



MERCHANT BANK LIMITED

ansa

ANNUAL REPORT 2008

ansa merchant

GROUP OF COMPANIES

# FINANCIAL STATEMENTS

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FOR THE YEAR ENDED 31ST DECEMBER, 2008

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destination**Vision**2010



I am pleased to report that the Bank and its subsidiaries delivered a commendable operating performance in 2008.

However, our financial result in 2008 is not indicative of the strong operations of our business lines as we, like our industry peers, have not been immune to the effects of the global economic crisis.

The events that unfolded in 2008 are unprecedented and much has been documented about the severity of the economic impact, the full global extent of which is yet unknown.

Earnings before tax of \$54.3 million was \$156.2 million lower in 2008 than in 2007. Profit attributable to shareholders was \$50.2 million; earnings per share declined to \$0.60 as compared to \$2.07 in 2007.

The financial performance has been constrained in large part by attenuated returns in our investment portfolios and by the application of international accounting standards that required us to conservatively mark to market various securities held in our portfolios. The application of IAS 39 to equities in particular resulted in a reduction of 60 cents to our EPS. What we can say with confidence is that our financial performance reflects a conservative accounting treatment.

It is our considered view that the ANSA Merchant Bank Group (Bank, Secured Funds, Tatil, and

Tatil Life) remains a unique integration of finance and insurance entities that is positioned to withstand the difficult environment.

Directors have approved a final dividend of 15 cents per share representing a total payout for the year of 30 cents. Unfortunately this is a regression from the 85 cents we paid in 2007, but it represents a payout of 50% of earnings which we believe is the proper mix between confidence in our future improvement and taking our normal careful course.

### Investment Banking

The Bank arranged and participated in a number of capital market issues and closed a considerable dollar volume in transactions while building an impressive pipeline. This positioned the Bank to bid and win prestigious capital market mandates that will be executed in 2009.

### Investment Services

Our overseas portfolios performed better than their benchmark in the context of an average decline of international equity markets of greater than 40%. Locally, equity indices continued to decline yielding few opportunities to generate impactful returns. Although performance of foreign bond markets was also lackluster, we were afforded some trading opportunities both internationally and locally. The Bank intends to play a significant role in the development of the

## THE CHAIRMAN'S REPORT

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local Bond market in 2009 and this will be an important pivot around which we will grow our securities trading business.

### Asset Finance

The Bank maintained its strong market position in asset financing in 2008. Profitability improved 30% for the year. This was delivered on a sizable portfolio of quality assets. The non-performing ratio of loans in this asset class was under 1% – well ahead of industry benchmarks. Our team of experienced personnel continue to maintain an excellent interaction with clients ensuring a very low delinquency rate

### Mutual Funds

Funds under management grew to \$775 million in 2008. Our two innovative funds provide undoubted security and the highest yield when compared to the short-term segment. The effect of accounting provisions in part resulted in an operating loss for our mutual funds but consistent with the guarantee offered by the Bank, we have fully provided for these unrealized losses. Your Bank introduced funds from two international managers during the year. In this business line we intend to remain a focused niche player serving needs not met by the other mutual fund providers.

### Tatil

Our General Insurance Company produced very satisfactory technical results, which yielded healthy underwriting profits in all lines of business. The investment portfolio was not spared the effects of the global financial crisis and we incurred unrealized losses on our overseas portfolios. Our management team remains committed to providing exceptional service; for example, we introduced the 24-hour roadside assistance program in 2008. We have posted our best results in our Barbados operations since we acquired this agency, and anticipate a continuation of this trend going forward.

### Tatil Life

Investments had a more severe impact on the performance of the Life business. Consequently, year-end financial performance was hindered by unrealised losses in our long-term foreign portfolios. Our Investment Committee has taken the appropriate steps to position the portfolios for recovery. It is noteworthy that while our long-term liabilities to policyholders grew to \$723 million, this is backed by an asset base that was \$1.1 billion as of December 31, 2008: a healthy excess.

### Other Matters

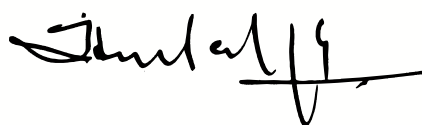
Subsequent to the end of 2008, Mr. Gerry C. Brooks resigned from our Board. Mr. Brooks is the Group Chief Operating Officer of ANSA McAL Limited, our parent company, and is a member of the Parent company Board. We thank him for the insights he brought to the Board during his tenure. At the end of January 2009, Mr. Chip Sa Gomes joined the Bank as Managing Director. Mr. Sa Gomes served as Executive Director of the Bank previously and I welcome his appointment as he is poised to make an immediate positive impact on the Bank's operations.

### Appreciation

As usual, I wish to express my appreciation to our Management Team for their dedication to making ANSA Merchant Bank, Tatil and Tatil Life premier financial institutions in the region.

I would like to thank our Directors for their ongoing contributions.

Also, we are appreciative of our valued clientele for their trust, which we value above all.



Anthony N. Sabga  
Chairman

THE BOARD OF DIRECTORS



**Anthony N. Sabga**  
(Chairman)



**Chip Sa Gomes**



**Ray A. Sumairsingh**



**Nabeel A. Hadeed**



**Timothy Hamel-Smith**



**Victor P. Herde**



**Jeremy Matouk**



**Nicholas Owen**



**Gregory N. Hill**



**Varun Maharaj**

## FINANCIAL HIGHLIGHTS

FOR THE YEAR ENDED 31ST DECEMBER, 2008  
(Expressed in thousands of  
Trinidad & Tobago dollars)

2003 – 2008 (\$000's)	Dec 2008	Dec 2007	Dec 2006	Dec 2005 Restated	Dec 2004 Restated	Dec 2003
Profit Before Tax	54,291	210,537	160,559	116,279	100,928	37,612
Profit After Tax and Minority Interest	50,206	174,554	148,958	100,707	85,983	30,397
Total Assets	4,391,479	4,124,392	3,629,874	2,967,948	2,449,239	981,541
Risk Adjusted Capital Ratio	38.71%	48.75%	50.98%	46.93%	48.98%	19.90%
Deposits and Other Funding Instruments	2,041,393	1,714,714	1,464,569	1,056,036	655,787	723,803
Net Investment in Leases Assets and other Installment Loans	618,747	560,193	465,073	412,970	362,973	340,003
Investments	2,086,175	2,234,718	2,083,422	1,652,974	1,049,303	420,009
Stated Capital	667,274	667,274	667,274	667,274	667,274	44,774
Shareholders' Equity	986,484	1,085,157	1,027,552	929,091	866,828	134,585
Actual Number Of Issued Shares	85,605	85,605	85,605	85,605	85,605	31,000
Weighted Average Number Of Shares	84,185	84,185	84,205	84,205	84,205	31,000
Return On Average Assets	1.25%	4.50%	4.50%	3.70%	5.01%	3.43%
Return On Average Shareholders' Equity	4.85%	16.52%	15.23%	11.20%	17.17%	24.39%
Dividends	25,682	72,764	64,204	42,803	38,522	13,020
Earnings Per Share (¢)	0.60	2.07	1.77	1.20	1.02	0.98
Dividends Per Share (¢)	0.30	0.85	0.75	0.50	0.45	0.42
Net Book Value Per Share (\$)	11.72	12.89	12.20	11.03	10.29	4.34

## INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED 31ST DECEMBER, 2008  
(Expressed in thousands of  
Trinidad & Tobago dollars)



### To the Shareholders of Ansa Merchant Bank Limited

We have audited the consolidated financial statements of Ansa Merchant Bank Limited and its Subsidiaries ("the Group") which comprise the consolidated balance sheet as at 31st December, 2008 and the consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material aspects, the financial position of the Parent and the Group as at 31st December, 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads "Ernst &amp; Young".

