly Paid Employees is a hybrid plan with both defined benefit and defined contribution characteristics for its members. It is governed by trust deed and rules dated 17 September 1965 and encompass all eligible full time employees of the Ansa McAL Group of Companies. The Plan was registered to carry on business in Trinidad and Tobago on 31 October 1973.
Effective 1 January 2009, the name of the plan was changed to the Ansa McAL Pension Plan for Monthly Paid Employees from Alston's Pension Fund Plan and from this date all new entrants to the Plan were admitted to a defined contribution scheme. The trustees of the plan have elected to fund the benefits by means of a Segregated Asset Plan with Tatil Life Assurance Limited by way of an agreement dated 1 October 1984.

The pension accounting costs for the defined benefit plan are assessed using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through the statement of other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in the statement of income on the earlier of the date of the plan amendment or curtailment and the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

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

xvi) **Employee benefits** (continued)

The Group recognizes the following changes in the net defined benefit obligation under 'administration expenses' and 'selling and distribution expenses' in the consolidated statement of income (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

The Group also provides other post-employment 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 a 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 plans.

Under the defined contribution plan, the Group has no further payment obligations once the contributions have been paid. Contributions are recognized as an expense when they are due.

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 premiums. The change in the provision for unearned premium is taken to the statement of income in the order that revenue is recognized 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.

ANSA MERCHANT BANK

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

2. Significant accounting policies (continued)

xvii) Insurance contract liabilities (continued)

Liability adequacy test (continued)
The Bornhuetter-Fergusson model can be summarized 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.

The independent actuaries concluded in their report dated 22 February 2014 that the carrying amounts of the insurance liabilities of the general insurance subsidiary as at 31 December 2013, in respect of incurred but not reported (IBNR) claims and claims from unexpired contracts were adequate.

xviii) Provision for other liabilities

In accordance with IAS 37, 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 US$ Secured Fund, subject to minimum period of investment and a fixed minimum yield on the units held subject to a defined period of time, established at 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 recognized on an amortized basis. Interest is accounted for on the accruals basis except where a loan contractually becomes three months in arrears at which point the accrued interest is suspended and subsequently accounted for on a cash basis until the arrears are cleared.

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

2. Significant accounting policies (continued)

xx) Revenue recognition (continued)

Investment income (continued)
Interest income is accrued until the investment contractually becomes 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 recognized in the statement of income on a straight line basis over the term of the lease.

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 becomes 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.

Reinsurance premiums
Reinsurance premiums are recognized when the right to receive the gross premium is recognized in accordance with the relevant reinsurance contract.

Fees and commissions
Unless included in the effective interest calculation, fees are recognized 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 recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized 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.

ANSA MERCHANT BANK

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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

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.

Reinsurance
Reinsurance claims are recognized when the related gross insurance claim is recognized according to the terms of the relevant reinsurance contract.

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.

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 recognized 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 (that is, 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 and ANSA US$ Income Fund under management by the Bank.

2. Significant accounting policies (continued)

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 recognized 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 recognized 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 recognized 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) Catastrophe reserve

On an annual basis, the Group determines an amount that is transferred to a catastrophe reserve. This is treated as an appropriation of retained earnings and is disclosed as part of the statutory reserve fund in the statement of financial position.

xxvii) 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.

xxviii) 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.

ANSA MERCHANT BANK

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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

xxix) 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 (2013: \$3.11; 2012: \$1.73). There are no dilutive ordinary shares in issue.

xxx) Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (salvage). Salvage is recognized on a cash receipts basis.

The Group may also have the right to pursue third parties for payment of some or all costs (subrogation). Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognized in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

xxxi) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial 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 recognized 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 recognized. 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 recognized for the assets in prior years. Such reversal is recognized 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.

xxxii) Leases

Leases where the Bank is the Lessor and transfers substantially all the risks and rewards of ownership of the leased asset to the lessee is treated as a finance lease. The amount due from customers under such finance lease arrangements is presented in the consolidated statement of financial position as loans and advances.

2. Significant accounting policies (continued)

xxxiii) Comparative information

Where necessary, comparative data has been adjusted to confirm with current year presentation.

3. Significant accounting judgments 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.

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 judgment and applying judgment 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 judgment to determine the possibility that future taxable profits will be available to facilitate utilization of temporary tax differences which may arise.

ANSA MERCHANT BANK

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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

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.

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 recognized. 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.

(Expressed in Thousands of Trinidad and Tobago dollars)

4. Cash and short-term funds

Parent 2012	Parent 2013		Group 2013	Group 2012
		Cash and short-term funds		
118,041	205,187	Cash in hand and at bank	465,239	510,333
114,209	17,362	Short-term deposits with other banks	512,769	248,522
232,250	222,549		978,008	758,855
47,180	73,678	Central Bank Reserve	73,678	47,180
279,430	296,227		1,051,686	806,035

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.

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 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 2012	Parent 2013		Group 2013	Group 2012
118,041	205,187	Cash in hand and at bank	465,239	510,333
114,209	17,362	Short-term deposits with other banks	512,769	248,522
232,250	222,549		978,008	758,855
(9,343)	(93)	Bank overdraft	(955)	(9,343)
222,907	222,456		977,053	749,512

ANSA MERCHANT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

5. Net investment in leased assets and other installment loans

a) Net investment in leased assets and other installment loans

Parent 2012	Parent 2013		Group 2013	Group 2012
707,688	847,621	Hire purchase	847,621	707,688
225,314	271,237	Finance leases	271,237	224,901
933,002	1,118,858	Performing	1,118,858	932,589
2,936	7,278	Non-performing	7,278	2,936
935,938	1,126,136	Future minimum lease payments	1,126,136	935,525
(172,762)	(204,621)	Future finance charges and loan fees	(204,621)	(172,695)
763,176	921,515	Present value of minimum lease payments	921,515	762,830
(1,236)	(3,332)	Specific provision	(3,332)	(1,236)
(728)	(664)	Collective provision	(664)	(728)
761,212	917,519	Net investment in leased assets net of provision	917,519	760,866

b) New business less unearned income

Parent 2012	Parent 2013		Group 2013	Group 2012
291,086	350,897	New business less unearned income	350,897	291,086

c) Present value of minimum lease payments has the following sectorial breakdown:

Parent 2012	Parent 2013		Group 2013	Group 2012
253,876	287,663	Personal	287,663	253,875
509,300	633,852	Commercial	633,852	508,955
763,176	921,515		921,515	762,830

(Expressed in Thousands of Trinidad and Tobago dollars)

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

d) Present value of minimum lease payments has the following maturity profile:

Parent			Group	
2012	**2013**		**2013**	**2012**
68,571	68,849	Within 1 year	68,849	68,571
648,658	770,499	1 to 5 years	770,499	648,313
45,947	82,167	Over 5 years	82,167	45,946
763,176	921,515		921,515	762,830

e) Future minimum lease payments has the following maturity profile:

Parent			Group	
2012	**2013**		**2013**	**2012**
70,756	70,891	Within 1 year	70,891	70,756
799,426	941,673	1 to 5 years	941,673	799,013
65,756	113,572	Over 5 years	113,572	65,756
935,938	1,126,136		1,126,136	935,525

The movement in specific provisions for leases and other installment loans is as follows:

Parent and Group	**2013**	**2012**
Balance at 1 January	1,964	2,009
Charge for the year	2,032	1,200
Amounts written off	–	(1,245)
At 31 December	3,996	1,964

Repossessed collateral

As at 31 December 2013, the Group held repossessed vehicles with a fair value of $0.752 million (2012: $1.5 million). Repossessed vehicles are sold as soon as practical, with the proceeds used to reduce the outstanding indebtedness.

ANSA MERCHANT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

6. Loans and advances

Parent 2012	Parent 2013		Group 2013	Group 2012
–	–	Policy loans	10,717	10,866
–	–	Mortgage loans	80,255	88,628
401,598	498,382	Other loans and advances	498,382	401,598
401,598	498,382	Performing advances	589,354	501,092
–	–	Non-performing advances	338	834
401,598	498,382		589,692	501,926
–	–	Specific provision	(351)	(351)
401,598	498,382		589,341	501,575
		Sectorial analysis of advances		
3,749	2,668	Personal	44,783	14,615
76,833	110,561	Retail/distribution/manufacturing	110,561	76,833
219,405	15,023	Hotel and restaurant	15,023	219,405
101,611	338,993	Construction and real estate	388,188	191,073
–	31,137	Other	31,137	–
401,598	498,382		589,692	501,926
		Loans and advances have the following maturity profile		
318,913	402,925	Within 1 year	402,449	318,983
65,037	10,356	1 to 5 years	12,661	67,246
17,648	85,101	Over 5 years	174,582	115,697
401,598	498,382		589,692	501,926

(Expressed in Thousands of Trinidad and Tobago dollars)

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 amortized cost and investment securities measured at fair value through statement of comprehensive income.