Port of Spain,  
TRINIDAD  
25th March, 2009

## BALANCE SHEET

AS AT 31ST DECEMBER, 2008

(Expressed in thousands of  
Trinidad & Tobago dollars)

2007	Parent		Assets	Notes	Group	
	2007	2008			2008	2007
334,401	223,380		Cash and short term funds	4	409,297	428,499
-	-		Fixed deposits		81,145	164,690
560,193	618,747		Net investment in leased assets and other instalment loans	5	618,747	560,193
115,749	233,177		Loans and advances	6	315,106	189,490
-	-		Financial assets at fair value through statement of income	7	258,544	319,245
904,412	921,173		Financial assets available-for-sale	7	1,564,011	1,416,366
127,761	90,777		Financial assets held to maturity	7	522,164	499,107
26,390	24,800		Interest receivable		56,933	78,819
-	-		Insurance receivables	9	105,581	55,538
8,231	18,330		Other debtors and prepayments	10	34,758	16,467
-	-		Reinsurance assets		63,478	94,021
-	-		Taxation recoverable		463	282
622,500	622,500		Investment in subsidiaries		-	-
-	-		Investment properties	11	112,212	111,886
6,097	4,262		Fixed assets	12	23,971	24,885
-	-		Goodwill	13	133,762	133,762
1,148	24,912		Deferred tax asset	14	25,385	1,561
6,492	6,962		Employee benefit asset	15	65,922	46,374
<u>2,713,374</u>	<u>2,789,020</u>		<b>Total Assets</b>		<u>4,391,479</u>	<u>4,141,185</u>

The notes on pages 16 to 53 form an integral part of these financial statements.

2007	Parent		Liabilities	Notes	Group	
	2007	2008			2008	2007
66,160	73,857		Accrued interest and other payables	16	187,901	126,126
1,629,872	1,777,685		Customers' deposits and other funding instruments	17	2,041,393	1,714,714
87,389	87,389		Debt securities in issue	18	87,389	87,389
81,518	15,860		Bank overdraft		15,910	81,542
-	16,124		Guarantee reserve fund	19	15,514	-
6,995	7,711		Taxation payable		11,701	11,845
5,188	2,880		Deferred tax liability	14	76,524	98,374
247	249		Employee benefit obligation	15	2,139	1,895
-	-		Investment contract liabilities	20	152,632	136,987
-	-		Insurance contract liabilities	21	813,892	797,156
<u>1,877,369</u>	<u>1,981,755</u>		<b>Total liabilities</b>		<u>3,404,995</u>	<u>3,056,028</u>

The notes on pages 16 to 53 form an integral part of these financial statements.

## BALANCE SHEET cont'd



AS AT 31ST DECEMBER, 2008  
(Expressed in thousands of  
Trinidad & Tobago dollars)

Parent		Equity attributable to the equity holders of the parent	Notes	Group	
2007	2008			2008	2007
667,274	667,274	Stated capital	23	667,274	667,274
-	-	Treasury shares		(16,362)	(16,362)
42,137	51,658	Statutory reserve fund		51,658	42,137
-	-	Statutory surplus reserve		14,529	14,529
4,112	(47,077)	Capital reserve/(deficit)		(76,649)	(2,558)
2,800	2,800	General loan loss reserve		2,800	2,800
<u>119,682</u>	<u>132,610</u>	Retained earnings		<u>342,825</u>	<u>376,928</u>
<u>836,005</u>	<u>807,265</u>			<u>986,097</u>	<u>1,084,748</u>
-	-	Minority interest		<u>387</u>	<u>409</u>
<u>836,005</u>	<u>807,265</u>	<b>Total equity</b>		<u>986,484</u>	<u>1,085,157</u>
<u>2,713,374</u>	<u>2,789,020</u>	<b>Total liabilities and equity</b>		<u>4,391,479</u>	<u>4,141,185</u>

The notes on pages 16 to 53 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 25th March, 2009 and signed on their behalf by:

Anthony N. Sabga  
Director

Ray A. Sumairsingh  
Director

## STATEMENT OF INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2008

(Expressed in thousands of  
Trinidad & Tobago dollars)

2007	Parent 2008	Statement of Income	Notes	2008	Group 2007
-	-	Net premiums earned and contributions received	24	237,337	215,623
76,900	97,001	Finance charges, loan fees and other interest income		97,001	77,434
133,062	145,745	Investment income	25	147,693	221,919
21,706	28,858	Other income	26	38,215	32,945
<u>231,668</u>	<u>271,604</u>	<b>Total income</b>		<u>520,246</u>	<u>547,921</u>
-	-	Net insurance benefits and claims incurred	27	127,093	107,588
-	-	Net change in insurance contract liabilities		40,963	39,496
101,033	116,540	Interest expense		138,496	94,874
28,874	59,921	General administrative and selling expenses	28	159,403	95,426
<u>129,907</u>	<u>176,461</u>	<b>Total expenses</b>		<u>465,955</u>	<u>337,384</u>
101,761	95,143	<b>Profit before taxation</b>		54,291	210,537
11,119	(70)	Taxation expense/(credit)	29	4,107	35,931
90,642	95,213	<b>Profit after taxation</b>		50,184	174,606
-	-	Minority interest		(22)	52
<u>90,642</u>	<u>95,213</u>	<b>Profit attributable to equity holders of the parent</b>		<u>50,206</u>	<u>174,554</u>
		<b>Earnings per share</b>		0.60	2.07
		<b>Weighted average number of shares ('000)</b>		84,185	84,185

The notes on pages 16 to 53 form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2008

(Expressed in thousands of  
Trinidad & Tobago dollars)



Parent	Stated capital	Treasury shares	Statutory reserve fund	Statutory surplus reserve	Capital reserve/(deficit)	General loan loss reserve	Retained earnings	Total
<b>Balance as at January 1, 2007</b>	667,274	-	35,913	-	21,43	2,351	2,351	831,168
Realised gains transferred to net profit	-	-	-	-	(8,186)	-	-	(8,186)
Revaluation of available -for-sale investments	-	-	-	-	(9,135)	-	-	(9,135)
Total income and expense for the year recognised directly in equity	-	-	-	-	(17,321)	-	-	(17,321)
Profit attributable to equity holders of the parent	-	-	-	-	-	-	90,642	90,642
Transfer to general loan loss reserve	-	-	-	-	-	449	(449)	-
Transfer to statutory reserve fund	-	-	6,224	-	-	-	(6,224)	-
Dividends (Final 2006 and Interim 2007)	-	-	-	-	-	-	(68,484)	(68,484)
<b>Balance as at December 31, 2007</b>	667,274	-	42,137	-	4,112	2,800	119,682	836,005

The notes on pages 16 to 53 form an integral part of these financial statements.