Parent			Group	
2012	**2013**		**2013**	**2012**
		Investment securities:		
192,586	209,981	Designated as at fair value through statement of income	1,243,014	1,406,674
390,630	286,970	Amortized cost	1,385,119	1,419,563
56,361	21,125	Fair value through other comprehensive income	–	–
639,577	518,076	Total investment securities	2,628,133	2,826,237
		Investment securities designated as at fair value through statement of income		
–	66,409	Unquoted equities	201,962	6,190
7,701	33,496	Quoted equities	440,882	349,663
83,190	809	Government bonds	149,536	530,392
57,105	105,157	State-owned company securities	267,906	235,292
44,590	4,110	Corporate bonds	182,728	285,137
192,586	209,981		1,243,014	1,406,674
		Investment securities measured at amortized cost		
27,540	17,208	Government bonds	328,816	304,674
152,985	151,291	State-owned company securities	652,531	530,520
210,105	118,471	Corporate bonds	403,772	584,369
390,630	286,970		1,385,119	1,419,563
		Investment securities designated and measured at FVOCI		
56,361	21,125	Unquoted equities	–	–
56,361	21,125		–	–
639,577	518,076	**Total investment securities**	2,628,133	2,826,237

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(Expressed in Thousands of Trinidad and Tobago dollars)
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7. Investment securities (continued)

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

In June 2013, the ANSA Euro Income Fund was closed. The value of the Bank's investment in the Fund on the date of closure was TT$31.835 million, which also represents the value of the financial asset which was derecognized on the date of closure.

8. Hedging activities and derivatives

During the year ended 31 December 2013, the Bank had a forward contract that was used as a hedge for its exposure for the changes in the ANSA Euro Income Fund, before the Fund was closed on 28th June 2013, amounting to €4.2 million (2012: €4.2 million), whereby the Bank sold Euros and received US dollars at the respective foreign exchange rates prevailing upon maturity. The profit on the hedge and the change in the foreign currency gain or loss is recorded in the statement of income. The Bank has no such hedging arrangements in place at 31 December 2013.

9. Assets pledged

Parent 2012	Parent 2013		Group 2013	Group 2012
–	–	Cash and short-term funds	387,193	115,570
–	–	Loans and advances	80,347	73,541
–	–	Bonds and debentures	593,773	751,975
–	–	Equities	244,780	201,762
–	–	Real estate	25,300	22,000
–	–		1,331,393	1,164,848

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 2012	Parent 2013		Group 2013	Group 2012
–	–	Premiums receivable	33,227	37,676
–	–	Reinsurance receivables	9,545	9,652
–	–		42,772	47,328

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)

(Continued)

11. Other debtors and prepayments

Parent 2012	Parent 2013		Group 2013	Group 2012
8,258	4,403	Fees and rent receivable	5,016	2,753
–	105,533	Proceeds from investment maturities/repayments	261,660	21,652
523	424	Prepayments	4,019	3,002
156	499	VAT receivable	499	156
995	3,490	Other receivables	8,274	5,667
9,932	114,349		279,468	33,230

12. Investment in subsidiaries

	Parent 2013	Parent 2012
Investment in subsidiaries	632,500	632,500
	632,500	632,500

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 31 Dec 2013	Proportion of issued capital held 31 Dec 2012
Trinidad and Tobago Insurance Limited	Trinidad and Tobago	100%	100%
TATIL Life Assurance Limited	Trinidad and Tobago	99.93%	99.93%
TATIL Re Limited	St Lucia	100%	100%
BEH Holdings Limited	Trinidad and Tobago	–	100%
ANSA Securities Limited	Trinidad and Tobago	100%	100%

BEH Holdings Limited was sold to ANSA McAL Limited on 31 December 2013. All other investments noted in the table above have the same accounting year end as the Group.

The transfer of assets from the subsidiaries to the parent is subject to approval by the relevant governance committees including the Board of Directors of the individual subsidiaries. Further, TATIL Life Assurance Limited requires approval by the Central Bank of Trinidad and Tobago for instances of a distribution of capital approved by the Board of Directors.

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(Expressed in Thousands of Trinidad and Tobago dollars)
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13. Investment properties

Parent 2012	Parent 2013		Group 2013	Group 2012
–	–	Valuation at beginning of the year	128,943	119,469
–	–	Disposals during the year	(17,500)	–
–	–	Gain from revaluation	–	9,474
–	–	Valuation at close of the year	111,443	128,943
–	–	Rental income from properties	20,083	18,899
–	–	Direct operating expenses arising from investment properties that generated rental income during the period	6,397	6,671

14. Property and equipment

Parent 2013	Furniture & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Land & buildings	Total
Cost						
At beginning of the period	1,446	5,127	1,319	2,935	–	10,827
Additions	15	886	–	–	–	901
At end of the period	1,461	6,013	1,319	2,935	–	11,728
Accumulated depreciation						
At beginning of the period	996	3,121	443	2,038	–	6,598
Current depreciation	47	911	195	294	–	1,447
At end of the period	1,043	4,032	638	2,332	–	8,045
Net book value	418	1,981	681	603	–	3,683

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)

(Continued)

14. Property and equipment (continued)

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
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
At end of the period	996	3,121	443	2,038	–	6,598
Net book value	450	2,006	876	897	–	4,229

Group 2013	**Furniture & equipment**	**Computer equipment**	**Motor vehicles**	**Leasehold improvements**	**Land & buildings**	**Total**
Cost						
At beginning of the period	22,881	54,576	1,320	2,935	18,857	100,569
Additions	9,644	1,914	90	–	–	11,648
Disposals	–	(4)	–	–	–	(4)
Assets written off	–	(5,403)	–	–	–	(5,403)
At end of the period	32,525	51,083	1,410	2,935	18,857	106,810
Accumulated depreciation						
At beginning of the period	16,189	39,220	444	2,038	5,940	63,831
Current depreciation	2,324	1,987	197	294	82	4,884
At end of the period	18,513	41,207	641	2,332	6,022	68,715
Net book value	14,012	9,876	769	603	12,835	38,095

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Notes to the financial statements for the year ended 31 December 2013

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(Continued)

14. Property and equipment (continued)

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
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

As at 31 December 2013, the Parent's gross carrying amount of fully depreciated assets still in use amounted to $1.161 million (2012: $0.388 million) and the Group $30.962 million (2012: $29.420 million). There were no property and equipment retired, held for disposal, restrictions on title or pledged as security for liabilities as well as no contractual commitments for the acquisition of property and equipment as at 31 December 2013 and at 31 December 2012 for both the Parent and the Group.

15. Goodwill

	Group 2013	Group 2012
Goodwill at carrying value	133,762	133,762

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.

In accordance with *IFRS 3 – Business Combinations*, all assets that gave rise to goodwill were reviewed for impairment at 31 December, 2013 using the 'value in use' method. Based on the results of this review no impairment expense was required.

15. Goodwill (continued)

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.

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:	12.86%
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, and
- Growth rates used to extrapolate cash flows beyond the forecast period.

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16. Deferred taxation

Parent

	2012 Restated	Credit/ (charge) to Income statement	Credit/ (charge) to Other comprehensive income	2013
Deferred taxation asset arising from:				
Employee benefit obligation	128	5	(27)	106
Unrealized investment losses	807	(723)	–	84
Total deferred tax asset	935	(718)	(27)	190
Employee benefit asset	(2,058)	10	(69)	(2,117)
Finance leases	(17,932)	(11,079)	–	(29,011)
Property and equipment	(43)	(1,095)	–	(1,138)
Unrealized investment gains	(2,241)	2,241	–	–
Total deferred tax liability	(22,274)	(9,923)	(69)	(32,266)

Parent

	As reported 2011	Re-statement	As restated 2011	Credit/ (charge) to Income statement	Credit/ (charge) to Other compre-hensive income	Restated 2012
Deferred taxation asset arising from:						
Employee benefit obligation	95	14	109	13	6	128
Property and equipment	117	–	117	(117)	–	–
Unrealized investment losses	2,041	–	2,041	(1,234)	–	807
Total deferred tax asset	2,253	14	2,267	(1,338)	6	935
Employee benefit asset	(2,026)	(155)	(2,181)	(101)	224	(2,058)
Finance leases	(6,530)	–	(6,530)	(11,402)	–	(17,932)
Property and equipment	–	–	–	(43)	–	(43)
Unrealized investment gains	(330)	–	(330)	(1,911)	–	(2,241)
Total deferred tax liability	(8,886)	(155)	(9,041)	(13,457)	224	(22,274)

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

16. Deferred taxation (continued)

Group

	2012	**Credit/ (Charge) to Income statement**	**Credit/ (Charge) to Life surplus reserve**	**Credit/ (Charge) to Other comprehensive income**	**2013**
Deferred taxation asset arising from:					
Employee benefit obligation	1,121	(299)	–	(31)	791
Property and equipment	2,887	158	–	–	3,045
Unrealized investment losses	7,417	(691)	151	–	6,877
Total deferred tax asset	11,425	(832)	151	(31)	10,713
Life insurance reserves	(53,653)	–	8,494	–	(45,159)
Employee benefit asset	(24,874)	(937)	–	(3,158)	(28,969)
Finance leases	(17,932)	(11,079)	–	–	(29,011)
Property and equipment	(3,495)	(1,095)	–	–	(4,590)
Unrealized investment gains	(40,028)	(5,828)	(3,373)	–	(49,229)
Total deferred tax liability	(139,982)	(18,939)	5,121	(3,158)	(156,958)