Parent	Stated capital	Treasury shares	Statutory reserve fund	Statutory surplus reserve	Capital reserve/(deficit)	General loan loss reserve	Retained earnings	Total
<b>Balance as at January 1, 2008</b>	667,274	-	42,137	-	4,112	2,800	119,682	836,005
Realised gains transferred to net profit	-	-	-	-	(6,218)	-	-	(6,218)
Revaluation of available -for-sale investments	-	-	-	-	(44,971)	-	-	(44,971)
Total income and expense for the year recognised directly in equity	-	-	-	-	(51,189)	-	-	(51,189)
Profit attributable to equity holders of the parent	-	-	-	-	-	-	95,213	95,213
Transfer to statutory reserve fund	-	-	9,521	-	-	-	(9,521)	-
Dividends (Final 2007 and Interim 2008)	-	-	-	-	-	-	(72,764)	(72,764)
<b>Balance as at December 31, 2008</b>	667,274	-	51,658	-	(47,077)	2,800	132,610	807,265

The notes on pages 16 to 53 form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY cont'd

FOR THE YEAR ENDED 31ST DECEMBER, 2008

(Expressed in thousands of  
Trinidad & Tobago dollars)

Group	Stated capital	Treasury shares	Statutory reserve fund	Statutory surplus reserve	Capital reserve/ (deficit)	General loan loss reserve	Retained earnings	Total
<b>Balance as at January 1, 2007</b>	667,274	(16,362)	35,913	14,529	30,815	2,351	292,668	1,027,188
Realised gains transferred to net profit	-	-	-	-	(20,032)	-	-	(20,032)
Revaluation of available- for-sale investments	-	-	-	-	(13,341)	-	-	(13,341)
Total income and expense for the year recognised directly in equity	-	-	-	-	(33,373)	-	-	(33,373)
Profit attributable to equity holders of the parent	-	-	-	-	-	-	174,554	174,554
Other life insurance reserve movements	-	-	-	-	-	-	(16,273)	(16,273)
Transfer to general loan loss reserve	-	-	-	-	-	449	(449)	-
Transfer to statutory reserve fund	-	-	6,224	-	-	-	(6,224)	-
Dividends (Final 2006 and Interim 2007)	-	-	-	-	-	-	(67,348)	(67,348)
<b>Balance as at December 31, 2007</b>	<b>667,274</b>	<b>(16,362)</b>	<b>42,137</b>	<b>14,529</b>	<b>(2,558)</b>	<b>2,800</b>	<b>376,928</b>	<b>1,084,748</b>

The notes on pages 16 to 53 form an integral part of these financial statements.

Group	Stated capital	Treasury shares	Statutory reserve fund	Statutory surplus reserve	Capital reserve/ (deficit)	General loan loss reserve	Retained earnings	Total
<b>Balance as at January 1, 2008</b>	667,274	(16,362)	42,137	14,529	(2,558)	2,800	376,928	1,084,748
Realised gains transferred to net profit	-	-	-	-	1,724	-	-	1,724
Revaluation of available- for-sale investments	-	-	-	-	(75,815)	-	-	(75,815)
Total income and expense for the year recognised directly in equity	-	-	-	-	(74,091)	-	-	(74,091)
Profit attributable to equity holders of the parent	-	-	-	-	-	-	50,206	50,206
Other life insurance reserve movements	-	-	-	-	-	-	(3,203)	(3,203)
Transfer to general loan loss reserve	-	-	-	-	-	-	-	-
Transfer to statutory reserve fund	-	-	9,521	-	-	-	(9,521)	-
Dividends (Final 2007 and Interim 2008)	-	-	-	-	-	-	(71,563)	(71,563)
<b>Balance as at December 31, 2008</b>	<b>667,274</b>	<b>(16,362)</b>	<b>51,658</b>	<b>14,529</b>	<b>(76,649)</b>	<b>2,800</b>	<b>342,847</b>	<b>986,097</b>

The notes on pages 16 to 53 form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31ST DECEMBER, 2008

(Expressed in thousands of  
Trinidad & Tobago dollars)

Parent		Cash flows from operating activities	Group	
2007	2008		2008	2007
101,761	95,143	Profit before taxation	54,291	210,537
		Adjustment for:		
(777)	(468)	Employee benefits	(19,304)	(11,983)
818	1,265	Depreciation	2,736	2,276
(5,300)	5,655	Impairment/(recovery) on investments	51,532	(4,459)
(3,144)	(17,423)	Interest capitalised	(19,238)	(3,144)
(13,076)	2,201	Increase/(decrease) in provisions	2,201	(12,235)
-	-	Loss/(gain) on revaluation of investments	67,955	(25,132)
(6,287)	(5,051)	Gain on sale of investments	(5,231)	(17,049)
(1,180)	772	and fixed assets	(5,231)	(17,049)
		Foreign exchange loss/(gain)	4,390	6,340
72,815	82,094	Operating profit before working capital changes	139,332	145,151
(131,575)	(178,183)	Increase in investment in leased assets and loans and advances	(186,371)	(136,092)
(7,720)	(8,510)	Increase in accrued interest and other receivables	(15,905)	(33,941)
171,191	147,813	Increase in customers' deposits and other funding instruments	326,679	250,145
-	16,124	Increase in guarantee reserve fund	15,514	-
(8,889)	7,697	Increase/(decrease) in accrued interest and other payables	61,775	7,390
(17,281)	(9,294)	Increase in Central Bank reserve account	(9,294)	(17,281)
-	-	Increase in insurance and investment contracts	32,381	83,025
78,541	57,741		364,111	298,397
(5,033)	(10,249)	Taxes paid	(32,455)	(19,188)
73,508	47,492	Cash generated from operating activities	331,656	279,209

The notes on pages 16 to 53 form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS cont'd

FOR THE YEAR ENDED 31ST DECEMBER, 2008

(Expressed in thousands of  
Trinidad & Tobago dollars)