Group

	2011	**Restatement**	**As restated 2011**	**Credit/ (Charge) to Income Statement**	**Credit/ (Charge) to Life Surplus Reserve**	**Credit/ (Charge) to Other Comprehensive Income**	**2012**
Deferred taxation asset arising from:							
Employee benefit obligation	753	193	946	169	–	6	1,121
Property and equipment	117	–	117	2,770	–	–	2,887
investment losses	8,494	–	8,494	(1,077)	–	–	7,417
Total deferred tax asset	9,364	193	9,557	1,862	–	6	11,425

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

16. Deferred taxation (continued)

Group

	2011	Restatement	As restated 2011	Credit/ (charge) to Income statement	Life surplus reserve	Other comprehensive income	2012
Deferred taxation liability arising from:							
Life insurance reserves	(54,150)	2,812	(51,338)	–	(2,315)	–	(53,653)
Employee benefit asset	(21,910)	(1,546)	(23,456)	(1,222)	–	(196)	(24,874)
Finance leases	(6,530)	–	(6,530)	(11,402)	–	–	(17,932)
equipment	(1,702)	–	(1,702)	(1,793)	–	–	(3,495)
Unrealized investment gains	(34,830)	–	(34,830)	(5,198)	–	–	(40,028)
Total deferred tax liability	(119,122)	1,266	(117,856)	(19,615)	(2,315)	(196)	(139,982)

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.

17. Employee benefits

	Defined benefit pension plan 2013	2012 Restated	Post-retirement health benefits 2013	2012 Restated
a) Amounts recognized in the statement of financial position				
Parent				
Present value of defined benefit obligation	9,108	8,034	311	514
Fair value of plan assets	(18,300)	(16,264)	–	–
Benefit (surplus)/deficit	(9,192)	(8,230)	311	514
Recognized portion	(9,192)	(8,230)	311	514

(Expressed in Thousands of Trinidad and Tobago dollars)

17. Employee benefits (continued)

		Defined benefit pension plan 2013	Defined benefit pension plan 2012 Restated	Post-retirement health benefits 2013	Post-retirement health benefits 2012 Restated
a)	**Amounts recognized in the statement of financial position** (continued)				
	Group				
	Present value of defined benefit obligation	73,030	69,475	3,048	4,481
	Fair value of plan assets	(190,666)	(170,015)	–	–
	Benefit (surplus)/deficit	(117,636)	(100,540)	3,048	4,481
	Recognized portion	(117,636)	(100,540)	3,048	4,481
b)	**Amounts recognized in the statement of income**				
	Parent				
	Current service cost	440	525	33	31
	Interest cost	(423)	(642)	26	33
	Net adjustments for transfers	–	–	–	1
	Past service cost	–	–	(218)	–
	Expense/(income) recognized in the statement of income	17	(117)	(159)	65
	Group				
	Current service cost	1,862	2,088	211	196
	Interest cost	(5,106)	(6,980)	226	294
	Net adjustments for transfers	–	–	–	(28)
	Past service cost	–	–	(1,627)	–
	(Income)/expense recognized in the statement of income	(3,244)	(4,892)	(1,190)	462

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

17. **Employee benefits** (continued)

c) **Amounts recognized in the statement of comprehensive income**

	Defined benefit pension plan		Post retirement health benefits	
	2013	2012	2013	2012
Parent				
Experience losses/(gains) - demographic	22	(307)	(31)	5
Experience (gains)/losses - financial	(791)	(45)	–	
Remeasurement (gains)/losses - demographic	–	(482)	–	(111)
Remeasurement (gains)/losses - financial	–	1,655	–	131
(Income)/expense recognized in the statement of comprehensive income	(769)	821	(31)	25
Group				
Experience (gains)/losses - demographic	(1,034)	(969)	(117)	(45)
Experience (gains)/losses - financial	(12,016)	(1,453)	–	–
Remeasurement gains - demographic	–	(1,602)	–	(824)
Remeasurement losses - financial	–	14,940	–	1,087
Return on plan assets (excluding amounts included in net interest expense)	–	(11,970)	–	–
(Income)/expense recognized in the statement of comprehensive income	(13,050)	(1,054)	(117)	218

(Expressed in Thousands of Trinidad and Tobago dollars)

17. Employee benefits (continued)

	Defined benefit pension plan		Post retirement health benefits	
	2013	**2012 Restated**	**2013**	**2012 Restated**
d) Changes in the present value of the defined benefit obligation				
Parent				
Opening present value of defined benefit obligation	8,034	6,099	514	435
Transfers	–	–	–	1
Current service cost	440	525	33	31
Plan participant contributions	211	215	–	–
Past service cost	–	–	(218)	–
Interest cost	401	480	26	33
Actuarial changes arising from changes in demographic assumptions	–	(482)	–	(111)
Actuarial changes arising from changes in financial assumptions	–	1,655	–	131
Experience adjustments	22	(307)	(31)	5
Benefits paid	–	(151)	(13)	(11)
Closing present value of defined benefit obligation	9,108	8,034	311	514

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Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

17. Employee benefits (continued)

d) Changes in the present value of the defined benefit obligation

	Defined benefit pension plan 2013	Defined benefit pension plan 2012 Restated	Post retirement health benefits 2013	Post retirement health benefits 2012 Restated
Group				
Opening present value of defined benefit obligation	69,475	54,002	4,481	3,897
Transfers	–	(1,546)	–	(28)
Current service cost	1,862	2,088	211	196
Plan participant contributions	804	780	–	–
Past service cost	–	–	(1,627)	–
Interest cost	3,399	3,960	226	294
Actuarial changes arising from changes in demographic assumptions	–	(893)	–	(402)
Actuarial changes arising from changes in financial assumptions	–	6,975	–	651
Experience adjustments	(1,035)	6,288	(117)	(31)
Benefits paid	(1,475)	(2,179)	(126)	(96)
Closing present value of defined benefit obligation	73,030	69,475	3,048	4,481

(Expressed in Thousands of Trinidad and Tobago dollars)

17. Employee benefits (continued)

e) **Movements in net (asset)/liability recognized in the statement of financial position**

	Defined benefit pension plan 2013	Defined benefit pension plan 2012 Restated	Post retirement health benefits 2013	Post retirement health benefits 2012 Restated
Parent				
Net (asset)/liability at the start of the year	(8,230)	(8,719)	514	435
Net expense/(income) recognized in the statement of income	17	(117)	(159)	65
Net (income)/expense recognized in the statement of other comprehensive income	(768)	821	(31)	25
Contributions paid	(211)	(215)	(13)	(11)
Movement in net (asset)/liability recognised at the end of the year	(9,192)	(8,230)	311	514
Group				
Net (asset)/liability at the start of the year	(100,540)	(93,814)	4,481	3,898
Net (income)/expense recognized in the statement of income	(3,244)	(4,892)	(1,190)	462
Net (income)/expense recognized in the statement of other comprehensive income	(13,050)	(1,054)	(117)	217
Contributions paid	(802)	(780)	(126)	(96)
Movement in net (asset)/liability recognized at the end of the year	(117,636)	(100,540)	3,048	4,481

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(Continued)

17. Employee benefits (continued)

f) Changes in the fair value of plan assets

	Defined benefit pension plan 2013	Defined benefit pension plan 2012	Post retirement health benefits 2013	Post retirement health benefits 2012
Parent				
Opening fair value of plan assets	16,264	14,818	–	–
Net interest on plan assets	–	–	–	–
Return on plan assets (excluding amounts included in net interest)	824	1,122	–	–
Actuarial changes arising from changes in financial assumptions	790	45	–	–
Employer contributions for current service	211	215	13	11
Plan participant contributions for current service	211	215	–	
Benefits paid	–	(151)	(13)	(11)
Closing fair value of plan assets	18,300	16,264	–	–
Group				
Opening fair value of plan assets	170,015	159,787	–	–
Net interest on plan assets	–	(1,546)	–	–
Return on plan assets (excluding amounts included in net interest)	8,505	10,940	–	–
Actuarial changes arising from changes in financial assumptions	12,013	1,453	–	–
Employer contributions for current service	804	780	126	96
Plan participant contributions for current service	804	780	–	–
Benefits paid	(1,475)	(2,179)	(126)	(96)
Closing fair value of plan assets	190,666	170,015	–	–

(Expressed in Thousands of Trinidad and Tobago dollars)

17. Employee benefits (continued)

g) Principal actuarial assumptions

Parent and Group

	Defined benefit pension plan 2013	2012 Restated
Discount rate	5.00%	5.00%
Expected return on plan assets	5.00%	5.00%
Future salary increases	3.00%	3.00%
Medical costs trend rates	3.00%	3.00%
Post retirement mortality for pensioners at 65:		
Male		19
Female		22

A qualitative sensitivity analysis for significant assumptions as at 31 December 2013 is as shown below:

Assumptions	**Discount rate**		**Future salary increases**		**Future medical claims inflation**	
Parent						
Sensitivity level	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
Impact on the defined benefit obligation	(1,198)	1,529	362	(328)	46	(37)

Assumptions	**Discount rate**		**Future salary increases**		**Future medical claims inflation**	
Group						
Sensitivity level	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
Impact on the defined benefit obligation	(4,449)	5,677	1,345	(1,217)	256	(208)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The Group is expected to contribute $0.776 million to its defined benefit plan in 2014. The average duration of the defined benefit obligation at the end of the reporting period is 30 years (2012: 30 years).

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Notes to the financial statements for the year ended 31 December 2013

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(Continued)

17. Employee benefits (continued)

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

	Defined benefit pension plan	
	2013	**2012**
Local equities	36%	34%
Local bonds	31%	34%
Foreign investments	15%	22%
Real estate/mortgages	2%	2%
Short-term securities	16%	8%
	100%	100%

i) Return on plan assets

	Defined benefit pension plan		Post retirement health benefits	
Parent	**2013**	**2012**	**2013**	**2012**
Actual return on plan assets	1,615	1,197	–	–
	1,615	1,197	–	–
Group				
Actual return on plan assets	20,521	12,635	–	–
	20,521	12,635	–	–

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

	Year end defined benefit obligation
Medical expense increase by 1% p.a.	1,178
Medical expense decrease by 1% p.a.	(929)

Defined contribution plan

Certain employees of the Group are enrolled in the defined contribution pension plan which is operated by the ultimate parent – ANSA McAL Limited. The Group's contributions recognized in the statement of income is shown below:

Parent			Group	
2012	**2013**		**2013**	**2012**
82	85	Contribution expense	358	293

Notes to the financial statements for the year ended 31 December 2013

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18. Accrued interest and other payables

Parent			Group	
2012	**2013**		**2013**	**2012**
20,219	18,765	Interest payable	10,882	10,665
1,609	5,859	Accrued expenses	19,950	13,793
74,998	19,767	Client funds held for investment	11,996	74,998
8,130	1,681	Due to statutory authorities	10,340	16,913
–	–	Distributions payable	3,139	4,149
293	293	Deferred fee income	511	293
–	–	Unapplied premiums	5,086	2,383
–	–	Commissions payable	5,103	6,866
2,498	6,086	Stale dated cheques	8,783	3,813
–	–	Due to reinsurers	21,287	21,009
–	1,703	Asset finance promotional items	1,703	–
11,859	12,131	Other creditors	16,146	18,089
119,606	66,285		114,926	172,971

19. Customers' deposits and other funding instruments

Sectorial analysis of customers' deposits and other funding instruments

Parent			Group	
2012	**2013**		**2013**	**2012**
21,676	13,224	Individuals	686,152	689,744
250,031	448,261	Pension funds/credit unions/trustees	548,118	338,802
653,941	662,943	Private companies/estates/ financial institutions	855,841	738,875
925,648	1,124,428		2,090,111	1,767,421

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20. Debt securities in issue

Parent 2012	Parent 2013		Group 2013	Group 2012
669,073	671,925	Medium & long term notes	671,925	669,073
669,073	671,925		671,925	669,073

In December 2009, the Bank issued a TT$350 million medium-term note 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. Tranches 1, 2 and 3 will mature in 2012, 2014 and 2016, 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 2013	Group 2012
At the beginning of year	160,150	156,795
Premiums received	12,627	10,604
Interest received	7,265	6,761
Liabilities realised for payment on death, surrender and other terminations in the year	(11,393)	(9,101)
Other movements	(405)	(4,909)
	168,244	160,150

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

(a) Reinsurance assets

	2013	2012
Life insurance contract	8,322	7,700
General insurance contracts:		
Premiums	52,705	47,653
Claims	27,949	29,226
	88,976	84,579

(Expressed in Thousands of Trinidad and Tobago dollars)

22. Insurance contract liabilities

(a) Reinsurance assets (continued)

	Notes	2013			2012		
		Insurance contract liabilities	**Reinsurers' share of liabilities**	**Net**	**Insurance contract liabilities**	**Reinsurers' share of liabilities**	**Net**
Life insurance contracts	22 (b)	867,803	(8,322)	859,481	817,417	(7,700)	809,717
General insurance contracts	22 (c)	265,067	(80,654)	184,413	262,707	(76,879)	185,828
Total insurance contract liabilities		1,132,870	(88,976)	1,043,894	1,080,124	(84,579)	995,545

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

(i)

With DPF	219,882	–	219,882	216,004	–	216,004
Without DPF	625,549	(8,322)	617,227	577,367	(7,700)	569,667
	845,431	(8,322)	837,109	793,371	(7,700)	785,671
Outstanding claims	22,372	–	22,372	24,046	–	24,046
Total life insurance contract liabilities	867,803	(8,322)	859,481	817,417	(7,700)	809,717

(ii)

At 1 January	817,417	(7,700)	809,717	745,586	(5,500)	740,086
Premiums received	136,799	(8,782)	128,017	119,158	(6,408)	112,750
Liabilities realised for payment on death, surrender and other terminations in the year	(86,413)	8,160	(78,253)	(47,327)	4,208	(43,119)
At 31 December	867,803	(8,322)	859,481	817,417	(7,700)	809,717

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Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

22. Insurance contract liabilities (continued)

c) General insurance contracts may be analysed as follows:

	2013			2012		
	Insurance contract liabilities	**Reinsurers' share of liabilities**	**Net**	**Insurance contract liabilities**	**Reinsurers' share of liabilities**	**Net**
Claims reported and IBNR	125,124	(27,949)	97,175	133,930	(29,226)	104,704
Provisions for unearned premiums and unexpired risk	139,943	(52,705)	87,238	128,777	(47,653)	81,124
Total at end of year	265,067	(80,654)	184,413	262,707	(76,879)	185,828
i) Claims reported and IBNR						
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
Cash paid for cliams settled in the year	(94,432)	17,150	(77,282)	(155,687)	74,955	(80,732)
Claims incurred	85,626	(15,873)	69,753	107,455	(36,906)	70,549
Total at end of year	125,124	(27,949)	97,175	133,930	(29,226)	104,704
Provisions for claims reported by policy holders	100,778	(22,359)	78,419	107,761	(23,382)	84,379
Provisions for claims incurred but not reported (IBNR)	24,346	(5,590)	18,756	26,169	(5,844)	20,325
	125,124	(27,949)	97,175	133,930	(29,226)	104,704

(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

	2013			2012		
	Insurance contract liabilities	**Reinsurers' share of liabilities**	**Net**	**Insurance contract liabilities**	**Reinsurers' share of liabilities**	**Net**
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
Increase in the period	313,930	(154,371)	159,559	292,259	(137,902)	154,357
Release in the period	(302,764)	149,319	(153,445)	(291,843)	142,612	(149,231)
Total at end of year	139,943	(52,705)	87,238	128,777	(47,653)	81,124
Provision for unearned premiums	124,515	(46,848)	77,667	114,577	(42,359)	72,218
Provision for unexpired risk	15,428	(5,857)	9,571	14,200	(5,294)	8,906
	139,943	(52,705)	87,238	128,777	(47,653)	81,124

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 Company has no known or reported latent claims such as disease or asbestosis and therefore no actuarial analysis is made. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The table below illustrates how the Company's estimate of total claims outstanding for each underwriting year has changed at successive year-ends.

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Notes to the financial statements for the year ended 31 December 2013

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22. Insurance contract liabilities (continued)

Claims development table (continued)

	2008 $'000	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	Total $'000
Estimate of outstanding claims costs:							
- at end of underwriting year	98,214	63,325	73,747	57,923	57,448	52,911	676,092
- one year later	134,022	110,461	181,517	107,761	106,945	-	-
- two years later	138,591	109,708	165,512	108,375	-	-	-
- three years later	139,372	106,786	162,557	-	-	-	-
- four years later	142,332	111,433	-	-	-	-	-
- five years later	133,871	-	-	-	-	-	-
Current estimate of cumulative claims	133,871	111,433	162,557	108,375	106,945	52,911	676,092
Cumulative payments to date	(130,235)	(94,567)	(147,337)	(84,427)	(80,090)	(28,919)	(565,575)
Liability recognized in the statement of financial position	3,636	16,866	15,220	23,948	26,855	23,992	110,517
Liability in respect of prior years							
Total liability in respect of prior years							14,607
Total liability included in the statement of financial position							125,124

It is impractical to prepare information related to claims development that occurred prior to the 2008 underwriting 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 judgment 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.