Parent			Group	
2007	2008		2008	2007
-	-	<b>Cash flows from investing activities</b>		
-	-	Placement of fixed deposits	(437,698)	(177,369)
-	103	Maturity of fixed deposits	521,244	87,130
(2,226)	(697)	Proceeds from sale of fixed assets	103	-
(856,639)	(931,634)	Additions to fixed assets and investment properties	(3,415)	(3,535)
<u>832,067</u>	<u>902,843</u>	Purchase of investments	(2,086,218)	(1,206,303)
		Sale or maturity of investments	<u>1,783,027</u>	<u>1,040,241</u>
<u>(26,798)</u>	<u>(29,385)</u>	Net cash used in investing activities	<u>(222,957)</u>	<u>(259,836)</u>
		<b>Cash flows from financing activities</b>		
<u>(68,484)</u>	<u>(72,764)</u>	Dividends paid	<u>(71,563)</u>	<u>(67,348)</u>
<u>(68,484)</u>	<u>(72,764)</u>	Net cash used in financing activities	<u>(71,563)</u>	<u>(67,348)</u>
<u>(21,774)</u>	<u>(54,657)</u>	<b>Net increase/(decrease) in cash and cash equivalents</b>	<u>37,136</u>	<u>(47,975)</u>
<u>242,687</u>	<u>220,913</u>	<b>Cash and cash equivalents at the beginning of the year</b>	<u>314,987</u>	<u>362,962</u>
<u>220,913</u>	<u>166,256</u>	<b>Cash and cash equivalents at the end of the year</b>	<u>352,123</u>	<u>314,987</u>
		<b>Represented by:</b>		
302,431	182,116	Cash and cash equivalents	368,033	396,529
<u>(81,518)</u>	<u>(15,860)</u>	Bank overdraft	<u>(15,910)</u>	<u>(81,542)</u>
<u>220,913</u>	<u>166,256</u>		<u>352,123</u>	<u>314,987</u>
		<b>Supplemental information:</b>		
161,031	147,334	Interest received	169,579	231,305
109,922	117,770	Interest paid	141,889	87,484

The notes on pages 16 to 53 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2008

(Expressed in thousands of  
Trinidad & Tobago dollars)

### 1. Principal activities of the group

Ansa Merchant Bank Limited ('the Bank') was incorporated in the Republic of Trinidad and Tobago on 3rd March, 1977, and licensed under the provisions of the Financial Institutions Act, 1993 to carry on the following 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

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

The Bank was registered under the Securities Industries Act, 1995 to conduct business as a securities company on 6th May, 1999 and by the Trinidad and Tobago Securities and Exchange Commission as a reporting issuer on 18th December, 1997. The Bank has a primary listing on the Trinidad & Tobago Stock Exchange and its registered office is located at ANSA Centre, 11 Maraval Road, Port of Spain.

The Ansa Merchant Bank Group (the 'Group') is a financial services group comprising of six (6) subsidiaries. The Group is engaged in a wide range of banking and financial related activities and carries on all classes of long term and short term insurance business and the rental of property in Trinidad and Tobago and the Caribbean.

A full listing of the Group's subsidiaries is detailed in Note 38.

### 2. Significant accounting policies

#### i. Basis of preparation

The financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS), and are stated in Trinidad and Tobago dollars. These financial statements have been prepared on a historical cost basis, except for the measurement at fair value of available-for-sale and trading investment securities, and investment properties.

The following is a summary of the significant accounting and reporting policies used in preparing the financial statements.

#### ii. Changes in accounting policy

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December 2007 except for the adoption of new Standards and interpretations noted below:

*IFRIC 14 IAS 19 – The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IFRIC 14 addresses how to assess the limit, under IAS 19 Employee Benefits, on the amount of the surplus that can be recognised as an asset particularly when a minimum funding requirement exists.

The adoption of this new and/or revised accounting standard/interpretation has had no effect on the financial position of the Group, however this may have resulted in additional disclosures.

#### iii. Standards in issue not yet effective

The Group has not applied the following IFRS's and IFRIC Interpretations that have been issued but are not yet effective. These standards/interpretations either do not apply to the activities of the Group or have no material impact on its financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

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### 2. Significant accounting policies (continued)

#### iii. Standards in issue not yet effective (continued)

IFRS 8 Operating Segments (effective from January 1, 2009) requires disclosure of information about the Group's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group.

IAS 23 Borrowing Costs was amended (effective from January 1, 2009) and requires capitalisation of borrowing costs that relate to a qualifying asset. The transitional provisions of the standard require prospective application from the effective date.

IAS 32 Financial Instruments: Presentation was amended (effective from January 1, 2009) regarding Puttable Financial Instruments and Obligations Arising on Liquidation, and requires entities to classify certain types of financial instruments as equity, provided they have particular features and meet specific conditions.

IAS 39 Financial Instruments: Recognition and Measurement was amended (effective from July 1, 2009) regarding Hedging portions of risk, and clarifies the principles associated with designating a portion of cash flows or fair values of a financial instrument as a hedged item.

IFRS 2 Share-based Payment was amended (effective from January 1, 2009) regarding Vesting Conditions and Cancellations, and clarifies that vesting conditions are service conditions and performance conditions only, while other features of a share-based payment are not vesting conditions.

IFRS 3 Business Combinations was amended (effective from July 1, 2009). The amendments were the result of a joint project with the US FASB, and certain fundamental changes and improvements were made to reinforce the existing standard and remedy problems that have emerged with its application.

IFRS 1 First-time Adoption and IAS 27 Consolidated and Separate Financial Statements was amended (effective from January 1, 2009) and provides guidance on determining the cost of investments in subsidiaries, jointly controlled entities and associates in the financial statements of a parent entity that prepares separate financial statements.

IAS 1 Presentation of Financial Statements was revised (effective January 1, 2009) and separates owner and non-owner changes in equity, through the introduction of a statement of comprehensive income.

IFRIC 13 Customer Loyalty Programmes (effective from July 1, 2008) requires that award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. Banks often grant customers award credits (or points) as part of their credit card programme, which may be redeemed for free or discounted goods. Such banks would need to consider whether their customer loyalty programme falls under the scope of the IFRIC.

IFRIC 15 Agreements for the Construction of Real Estate (effective from January 1, 2009) regarding when and how revenue and related expenses from the sale of real estate as construction progresses should be recognized, and addresses the divergence in accounting treatment arising from such arrangements.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective from October 1, 2008) provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment. It also provides guidance on where within the Group the hedging instrument can be held in the hedge of a net investment, and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

IFRIC 17 Distributions of Non-cash Assets to Owners (effective from July 1, 2009) provides guidance on how to account for such transactions. It also provides guidance on when to recognise a liability and how to measure it and the associated assets, and when to derecognise the asset and liability and the consequences of doing so.

IFRIC 18 Transfers of Assets from Customers (effective from July 1, 2009) provides guidance on when and how an entity should recognise items of property, plant and equipment received from their customers.