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. Firstly, 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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 illustrates the impact of various changes in assumptions which are within a reasonable range of possible outcomes given the uncertainties involved in the estimation process. It 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 nonlinear and larger or smaller impacts cannot easily be gleaned from these results.

Assumption change	**Required increase in insurance contract liabilities $'000**
2% Increase in mortality	3,600
5% Increase in expenses	10,600
10% Change in lapse rates	7,300
1% Decrease in investment earnings	93,900

(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.

(Expressed in Thousands of Trinidad and Tobago dollars)

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. Judgment 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 recognized in subsequent financial statements.

24. Stated capital

Parent			Group	
2012	**2013**		**2013**	**2012**
		Authorized		
		An unlimited number of shares		
		Issued		
		85,605,263 (2012: 85,605,263)		
667,274	667,274	ordinary shares of no par value	667,274	667,274

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Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
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25. Net insurance revenue

Parent 2012	Parent 2013		Group 2013	Group 2012
–	–	Gross insurance contracts premium revenue	450,728	411,417
–	–	Reinsurers' share of insurance contracts preimum revenue	(151,150)	(133,338)
–	–	Net insurance contracts premium revenue	299,578	278,079
–	–	Gross change in unearned premium provision and unexpired risks	(11,166)	(416)
–	–	Reinsurers' share of change in unearned premium provision and unexpired risks	5,050	(4,709)
–	–	Net change in unearned premium provision and unexpired risks	(6,116)	(5,125)
–	–	**Net insurance revenue**	293,462	272,954

26. Finance charges, loan fees and other interest income

Parent 2012	Parent 2013		Group 2013	Group 2012
95,835	111,032	Fiance charges earned	111,022	95,785
22,653	19,905	Interest income on loans and advances	19,905	22,653
6,256	23,494	Other income	23,494	6,257
124,744	154,431		154,421	124,695

(Expressed in Thousands of Trinidad and Tobago dollars)

27. Investment income

Parent 2012	Parent 2013		Group 2013	Group 2012
9,073	5,243	Interest and dividend income from investments designated at fair value through statement of income	43,826	37,963
–	4,120	Interest income on impaired financial assets	10,681	–
69,031	48,599	Interest and dividend income from other financial assets	96,092	142,650
31,765	30,797	Realized gains from investment securities	37,725	40,109
3,674	2,017	Unrealized gains on investments held at year end designated at fair value through statement of income	67,191	48,417
–	(8,189)	Unrealized losses on investments derecognized during the year designated at fair value through statement of income	(3,216)	–
13,835	(120)	Other investment income	16,911	18,528
127,378	82,467		269,210	287,667

28. Other income

Parent 2012	Parent 2013		Group 2013	Group 2012
32,890	38,315	Administrative fees and commissions	29,113	24,301
3,757	13,503	Foreign exchange trading and gains	18,281	3,757
785	603	Lease sales and recoveries	603	785
–	–	Property rental	17,876	16,170
–	852	Trustee and other fiduciary fees	7,038	5,661
6,457	2,005	Other	7,014	11,166
43,889	55,278		79,925	61,840

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
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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		Life insurance		Total	
	2013	2012	2013	2012	2013	2012
Gross insurance contracts benefits and claims incurred	85,626	107,455	81,293	65,806	166,919	173,261
Reinsurers' share of gross insurance benefits and claims paid	(15,873)	(36,906)	(3,435)	(3,476)	(19,308)	(40,382)
Net change in insurance contract liabilities	–	–	51,438	68,078	51,438	68,078
	69,753	70,549	129,296	130,408	199,049	200,957

30. Interest expense

Parent 2012	Parent 2013		Group 2013	Group 2012
25,774	12,701	Customers' deposits	36,277	47,651
41,747	36,078	Debt securities in issue	36,079	41,747
67,521	48,779		72,356	89,398

31. Provision for impairment of investments

Parent 2012	Parent 2013		Group 2013	Group 2012
12,625	14	State owned	14	14,816
52,785	15,609	Corporate	19,003	87,939
65,410	15,623		19,017	102,755

The impairment provisions arise from the Group's debt investment securities at amortized cost, where the indicators of impairment exist and management has considered it necessary to recognize an impairment charge.

(Expressed in Thousands of Trinidad and Tobago dollars)

32. Marketing and policy expenses

Parent			Group	
2012	2013		2013	2012
–	–	Agents and brokers commissions	45,463	25,093
–	–	Agents allowance and bonus	4,235	20,328
–	–	Agents policy epenses	886	2,390
10,558	4,139	Asset finance promotional expense	4,139	10,558
2,214	4,818	Advertising costs	6,201	4,225
12,772	8,957		60,924	62,594

33. Personnel expenses

Parent			Group	
2012 Restated	2013		2013	2012 Restated
17,479	17,978	Salaries and bonus	42,923	38,983
142	175	Group health and life plan	429	690
588	712	Other staff cost	2,803	3,622
18,209	18,865		46,155	43,295

34. General administrative expenses

Parent			Group	
2012	2013		2013	2012
1,929	2,258	Professional insurance	2,735	2,418
1,829	2,161	Property related expenses	6,507	7,716
1,592	2,538	Subscriptions & donations	2,617	1,696
868	475	Finance charges	928	2,086
439	480	Communications	2,548	2,830
613	750	Travel & entertainment	1,219	1,257
214	342	Printing & stationery	2,159	1,643
–	–	Write off of capital expenditure	5,403	6,900
2,889	1,988	General expenses	21,080	18,810
10,373	10,992		45,196	45,356

The write-off of capital expenditure relate to computer software and development costs for which the future economic benefits were reassessed.

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35. Taxation expense

Parent 2012	Parent 2013		Group 2013	Group 2012
8,583	32,663	Corporation tax	52,359	24,654
13,456	9,923	Deferred tax	19,053	13,993
436	394	Green Fund levy	1,084	1,122
22,475	42,980		72,496	39,769
		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:		
117,351	**183,321**	Net profit before taxation	**338,910**	**188,170**
29,338	45,830	Tax at applicable statutory tax rates	84,728	47,043
		Tax effect of items that are adjustable in determining taxable profit:		
(26,443)	(22,151)	Tax exempt income	(33,197)	(26,153)
36,250	34,763	Non-deductible expenses	44,336	37,848
(17,106)	(15,856)	Allowable deductions	(24,455)	(18,124)
436	394	Provision for Green Fund Levy and other taxes	1,084	(845)
22,475	**42,980**	**Total taxation expense**	**72,496**	**39,769**

36. Segmental information

For management purposes the Group is organized 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 TT$ Income Fund and ANSA US$ Income Fund. These Funds are open-ended mutual funds registered in Trinidad & Tobago and established by ANSA Merchant Bank Limited (the 'Bank'). The Bank is the Sponsor, Investment Manager, Administrator and Distributor of these Funds. The ANSA Euro Income Fund was closed in June 2013.
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 the operating statement of income, and is measured consistently with the operating statement of income in the consolidated financial statements.

Interest income is reported net of related expenses as management primarily relies on net interest revenue as a performance measure, rather than the gross income and expense.

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 2013 or 2012.

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36. Segmental information (continued)

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

	Banking services	Mutual funds	Life insurance operations	General insurance operations	Eliminations	Total
2013						
Total operating income	292,176	87,195	247,678	274,055	(104,086)	797,018
Total operating expense	(50,811)	(22,280)	(136,561)	(69,753)	5,968	(273,437)
Provision for impairment	(15,623)	(1,273)	(2,058)	(63)	–	(19,017)
Selling and admininstration expense	(42,421)	(40,098)	(40,686)	(83,436)	40,987	(165,654)
Profit before tax	183,321	23,544	68,373	120,803	(57,131)	338,910
Taxation	(42,980)	–	(11,907)	(17,609)	–	(72,496)
Profit after taxation	140,341	23,544	56,466	103,194	(57,131)	266,414
Total assets	2,995,061	1,210,696	1,802,410	914,935	(830,693)	6,092,409
Total liabilities	1,912,971	1,174,166	1,147,792	345,208	(221,199)	4,358,938
Purchase of fixed assets	901	–	1,332	9,415	–	11,648
Depreciation	(1,447)	–	(814)	(2,623)	–	(4,884)
2012 Restated						
Total operating income	296,011	72,824	207,351	235,756	(64,786)	747,156
Total operating expense	(68,721)	(22,489)	(137,169)	(70,549)	7,373	(291,555)
Provision for impairment	(65,410)	(25,481)	(6,013)	(5,851)	–	(102,755)
Selling and admininstration exper	(44,529)	(37,211)	(44,634)	(72,750)	34,448	(164,676)
Profit before tax	117,351	(12,357)	19,535	86,606	(22,965)	188,170
Taxation	(22,475)	–	(3,123)	(14,171)	–	(39,769)
Profit after taxation	94,876	(12,357)	16,412	72,435	(22,965)	148,401
Total assets	2,756,274	1,192,946	1,676,549	834,588	(923,232)	5,537,125
Total liabilities	1,746,458	1,198,070	1,089,208	345,927	(373,173)	4,006,490
Purchase of fixed assets	1,795	–	1,506	10,472	–	13,773
Depreciation	(1,014)	–	(689)	(542)	–	(2,245)

(Expressed in Thousands of Trinidad and Tobago dollars)

36. **Segmental information** (continued)

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

	Domestic services	Regional	International	Eliminations	Total
2013					
Total operating income	839,447	52,665	8,992	(104,086)	797,018
Total operating expense	(279,405)	–	–	5,968	(273,437)
impairment	(11,401)	(8,369)	753	–	(19,017)
Selling and admininstration expense	(206,641)	–	–	40,987	(165,654)
Profit before tax	342,000	44,296	9,745	(57,131)	338,910
Taxation	(72,496)	–	–	–	(72,496)
Profit after taxation	269,504	44,296	9,745	(57,131)	266,414
Total assets	5,613,377	242,594	1,067,131	(830,693)	6,092,409
Total liabilities	4,580,137	–	–	(221,199)	4,358,938
Purchase of fixed assets	11,648	–	–	–	11,648
Depreciation	(4,884)	–	–	–	(4,884)
2012 Restated					
Total operating income	726,134	67,066	18,742	(64,786)	747,156
Total operating expense	(297,509)	–	(1,419)	7,373	(291,555)
Provision for impairment	(76,371)	(26,384)	–	–	(102,755)
Selling and admininstration expense	(199,124)	–	–	34,448	(164,676)
Profit before tax	153,130	40,682	17,323	(22,965)	188,170
Taxation	(39,769)	–	–	–	(39,769)
Profit after taxation	113,361	40,682	17,323	(22,965)	148,401
Total assets	5,832,755	249,241	378,361	(923,232)	5,537,125
Total liabilities	4,379,663	–	–	(373,173)	4,006,490
Purchase of fixed assets	13,773	–	–	–	13,773
Depreciation	(2,245)	–	–	–	(2,245)

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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 2012	Parent 2013		Group 2013	Group 2012
		Loans, investments and other assets		
55,136	43,834	ANSA McAL Group	85,008	85,093
65,607	26,394	Subsidiaries	–	–
701	2,184	Directors and key management personnel	2,184	701
990	10,488	Other related parties	10,488	14,856
122,434	82,900		97,680	100,650
		Deposits and other liabilities		
39,895	40,395	ANSA McAL Group	168,694	50,773
240,375	172,688	Subsidiaries	–	–
–	8	Directors and key management personnel	51,879	51,920
66,120	55,264	Other related parties	64,333	137,660
346,390	268,355		284,906	240,353
		Interest and other income		
4,203	26,708	ANSA McAL Group	52,287	27,535
33,107	36,823	Subsidiaries	–	–
47	80	Directors and key management personnel	80	47
716	734	Other related parties	3,554	3,592
38,073	64,345		55,921	31,174

Notes to the financial statements for the year ended 31 December 2013

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37. Related party transactions and balances (continued)

Parent 2012	Parent 2013		Group 2013	Group 2012
		Interest and other expense		
2,385	2,266	ANSA McAL Group	10,955	8,649
7,881	5,509	Subsidiaries	5,509	–
4,341	–	Directors and key management personnel	50	5,618
3,575	3,575	Other related parties	4,408	7,548
18,182	11,350		20,922	21,815

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

Key management compensation

Parent 2012	Parent 2013		Group 2013	Group 2012
5,827	6,055	Short-term benefits	9,867	9,838
31	33	Post employment benefits	211	82
5,858	6,088		10,078	9,920

38. Financial Instruments

Fair values

The Group's accounting policy on fair value measurements is disclosed in note 2 (vii) of these financial statements. 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 judgment in interpreting market data and developing estimates.

Consequently, estimates made do not necessarily reflect the amounts that the Group would realize in a current market exchange. The use of different assumptions and/or different methodologies may have a material effect on the fair values estimated. The fair value information is based on information available to management as at the dates presented.

Although management is not aware of any factors that would significantly affect the fair value amounts, such amounts have not been comprehensively revalued for the purposes of these financial statements and, therefore, the current estimates of the fair value may be significantly different from the amounts presented herein.

ANSA MERCHANT BANK

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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.

(Expressed in Thousands of Trinidad and Tobago dollars)

38. Financial instruments (continued)

Fair values (continued)

(v) Carrying amounts and fair values

The tables in the following pages summarize the carrying amounts and the fair values of the Parent's and the Group's financial assets and liabilities for 2013 and 2012.

2013

Parent				Group		
Carrying values	Fair values	Unrecognized gain	**Financial assets**	Carrying values	Fair values	Unrecognized gain
296,227	296,227	–	Cash and short-term funds	1,051,686	1,051,686	–
–	–	–	Fixed deposits	54,483	54,483	–
917,519	917,519	–	Net investment in leased assets and other installment loans	917,519	917,519	–
498,382	498,382	–	Loans and advances	589,341	589,341	–
518,076	547,747	29,671	Investment securities	2,628,133	2,832,223	204,090
4,943	4,943	–	Interest receivable	28,382	28,382	–
–	–		Insurance receivable	42,772	42,772	–
–	–	–	Investment property	111,443	111,443	–
2,235,147	2,264,818	29,671		5,423,759	5,627,849	204,090
			Financial liabilities			
1,124,428	1,124,428	–	Customers' deposits and other funding instruments	2,090,111	2,090,111	–
93	93	–	Bank overdraft	955	955	–
66,285	66,285	–	Accrued interest and other payable	114,926	114,926	–
671,925	671,925	–	Debt securities in issue	671,925	671,925	–
–	–	–	Investment contract liabilities	168,244	168,244	–
1,862,731	1,862,731	–		3,046,161	3,046,161	–

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(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

38. Financial instruments (continued)

Fair values (continued)

(v) Carrying amounts and fair values (continued)

2012

Parent				Group		
Carrying values	Fair values	Unrecognized gain	**Financial assets**	Carrying values	Fair values	Unrecognized gain
279,430	279,430	–	Cash and short-term funds	806,035	806,035	–
–	–	–	Fixed deposits	26,586	26,586	–
761,212	761,212	–	Net investment in leased assets and other installment loans	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	149,979
7,468	7,468	–	Interest receivable	26,908	26,908	–
			Insurance receivables	47,328	47,328	–
–	–	–	Investment property	128,943	128,943	–
2,089,285	2,107,719	18,434		5,124,478	5,274,457	149,979
			Financial liabilities			
925,648	925,648	–	Customers' deposits and other funding instruments	1,767,421	1,767,421	–
9,343	9,343	–	Bank overdraft	9,343	9,343	–
119,606	119,606	–	Accrued interest and other payables	172,971	172,971	–
669,073	669,073	–	Debt securities in issue	669,073	669,073	–
–	–	–	Investment contract liabilities	160,150	160,150	–
1,723,670	1,723,670	–		2,778,958	2,778,958	–

38. Financial instruments (continued)

Fair values (continued)

(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.

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.

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(Continued)

38. Financial instruments (continued)

Fair values (continued)

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

2013 Parent	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securites designated as at FVSI				
Unquoted equities	–	66,409	–	66,409
Quoted equities	33,496	–	–	33,496
Government bonds	–	809	–	809
State owned company securities	–	105,158	–	105,158
Corporate bonds and debentures	–	4,109	–	4,109
	33,496	176,485	–	209,981
Investment securites measured at amortised cost				
Quoted equities	–	–	–	–
Government bonds	12,915	4,293	–	17,208
State owned company securities	18,482	132,808	–	151,290
Corporate bonds and debentures	65,356	40,640	12,476	118,472
	96,753	177,741	12,476	286,970
Investment securites measured at OCI				
Unquoted equities	–	21,125	–	21,125
Assets for which fair values are disclosed				
Net leases	–	–	917,519	917,519
Loans and advances	–	–	498,382	498,382
Total	–	–	1,415,901	1,415,901
Liabilities for which fair values are disclosed				
Customer deposits and other funding instruments	–	–	1,124,428	1,124,428
Total	–	–	1,124,428	1,124,428

(Expressed in Thousands of Trinidad and Tobago dollars)

38. Financial instruments (continued)

Fair values (continued)

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

2013 **Group**	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securites designated as at FVSI				
Unquoted equities	–	195,905	6,058	201,963
Quoted equities	437,666	3,215	–	440,881
Government bonds	12,655	136,881	–	149,536
State owned company securities	48,034	219,872	–	267,906
Corporate bonds and debentures	100,245	82,483	–	182,728
	598,600	638,356	6,058	1,243,014
Investment securites measured at amortised cost				
Quoted equities	–	–	–	–
Government bonds	12,915	315,901	–	328,816
State owned company securities	87,515	565,016	–	652,531
Corporate bonds and debentures	131,630	259,666	12,476	403,772
	232,060	1,140,583	12,476	1,385,119
Assets measured at fair value				
Investment properties	–	111,443	–	111,443
Assets for which fair values are disclosed				
Net leases	–	–	917,519	917,519
Loans and advances	–	80,246	509,095	589,341
Total	–	80,246	1,426,614	1,506,860
Liabilities for which fair values are disclosed				
Customers deposits and other funding instruments	–	–	2,090,111	2,090,111
Total	–	–	2,090,111	2,090,111