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### 2. Significant accounting policies (continued)

#### iii. Standards in issue not yet effective (continued)

In May 2008, the International Accounting Standards Board issued "Improvements to IFRSs", which is part of its annual improvements project, and a vehicle for making non-urgent but necessary amendments to various IFRSs. These amendments primarily become effective for annual periods beginning on or after January 1, 2009. The following table shows the IFRSs and topics addressed by these amendments:

IFRS	Subject of Amendment
<b>Part I</b>	<b>Amendments that result in accounting changes for presentation, recognition and measurement purposes</b>
IFRS 5	Plan to sell the controlling interest in a subsidiary.
IAS 1	Current/non-current classification of derivatives.
IAS 16	Recoverable amount.
IAS 19	Curtailments and negative past service cost. Plan administration costs. Replacement of term "fall due". Guidance on contingent liabilities.
IAS 20	Government loans with a below-market interest rate.
IAS 23	Components of borrowing costs.
IAS 27	Measurement of subsidiary held for sale in separate financial statements.
IAS 28	Required disclosures when investments in associates are accounted for at fair value through profit or loss.
IAS 31	Required disclosures when investments in jointly controlled entities are accounted for at fair value through profit or loss.
IAS 29	Description of measurement basis in financial statements.
IAS 36	Disclosure of estimates used to determine recoverable amount.
IAS 38	Advertising and promotional activities. Unit of production method of amortization.
IAS 39	Reclassification of derivatives into or out of the classification at fair value through profit or loss. Designating and documenting hedges at the segment level. Applicable effective interest rate on cessation of fair value hedge accounting.
IAS 40	Property under construction or development for future use as investment property.
IAS 41	Discount rate for fair value calculations.
<b>Part II</b>	<b>Amendments that are terminology or editorial changes only</b>
IFRS 7	Presentation of finance costs.
IAS 8	Status of implementation guidance.
IAS 10	Dividends declared after the end of the reporting period.
IAS 18	Costs of originating a loan.
IAS 20	Consistency of terminology with other IFRSs.
IAS 29	Consistency of terminology with other IFRSs.
IAS 34	Earnings per share disclosures in interim financial statements.
IAS 40	Consistency of terminology with IAS 8. Investment property held under lease.
IAD 41	Examples of agricultural produce and products. Point-of-sale costs.

#### iv. Basis of consolidation

##### Group

The consolidated financial statements comprise the financial statements of Ansa Merchant Bank Limited and its subsidiaries as at 31st December, 2008. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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### 2. Significant accounting policies (continued)

#### iv. Basis of consolidation (continued)

##### Group (continued)

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

##### Parent

The Parent accounts for investments in subsidiaries on a cost basis.

#### v. Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The primary format of segmental reporting for the Group is by business segment, which reflects the diversity of the underlying operations. These financial statements do not contain disclosures relating to the Group's secondary geographical segments as this is not considered to be material.

#### vi. 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 at hand and at bank with original maturities of three months or less and subject to insignificant risks of change in value.

#### vii. 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 of the institutions.

#### viii. Financial assets

The Group classifies its investments into the following categories: held to maturity financial assets, available for sale financial assets, financial assets at fair value through the Statement of Income and loans and advances. The classification depends on the purpose for which the investments were acquired or originated.

The Group has unquoted stock within the investment portfolio that is stated at cost as a result of there being insufficient detailed financial and cash flow information upon which to make informed valuation decisions.

All regular purchases and sales of financial assets are recognised on the settlement date.

All investments are initially recognised at cost, being the fair value plus, in the case of financial assets not at fair value through the Statement of Income, the transaction costs that are directly attributable to the acquisition of the investment. A financial asset shall be derecognised when the contractual right to receive cash flows expire or when the asset is transferred.

Held to maturity financial assets comprises fixed or determinable income securities that the Group has the positive intention and ability to hold until maturity. Premiums and discounts are amortised over the life of the instrument using the effective interest rate method. The amortisation of premiums and discounts is taken to the Statement of Income.

## NOTES TO THE FINANCIAL STATEMENTS

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### 2. Significant accounting policies (continued)

#### viii. Financial assets (continued)

Available for sale financial assets are securities intended to be held for an indefinite period of time, but may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. After initial recognition, these assets are measured at fair value based on quoted market prices where available or discounted cash flow models.

Fair values for unlisted securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Unrealised gains and losses are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired, net of deferred tax. On derecognition or impairment, the cumulative gain or loss previously reported in equity is transferred to the Statement of Income.

Financial assets at fair value through the Statement of Income have all been designated financial assets held for trading and those designated at fair value through the Statement of Income at inception. These investments are held in portfolios managed by international investment institutions and comprise international equities, corporate and sovereign bonds and structured products such as hedge funds and principal protected investment notes. These are initially recorded at cost and subsequently measured at fair value. Changes to fair value and realised gains and losses are recorded in the Statement of Income.

Loans and advances are financial assets with fixed or determinable payments. Loans and advances are measured at amortised cost, using the effective interest rate method. Investments in leased assets and other instalment loans are stated net of unearned interest and provisions for doubtful loans.

#### Impairment

The carrying value of all financial assets not carried at fair value through the Statement of Income 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.

In order to determine whether negative revaluations on investment securities correctly represent impairment, all investment securities for which the market value has been significantly below cost price for a considerable period of time, are individually reviewed. A distinction is made between negative revaluations due to general market fluctuations and due to issuer specific developments. 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 strategy.

If there is objective evidence that the cost may not be recovered, an available-for-sale equity security is considered to be impaired. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, include a significant or prolonged decline in the fair value below cost. The Group's policy considers a significant decline to be one in which the fair value is below the weighted-average cost by more than 30% and a prolonged decline to be one in which fair value is below the weighted-average cost for greater than one year. This policy is applied by all subsidiaries at the individual security level.

If an available-for-sale equity security is impaired based upon the Group's qualitative or quantitative impairment criteria, any further declines in the fair value at subsequent reporting dates are recognised as impairments. Therefore, at each reporting period, for an equity security that is determined to be impaired based upon the Group's impairment criteria, an impairment is recognised for the difference between the fair value and the original cost basis, less any previously recognised impairments.

For held to maturity financial assets and loans and advances carried at amortised cost, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any impairment loss is recorded in the Statement of Income.

## NOTES TO THE FINANCIAL STATEMENTS

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### 2. Significant accounting policies (continued)

#### 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.

#### x. Insurance receivables

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

#### xi. Reinsurance assets

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

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.

#### xii. Fair values of financial assets

Fair value determinations for financial assets and financial liabilities are based on bid market prices at the close of business on the balance sheet date for listed instruments. If prices are not readily available, the fair value is based on internal valuation models. 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.

#### xiii. Employee benefits

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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### 2. Significant accounting policies (continued)

#### xiv. Taxation

Taxation is calculated using the liability method of deferred taxation. Deferred tax assets and liabilities are recognised for temporary differences arising between the carrying amounts of assets and liabilities in the balance sheet and their tax bases, which result in taxable amounts in future periods. These have been calculated using enacted tax rates.

Changes in deferred tax assets and liabilities are recognised as a tax expense in the Statement of Income.

With respect to life insurance business, corporation tax is charged at 15% on profits derived from investments held in the Statutory Fund less investment expenses allowable in relation thereto. A further 10% corporation tax (2007: 10%) is chargeable on these funds as and when they are transferred to the shareholders' account in accordance with Schedule IV to the Corporation Taxes Act Chapter 75:02.

#### xv. Goodwill

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.

As at acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

#### xvi. Fixed assets

Fixed assets are stated at historical cost net of accumulated depreciation. 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 and computer equipment, which are provided on a straight-line basis.

The rates used are as follows: % per annum

Motor vehicles	25
Computer equipment	25 – 33 $\frac{1}{3}$
Leasehold improvements	10
Office furniture, machinery and equipment	10 – 25

Investment property which is owner occupied is accounted for as premises and equipment. Depreciation is computed over the estimated useful life of the asset (50 years for buildings).