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(Continued)

38. Financial instruments (continued)

Fair values (continued)

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

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 amortised cost				
Government bonds	22,764	4,777	–	27,541
State owned company securities	19,721	133,263	–	152,984
Corporate bonds and debentures	75,185	134,920	–	210,105
	117,670	272,960	–	390,630
Investment securites measured at OCI				
Unquoted equities	–	56,361	–	56,361
Assets for which fair values are disclosed				
Net leases	–	–	761,212	761,212
Loans and advances	–	–	401,598	401,598
Total	–	–	1,162,810	1,162,810
Liabilities for which fair values are disclosed				
Customer deposits and other funding instruments	–	–	925,648	925,648
Total	–	–	925,648	925,648

(Expressed in Thousands of Trinidad and Tobago dollars)

38. Financial instruments (continued)

Fair values (continued)

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

2012	**Level 1**	**Level 2**	**Level 3**	**Total**
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
Investment securites measured at amortised cost				
Government bonds	22,764	281,911	–	304,675
State owned company securities	54,418	513,102	–	567,520
Corporate bonds and debentures	179,626	367,742	–	547,368
	256,808	1,162,755	–	1,419,563
Assets measured at fair value				
Investment properties	–	128,943	–	128,943
Assets for which fair values are disclosed				
Net leases	–	–	760,866	760,866
Loans and advances	–	99,977	401,598	501,575
Total	–	99,977	1,162,464	1,262,441
Liabilities for which fair values are disclosed				
Customer deposits and other funding instruments	–	–	1,767,421	1,767,421
Total	–	–	1,767,421	1,767,421

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Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

38. Financial instruments (continued)

Fair values (continued)

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

Description of significant unobservable inputs to valuation:

	Valuation Technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Unquoted securities	Discounted cashflows	Long term growth rate	-10% to 14% (2.3%)	3% increase/(decrease) in the growth rate would result in increase/(decrease) in fair value by $650,000.
		Dividend Payout	21% to 36% (32%)	5% increase/(decrease) in the dividend payout would result in an increase/(decrease) in fair value of $315,000.
		Rate of return	7.6% (7.6%)	3% increase/(decrease) in the growth rate would result in (decrease)/increase in fair value by $216,000

(vii) Transfers between Level 1 and Level 2

As at 31 December 2013, there were no transfers of assets between Level 1 and 2.

(Expressed in Thousands of Trinidad and Tobago dollars)

38. Financial instruments (continued)

Fair values (continued)

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

Parent			Group	
2012	**2013**		**2013**	**2012**
		Assets		
–	73	Balance at 1 January	6,263	12,476
–	–	Gains recognized	(132)	–
73	12,476	Purchases	12,476	223
–	(73)	Transfers out of Level 3	(73)	(6,436)
73	12,476		18,534	6,263

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 (the 'Board') 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.

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(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

39. Risk management (continued)

Risk management structure (continued)

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.

Concentrations of risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's results to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Group's procedures include specific monitoring controls to focus on the maintenance of a diversified portfolio.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise credit risk, interest rate risk, currency risk and equity price risk each of which are considered below and include, where relevant, the sensitivity of the Group's financial result on movements in certain market risk variables.

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.

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.

(Expressed in Thousands of Trinidad and Tobago dollars)

39. Risk management (continued)

Credit risk management (continued)

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 finalization 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**	
2012	**2013**		**2013**	**2012**
279,430	296,227	Cash and short-term funds	1,051,686	806,035
–	–	Fixed deposits	54,483	26,586
761,212	917,519	Net investment in leased assets and other installment loans	917,519	760,866
401,598	498,382	Loans and advances	589,341	501,575
575,514	397,046	Investment securities	1,985,289	2,470,384
7,468	4,943	Interest receivable	19,880	26,908
–	–	Insurance receivables	42,772	47,328
–	–	Reinsurance assets	88,976	84,579
2,025,222	**2,114,117**	**Total**	**4,749,946**	**4,724,261**
612	–	Contingent liabilities	–	612
–	–	Mortgages with recourse	28	104
–	–	Commitments	18	18
2,025,834	**2,114,117**		**4,749,992**	**4,724,995**

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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 advanced 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						
2013	824,246	61,789	16,321	9,789	5,374	917,519
2012	694,589	52,646	9,215	1,689	3,073	761,212
Group						
2013						
Net leases	824,246	61,789	16,321	9,789	5,374	917,519
Mortgages	54,959	23,730	1,848	3	52	80,592
Policy loans	10,717	–	–	–	–	10,717
	889,922	85,519	18,169	9,792	5,426	1,008,828
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

(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 analyzed 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.

	High grade	Standard	Special monitoring	Sub-standard	Impaired	Total
Parent						
2013	6,320	480,017	–	12,045	–	498,382
2012	233,782	155,449	–	12,367	–	401,598

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, display indicators of impairment, or have been restructured in the past financial year.
Impaired	These securities are non-performing.

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(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

39. **Risk management** (continued)

Investment debt securities (continued)

	High grade	Standard	Sub-standard	Impaired	Total
Parent					
2013					
Investments designated at FVSI	809	109,267	–	–	110,076
Investments measured at amortised cost	65,623	157,263	64,084	–	286,970
	66,432	266,530	64,084	–	397,046
2012					
Investments designated at FVSI	83,189	101,695	–	–	184,884
Investments measured at amortised cost	74,329	223,780	65,853	26,668	390,630
	157,518	325,475	65,853	26,668	575,514
Group					
2013					
Investments designated at FVSI	152,009	448,003	156	–	600,168
Investments measured at amortised cost	354,856	887,793	107,549	34,923	1,385,121
	506,865	1,335,796	107,705	34,923	1,985,289
2012					
Investments designated at FVSI	668,364	432,560	–	–	1,100,924
Investments measured at amortised cost	446,346	776,820	79,460	66,834	1,369,460
	1,114,710	1,209,380	79,460	66,834	2,470,384

(Expressed in Thousands of Trinidad and Tobago dollars)

39. Risk management (continued)

Insurance receivables

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

	Up to 45 days	45-90 days	Over 90 days	Total
2013				
Gross premiums receivable	15,225	5,783	19,446	40,454
Provision for premiums receivables	–	–	(7,227)	(7,227)
Gross reinsurance receivables	2,025	397	8,205	10,627
Provision for reinsurance receivables	–	(101)	(981)	(1,082)
	17,250	6,079	19,443	42,772
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

Reinsurance assets

The credit quality of reinsurance assets, can be assessed by reference to external credit ratings agencies, Standard & Poor and A.M. Best. Based on the high ratings, management therefore considers the risk of default of these counterparties to be very low.

ANSA MERCHANT BANK

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

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 and equity 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 2013 and 2012.

		Sensitivity of income	
	Change in basis points	**2013**	**2012**
Parent	+ 100	238	200
	– 100	(238)	(200)
Group	+ 100	1,297	25,635
	– 100	(1,297)	(25,635)

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 2013 and 2012 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.

(Expressed in Thousands of Trinidad and Tobago dollars)

39. Risk management (continued)

Currency risk (continued)

Parent	**USD**	**EURO**	**JPY**	**OTHER**	**TOTAL**
2013					
Cash and short-term funds	218,028	278	33	594	218,933
Loans and advances	73,008	–	–	–	73,008
Investment securities	360,561	–	–	4,293	364,854
Interest receivable	3,472	–	–	21	3,493
Other debtors and prepayments	77,586	–	–	–	77,586
Total financial assets	732,655	278	33	4,908	737,874
Customers' deposits and other funding instruments	233,569	–	–	–	233,569
Debt securities	321,925	–	–	–	321,925
Total financial liabilities	555,494	–	–	–	555,494
Net currency risk exposure	**177,161**	**278**	**33**	**4,908**	**182,380**
Reasonably possible change in currency rate	5%	5%	5%	5%	5%
Effect on profit before tax	**8,858**	**14**	**2**	**245**	**9,119**
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**

ANSA MERCHANT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

39. Risk management (continued)

Currency risk (continued)

Group

2013	**USD**	**BDS**	**EURO**	**OTHER**	**TOTAL**
Cash and short-term funds	720,998	6,465	278	1,610	729,351
Fixed deposits	14,422	30,610	–	4,469	49,501
Loans and advances	73,008	–	–	–	73,008
Investment securities	846,140	24,790	–	5,232	876,162
Interest receivable	8,427	663	–	74	9,164
Insurance receivables	1,076	15,005	–	–	16,081
Other debtors and prepayments	173,613	–	–	–	173,613
Reinsurance assets	–	27,808	–	–	27,808
Total financial assets	1,837,684	105,341	278	11,385	1,954,688
Customers' deposits and other funding instruments	825,390	–	–	–	825,390
Debt securities	321,925	–	–	–	321,925
Total financial liabilities	1,147,315	–	–	–	1,147,315
Net currency risk exposure	**690,369**	**105,341**	**278**	**11,385**	**807,373**
Reasonably possible change in currency rate	5%	5%	5%	5%	5%
Effect on profit before tax	**34,518**	**5,267**	**14**	**569**	**40,369**
2012					
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
Reinsurance assets	–	37,973	–	–	37,973
Total financial assets	1,651,654	101,643	2,102	13,078	1,768,477
Financial liabilities					
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	**1,094,030**	**101,643**	**2,102**	**13,078**	**1,210,853**
Reasonably possible change in currency rate	5%	5%	5%	5%	5%
Effect on profit before tax	**54,701**	**5,082**	**105**	**654**	**60,543**

(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 summarizes the maturity profile of the Group's financial liabilities as at 31 December 2013 and 2012, based on contractual undiscounted repayment obligations, over the remaining life of those liabilities.

Parent	Up to one year	One to five years	Over five years	Total
2013				
Customers' deposits and other funding instruments	1,001,425	111,004	12,000	1,124,429
Debt securities in issue	160,963	510,962	–	671,925
Bank overdraft	93	–	–	93
	1,162,481	621,966	12,000	1,796,447
2012				
Customers' deposits and other funding instruments	834,154	91,494	–	925,648
Debt securities in issue	–	573,351	95,722	669,073
Bank overdraft	9,343	–	–	9,343
	843,497	664,845	95,722	1,604,064

ANSA MERCHANT BANK

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

39. Risk management (continued)

Liquidity risk (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

Group	Up to one year	One to five years	Over five years	Total
2013				
Customers' deposits and other funding instruments	2,047,100	43,011	–	2,090,111
Debt securities in issue	160,963	510,962	–	671,925
Bank overdraft	955	–	–	955
Investment contracts	168,244	–	–	168,244
	2,377,262	553,973	–	2,931,235
2012				
Customers' deposits and other funding instruments	1,744,096	23,325	–	1,767,421
Debt securities in issue	–	573,351	95,722	669,073
Bank overdraft	9,343	–	–	9,343
Investment contracts	160,150	–	–	160,150
	1,913,589	596,676	95,722	2,605,987

Equity price risk

Equity price risk is the risk that the fair values of equities will decrease as the result of a 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 categorized as fair value through the statement of income. In the case of the Parent, changes in fair value affect the capital reserve as a component of equity, whereas with respect to the subsidiaries, changes in fair value have an impact on the capital reserve and/or income.

(Expressed in Thousands of Trinidad and Tobago dollars)

39. **Risk management** (continued)

Equity price risk (continued)

The effect on equity and income at 31 December 2013 and 2012 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 2013	2012
Parent			
TTSE	+/- 3	223	223
S&P 500	+/- 8	7,947	20
Group			
TTSE	+/- 3	12,261	7,743
S&P 500	+/- 8	18,475	3,531

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 maximize 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's 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%.

ANSA MERCHANT BANK

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

40. Capital management (continued)

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 2013 and 2012, the Parent and its subsidiaries complied with all of the externally imposed capital requirements to which they are subject at the date of this report.

41. Maturity analysis of assets and liabilities

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

Parent	2013			2012		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
Assets						
Cash and short-term funds	296,227	–	296,227	279,430	–	279,430
Net investment in leased assets and other installment loans	64,853	852,666	917,519	68,571	692,641	761,212
Loans and advances	402,925	95,457	498,382	318,914	82,684	401,598
Investment securities	128,603	389,473	518,076	107,020	532,557	639,577
Interest receivable	4,943	–	4,943	7,468	–	7,468
Other debtors and prepayments	114,349	–	114,349	9,932	–	9,932
Taxation recoverable	–	–	–	11,163	–	11,163
Investment in subsidiaries	–	632,500	632,500	–	632,500	632,500
Property, plant and equipment	–	3,683	3,683	–	4,229	4,229
Deferred tax asset	–	190	190	–	935	935
Employee benefit	–	9,192	9,192	–	8,230	8,230
Total assets	1,011,900	1,983,161	2,995,061	802,498	1,953,776	2,756,274

Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

41. Maturity analysis of assets and liabilities (continued)

Parent	**2013**			**2012**		
	Less than 12 months	**Over 12 months**	**Total**	**Less than 12 months**	**Over 12 months**	**Total**
Liabilities						
Customers' deposits and other funding instruments	1,001,425	123,003	1,124,428	849,734	75,914	925,648
Bank overdraft	93	–	93	9,343	–	9,343
Accrued interest and other payables	66,285	–	66,285	119,606	–	119,606
Debt securities in issue	160,962	510,963	671,925	–	669,073	669,073
Taxation payable	17,663	–	17,663	–	–	–
Deferred tax liability	–	32,266	32,266	–	22,274	22,274
Employee benefit obligation	–	311	311	–	514	514
Total liabilities	1,246,428	666,543	1,912,971	978,683	767,775	1,746,458
Group						
Assets						
Cash and short-term	1,051,686	–	1,051,686	806,035	–	806,035
Fixed deposits	54,483	–	54,483	26,586	–	26,586
Net investment in leased assets and other installment loans	64,853	852,666	917,519	68,571	692,295	760,866
Loans and advances	402,449	186,892	589,341	318,982	182,593	501,575
Investment securities	866,151	1,761,982	2,628,133	873,712	1,952,525	2,826,237
Interest receivable	24,981	3,401	28,382	26,908	–	26,908
Insurance receivables	42,772	–	42,772	47,328	–	47,328
Other debtors and prepayments	279,468	–	279,468	33,230	–	33,230
Reinsurance assets	80,654	8,322	88,976	76,879	7,700	84,579
Taxation recoverable	–	–	–	12,373	–	12,373
Investment properties	–	111,443	111,443	–	128,943	128,943
Property, plant and equipment	–	38,095	38,095	–	36,738	36,738
Goodwill	–	133,762	133,762	–	133,762	133,762
Deferred tax asset	–	10,713	10,713	–	11,425	11,425
Employee benefit asset	–	117,636	117,636	–	100,540	100,540
Total assets	2,867,497	3,224,912	6,092,409	2,290,604	3,246,521	5,537,125

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Notes to the financial statements for the year ended 31 December 2013

(Expressed in Thousands of Trinidad and Tobago dollars)
(Continued)

41. Maturity analysis of assets and liabilities (continued)

Group	2013			2012		
	Less than 12 months	Over 12 months	Total	Less than 12 months	Over 12 months	Total
Liabilities						
Customers' deposits and other funding instruments	2,047,100	43,011	2,090,111	1,744,096	23,325	1,767,421
Debt securities in issue	160,962	510,963	671,925	–	669,073	669,073
Bank overdraft	955	–	955	9,343	–	9,343
Accrued interest and other payables	114,926	–	114,926	172,971	–	172,971
Taxation payable	19,901	–	19,901	2,945	–	2,945
Deferred tax liability	–	156,958	156,958	–	139,982	139,982
Employee benefit obligation	–	3,048	3,048	–	4,481	4,481
Investment contract liabilities	168,244	–	168,244	160,150	–	160,150
Insurance contract liabilities	287,439	845,431	1,132,870	286,753	793,371	1,080,124
Total liabilities	2,799,527	1,559,411	4,358,938	2,376,258	1,630,232	4,006,490

42. Capital commitments

Parent 2012	Parent 2013		Group 2013	Group 2012
		Capital commitments		
–	–	Contracts outstanding	568	18

(Expressed in Thousands of Trinidad and Tobago dollars)

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			Group	
2012	**2013**		**2013**	**2012**
612	–	Acceptances	–	612

(ii) Value added tax liability

A value added tax liability has been identified and quantified by the relevant authority. The liability has been provided for, including penalties and interest up to the date of the assessment. An objection has been lodged by the General Insurance subsidiary.

(iii) Litigation

In the ordinary course of business the Group is involved in various legal claims and proceedings. Provisions have been established, where necessary, based on the professional advice received. While it is not practical to forecast the precise outcome of pending or threatened legal proceedings, management is of the view that final determination of such proceedings will not have a material impact on the financial results and financial position of the Group.

44. Proposed dividends

The Board of Directors declared a final dividend of $0.85 (2012: $0.70) per share for the year ended 31 December 2013. This dividend amounting to $72,764,000 (2012: $59,924,000) is not recorded as a liability in the statement of financial position.

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 28, 2014 and at any adjournment thereof.

Dated this ………………………………….. day of ………………………… 2014.

Signed ……………………………………………………………………………………...

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

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

For	Against
A	A
B	B
C	C
D	D
E	E
F	F
G	G
H	H
I	I

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. Return of the completed Form of Proxy will not preclude a member from attending and voting at the Meeting.

NOTES

DESIGNED BY PEPPER ADVERTISING LIMITED

MERCHANT BANK LIMITED