#### xvii. Investment properties

All properties are valued annually either by way of Directors' valuation or an external professional valuer. Each property is externally valued at least once every three (3) years. The cost of additions and renovations are capitalised and considered when estimating fair value. Profits and losses arising from revaluations and disposals during the year are accounted for in the Statement of Income.

#### xviii. Derivative instruments

The carrying value of derivative instruments is determined based on the application of the modified Black-Scholes methodology. Volatility estimates are obtained from open market trading in the underlying securities.

## NOTES TO THE FINANCIAL STATEMENTS

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### 2. Significant accounting policies (continued)

#### xix. Product classification

##### *Insurance contracts*

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

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

##### *Investment contracts*

Any contracts not considered insurance contracts under IFRS are classified as investment contracts. Deposits collected and benefit payments under investment contracts are not accounted for through the Statement of Income, but are accounted for directly through the Balance Sheet as a movement in the investment contract liability.

#### xx. 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 lifetime 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 reporting date 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 the balance sheet date, 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 balance sheet date.

##### *Provision for unearned premiums*

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

##### *Liability adequacy test*

In accordance with IFRS 4, reserving for liabilities existing as at the balance sheet date from property and casualty lines of business has been tested for adequacy.

The conclusion reached was that the carrying amounts of the insurance liabilities of the General Insurance subsidiary as at 31st December, 2008, in respect of IBNR claims and claims from unexpired contracts were adequate.

## NOTES TO THE FINANCIAL STATEMENTS

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### 2. Significant accounting policies (continued)

#### xxi. Financial liabilities

Financial liabilities are recognised initially at fair value net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

#### xxii. Provision for other liabilities

A provision is recognised 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.

#### xxiii. 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.

#### xxiv. Statutory surplus reserve

As required by Section 171 of the Insurance Act 1980 of Trinidad and Tobago at least 25% of the 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.

#### xxv. 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.

#### xxvi. Revenue recognition

##### *Loans and advances*

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

##### *Investment income*

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

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

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

##### *Premium income*

Premiums from life insurance contracts are recognised as revenue when payable by the policyholders. For single premium business this is the date from which the policy is effective.

For non-life business, premiums written are recognised on policy inception and earned on a pro rata basis over the term of the related policy coverage.

## NOTES TO THE FINANCIAL STATEMENTS

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### 2. Significant accounting policies (continued)

#### xxvi. Revenue recognition (continued)

##### *Fees and commissions*

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

##### *Other income and expenditure*

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

#### xxvii. 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.

#### xxviii. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at rates of exchange ruling on 31st December, 2008. All revenue and expenditure transactions denominated in foreign currencies are translated at mid-exchange rates and the resulting profits and losses on exchange from these trading activities are dealt with in the Statement of Income.

#### xxix. 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 balance sheet date, 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 balance sheet date. 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.

#### xxx. 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 1,419,786 treasury shares (2007: 1,419,786).

#### xxxi. Comparative information

Certain changes in presentation have been made in these financial statements. These changes have no effect on the operating results, profit after tax or earnings per share of the Group for the previous year.

### 3. Significant accounting judgements and estimates in applying Group policies

Management has made the following judgements in its application of the Group's policies which have the most significant effect on the amounts reported in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

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

#### *Impairment of financial assets*

Management makes judgements at each balance sheet date to determine whether financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

#### *Valuation of investments*

The Group has applied IAS 39 in its classification of investments securities which requires measurement of securities at fair value. Fair values are based on quoted market prices for the specific instrument, comparisons with other highly similar financial instruments, or the use of valuation models. Establishing valuations where there are no quoted market prices inherently involves the use of judgement and applying judgement in establishing reserves against indicated valuations for aged positions, deteriorating economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, model risk itself and other factors.

#### *Net pension asset/liability*

In conducting valuation exercises to measure the effect of all employees benefit plans throughout the Group, the Group's independent actuaries use judgement and assumptions in determining discount rates, salary increases, NIS ceiling increases, pension increases and the rate of return on the assets of the Plan. These are detailed in Note 15 – Employee Benefits.

#### *Deferred taxes*

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

#### *Goodwill*

The Group's financial statements include goodwill arising from acquisitions. In accordance with IFRS 3, goodwill was reviewed for impairment as at 31st December, 2008 using the "value in use" method. This requires the use of estimates for determination of future cash flows expected to arise from each cash-generating unit and an appropriate discount rate to calculate present value.

#### *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 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, but 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 reporting date, these estimates are reassessed for adequacy and changes will be reflected in adjustments to the liability.

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### 3. Significant accounting policies (continued)

#### *Insurance contract liabilities (continued)*

For general insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the balance sheet date. 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 reporting date, 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.

### 4. Cash and short term funds

Parent		Cash and short term funds	Group	
2007	2008		2008	2007
64,058	8,610	Cash in hand and at bank	62,623	84,445
<u>238,373</u>	<u>173,506</u>	Short term deposits with other banks	<u>305,410</u>	<u>312,084</u>
302,431	182,116	Central Bank Reserve	368,033	396,529
<u>31,970</u>	<u>41,264</u>		<u>41,264</u>	<u>31,970</u>
<u>334,401</u>	<u>223,380</u>		<u>409,297</u>	<u>428,499</u>

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 to be equivalent to 9% of the average total liabilities of depositors of the institution. This reserve account is non-interest bearing.

### 5. Net investment in leased assets and other instalment loans

Parent		Net investment in leased assets and other instalment loans	Group	
2007	2008		2008	2007
500,404	566,992	Hire purchase	566,992	500,404
<u>192,466</u>	<u>203,950</u>	Finance leases	<u>203,950</u>	<u>192,466</u>
692,870	770,942	Performing	770,942	692,870
<u>2,933</u>	<u>2,308</u>	Non-performing	<u>2,308</u>	<u>2,933</u>
695,803	773,250	Gross investment	773,250	695,803
<u>(133,703)</u>	<u>(151,690)</u>	Unearned finance charges and loan fees	<u>(151,690)</u>	<u>(133,703)</u>
562,100	621,560	Specific provision	621,560	562,100
<u>(1,907)</u>	<u>(2,308)</u>	Collective provision	<u>(2,308)</u>	<u>(1,907)</u>
-	<u>(505)</u>		<u>(505)</u>	-
<u>560,193</u>	<u>618,747</u>		<u>618,747</u>	<u>560,193</u>

Parent		Gross investment in leased assets and other instalment loans has the following sectoral breakdown:	Group	
2007	2008		2008	2007
208,183	243,365	Personal	243,365	208,183
<u>487,620</u>	<u>529,885</u>	Commercial	<u>529,885</u>	<u>487,620</u>
<u>695,803</u>	<u>773,250</u>		<u>773,250</u>	<u>695,803</u>

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

Parent		Gross investment in leased assets and other instalment loans has the maturity profile:	Group	
2007	2008		2008	2007
24,010	32,428	Within 1 year	32,428	24,010
641,673	709,941	1 to 5 years	709,941	641,673
30,120	30,881	Over 5 years	30,881	30,120
<u>695,803</u>	<u>773,250</u>		<u>773,250</u>	<u>695,803</u>

The movement in specific provision for leases and other instalment loans is as follows:

#### PARENT AND GROUP

	2008			2007		
	Hire Purchase	Finance Leases	Total	Hire Purchase	Finance Leases	Total
Balance at 1 January	1,902	5	1,907	14,083	371	14,454
Charge for the year	2,201	-	2,201	1,247	5	1,252
Recoveries	-	-	-	(743)	(134)	(877)
Amounts written off	(1,290)	(5)	(1,295)	(12,685)	(237)	(12,922)
<b>At 31 December</b>	<u>2,813</u>	<u>-</u>	<u>2,813</u>	<u>1,902</u>	<u>5</u>	<u>1,907</u>

*Repossessed collateral*

As at 31st December, 2008, the Group had in possession repossessed vehicles with a fair value of \$734 (2007: \$547). Repossessed vehicles are sold as soon as practical, with the proceeds used to reduce the outstanding indebtedness.

### 6. Loans and advances

Parent			Group	
2007	2008		2008	2007
-	-	Policy loans	12,112	12,039
-	-	Mortgage loans	69,817	61,702
115,749	233,177	Other loans and advances	233,177	115,749
115,749	233,177	Performing advances	315,106	189,490
2,765	2,765	Non-performing advances	3,116	3,116
118,514	235,942	Specific provision	318,222	192,606
(2,765)	(2,765)		(3,116)	(3,116)
<u>115,749</u>	<u>233,177</u>		<u>315,106</u>	<u>189,490</u>
Parent		Sectoral analysis of advances	Group	
2007	2008		2008	2007
20,516	5,368	Personal	17,480	32,906
51,820	185,235	Retail/distribution/manufacturing	185,235	51,820
11,487	10,782	Hotel and restaurant	10,782	11,487
30,191	31,542	Services	31,542	30,191
4,500	3,015	Construction and real estate	73,183	66,202
<u>118,514</u>	<u>235,942</u>		<u>318,222</u>	<u>192,606</u>

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### 6. Loans and advances (continued)

Parent		Loans and advances has the following maturity profile	Group	
2007	2008		2008	2007
77,643	196,060	Within 1 year	193,315	77,643
12,234	15,794	1 to 5 years	20,923	13,740
28,637	24,088	Over 5 years	103,984	101,223
<u>118,514</u>	<u>235,942</u>		<u>318,222</u>	<u>192,606</u>

All non-performing loans are within the "other loans and advances" classification. At 31st December, 2008, all repossessed collateral has been liquidated, and amounts outstanding have been fully provided for. The provision movement is as follows:

#### Parent

	2008	2007
Balance at 1 January	2,765	3,294
Charge for the year	-	-
Recoveries	-	(529)
Amounts written off	-	-
<b>At 31 December</b>	<u>2,765</u>	<u>2,765</u>

#### Group

	2008	2007
Balance at 1 January	3,116	3,645
Charge for the year	-	-
Recoveries	-	(529)
Amounts written off	-	-
<b>At 31 December</b>	<u>3,116</u>	<u>3,116</u>

### 7. Investment securities

Parent		Financial assets designated at fair value through the Statement of Income	Group	
2007	2008		2008	2007
-	-	Quoted equities	119,502	201,287
-	-	Bonds and debentures	53,336	42,974
-	-	Structured products	85,706	74,984
-	-		<u>258,544</u>	<u>319,245</u>
<b>Investment securities available-for-sale</b>				
-	-	Unquoted equities	4,227	4,307
26,620	31,871	Quoted equities	252,949	297,063
233,126	149,905	Government bonds	316,806	255,357
121,108	202,811	State-owned company securities	245,378	135,900
523,558	536,586	Corporate bonds and debentures	744,651	723,739
<u>904,412</u>	<u>921,173</u>		<u>1,564,011</u>	<u>1,416,366</u>
<b>Investment securities held-to-maturity</b>				
-	-	Government bonds	150,849	81,375
-	-	State-owned company securities	150,726	166,366
127,761	90,777	Corporate bonds and debentures	220,589	251,366
<u>127,761</u>	<u>90,777</u>		<u>522,164</u>	<u>499,107</u>
<u>1,032,173</u>	<u>1,011,950</u>	<b>Total investment securities</b>	<u>2,344,719</u>	<u>2,234,718</u>

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### 8. Assets pledged

Parent			Group	
2007	2008		2008	2007
-	-	Cash and short term funds	80,913	180,147
-	-	Loans and advances	81,929	82,453
-	-	Government/Government Guaranteed and Corporate bonds	501,567	399,981
-	-	Equities	269,521	232,512
-	-	Real Estate	22,000	22,000
-	-	Other	74,790	-
<u>-</u>	<u>-</u>		<u>1,030,720</u>	<u>917,093</u>

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.

### 9. Insurance receivables

Parent			Group	
2007	2008		2008	2007
-	-	Premiums receivable	32,252	29,560
-	-	Reinsurance receivables	73,329	25,978
<u>-</u>	<u>-</u>		<u>105,581</u>	<u>55,538</u>

### 10. Other debtors and prepayments

Parent			Group	
2007	2008		2008	2007
6,564	7,305	Fees and rent receivable	12,285	9,077
-	-	Proceeds from investment maturities	11,047	-
-	9,108	Amounts due from Secured Fund	-	-
154	62	Prepayments	62	1,331
-	-	Proceeds from sale of wrecks	2,192	2,192
1,513	1,855	Other debtors and prepayments	9,172	3,867
<u>8,231</u>	<u>18,330</u>		<u>34,758</u>	<u>16,467</u>

### 11. Investment properties

Parent			Group	
2007	2008		2008	2007
-	-	Valuation at beginning of the year	111,886	93,886
-	-	Additions	326	18,000
-	-	Gain from revaluation	-	-
<u>-</u>	<u>-</u>	Valuation at close of the year	<u>112,212</u>	<u>111,886</u>
-	-	Rental income from properties	<u>18,771</u>	<u>18,689</u>
-	-	Direct operating expenses arising from investment properties that generated rental income during the period	<u>5,775</u>	<u>5,446</u>

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### 12. Fixed assets

Parent 2007	Office furniture machinery & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Land & buildings	Total 2007
<b>Cost</b>						
At beginning of the period	1,252	876	1,559	2,916	-	6,603
Additions	95	2,131	-	-	-	2,226
Disposals	-	(362)	-	-	-	(362)
At end of the period	1,347	2,645	1,559	2,916	-	8,467
<b>Accumulated depreciation</b>						
At beginning of the period	641	311	321	279	-	1,552
Current depreciation	66	184	276	292	-	818
Disposals	-	-	-	-	-	-
At end of the period	707	495	597	571	-	2,370
<b>Net book value</b>	640	2,150	962	2,345	-	6,097

Parent 2008	Office furniture machinery & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Land & buildings	Total 2008
<b>Cost</b>						
At beginning of the period	1,347	2,645	1,559	2,916	-	8,467
Additions	24	654	-	19	-	697
Disposals	-	(1,166)	(184)	-	-	(1,350)
At end of the period	1,371	2,133	1,375	2,935	-	7,814
<b>Accumulated depreciation</b>						
At beginning of the period	707	495	597	571	-	2,370
Current depreciation	68	702	204	291	-	1,265
Disposals	-	-	(83)	-	-	(83)
At end of the period	775	1,197	718	862	-	3,552
<b>Net book value</b>	596	936	657	2,073	-	4,262

Group 2007	Office furniture machinery & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Land & buildings	Total 2007
<b>Cost</b>						
At beginning of the period	18,323	37,108	1,559	2,916	20,314	80,220
Additions	1,068	2,365	18	-	84	3,535
Disposals	-	(362)	-	-	-	(362)
At end of the period	19,391	39,111	1,577	2,916	20,398	83,393
<b>Accumulated depreciation</b>						
At beginning of the period	15,678	34,673	321	279	5,281	56,232
Current depreciation	653	838	280	292	213	2,276
Disposals	-	-	-	-	-	-
At end of the period	16,331	35,511	601	571	5,494	58,508
<b>Net book value</b>	3,060	3,600	976	2,345	14,904	24,885

Group 2008	Office furniture machinery & equipment	Computer equipment	Motor vehicles	Leasehold improvements	Land & buildings	Total 2008
<b>Cost</b>						
At beginning of the period	19,391	39,111	1,577	2,916	20,398	83,393
Additions	307	2,763	-	19	-	3,089
Disposals	-	(1,166)	(184)	-	-	(1,350)
At end of the period	19,698	40,708	1,393	2,935	20,398	85,132
<b>Accumulated depreciation</b>						
At beginning of the period	16,331	35,511	601	571	5,494	58,508
Current depreciation	530	1,494	207	292	213	2,736
Disposals	-	-	(83)	-	-	(83)
At end of the period	16,861	37,005	725	863	5,707	61,161
<b>Net book value</b>	2,837	3,703	668	2,072	14,691	23,971

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### 13. Goodwill

In accordance with IFRS 3, all assets that gave rise to goodwill were reviewed for impairment at 31st December, 2008 using the 'value in use' method. Based on the results of this review no impairment expense was required.

Parent			Group	
2007	2008		2008	2007
-	-	Goodwill on acquisitions	133,762	133,762

#### Impairment testing of goodwill

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

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

Carrying amount of Goodwill:	133,762
Basis for recoverable amount:	Value in use
Discount rate:	13.84%
Cash flow projection term:	Five years
Growth rate (extrapolation period):	Nil

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.

### 14. Deferred taxation

Parent			Group	
2007	2008		2008	2007
-	-	Deferred taxation liability arising from:		
		Life insurance reserves	50,380	30,541
1,623	1,740	Employee benefit asset	16,480	11,594
532	-	Fixed assets	-	532
3,033	1,140	Unrealised investment gains	9,664	55,707
<u>5,188</u>	<u>2,880</u>	<b>Total deferred tax liability</b>	<u>76,524</u>	<u>98,374</u>
		Deferred taxation asset arising from:		
	792	Accrued expenses	792	-
62	62	Employee benefit obligation	535	474
325	1,588	Finance leases	1,588	325
761	22,470	Unrealised investment losses	22,470	762
<u>1,148</u>	<u>24,912</u>	<b>Total deferred tax asset</b>	<u>25,385</u>	<u>1,561</u>

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 in the Statement of Changes in Equity.

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### 15. Employee benefits

The amounts recognised in the balance sheet as follows:

	Defined benefit pension plan		Post-retirement medical benefits	
	2008	2007	2008	2007
<b>Parent</b>				
Present value of defined benefit obligations	3,790	3,473	277	253
Fair value of plan assets	(10,667)	(10,550)	-	-
	<u>(6,877)</u>	<u>(7,077)</u>	<u>277</u>	<u>253</u>
Unrecognised actuarial (loss)/gain	(85)	585	(28)	(6)
Benefit (asset)/liability	(6,962)	(6,492)	249	247
Unrecognised portion	-	-	-	-
Net (asset)/liability recognised in the balance sheet	<u>(6,962)</u>	<u>(6,492)</u>	<u>249</u>	<u>247</u>
<b>Group</b>				
Present value of defined benefit obligations	39,379	38,800	2,224	2,093
Fair value of plan assets	(122,094)	(122,541)	-	-
	<u>(82,715)</u>	<u>(83,741)</u>	<u>2,224</u>	<u>2,093</u>
Unrecognised actuarial (loss)/gain	4,823	8,500	(85)	(198)
Benefit (asset)/liability	(77,892)	(75,241)	2,139	1,895
Unrecognised portion	11,970	28,867	-	-
Net (asset)/liability recognised in the balance sheet	<u>(65,922)</u>	<u>(46,374)</u>	<u>2,139</u>	<u>1,895</u>

	Defined benefit pension plan		Post-retirement medical benefits	
	2008	2007	2008	2007
<b>Parent</b>				
Current cost	277	212	21	18
Interest on defined benefit obligation	316	309	22	25
Expected return on plan assets	(973)	(959)	-	-
(Increase)/decrease in recognisable asset	-	-	-	3
	<u>(380)</u>	<u>(438)</u>	<u>43</u>	<u>46</u>
Unrecognised portion	-	(282)	-	-
Portion recognised in statement of income	<u>(380)</u>	<u>(720)</u>	<u>43</u>	<u>46</u>
<b>Group</b>				
Current cost	1,343	1,126	140	87
Interest on defined benefit obligation	3,352	3,255	186	163
Past service cost	-	-	-	-
Expected return on plan assets	(11,269)	(10,790)	-	-
Recognised gain	4,358	-	3	3
	<u>(2,216)</u>	<u>(6,409)</u>	<u>329</u>	<u>253</u>
Unrecognised portion	(16,897)	(5,332)	-	-
Portion recognised in statement of income	<u>(19,113)</u>	<u>(11,744)</u>	<u>329</u>	<u>253</u>

	Defined benefit plan		Group	
	2008	2007	2008	2007
Return on plan assets				
Expected return on plan assets	973	959	11,269	10,790
Actuarial loss on plan assets	(786)	(766)	(10,298)	(4,313)
Actual return on plan assets	<u>187</u>	<u>193</u>	<u>971</u>	<u>6,477</u>

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### 15. Employee benefits (continued)

The major categories of Plan assets as a percentage of total Plan assets are as follows:

	2008	2007
Local equities	29%	42%
Local bonds	33%	23%
Foreign investments	22%	19%
Real estate/mortgages	3%	3%
Short term securities	13%	13%
	<u>100%</u>	<u>100%</u>

Effect of one percentage point change in medical expense increase assumption

	Parent Aggregate service and interest costs	Parent Year end defined benefit obligation	Group Aggregate service and interest costs	Group Year end defined benefit obligation
Medical expense increase by 1%	9	50	70	395
Medical expense decrease by 1%	(9)	(39)	(55)	(315)

### 16. Accrued interest and other payables

Parent			Group	
2007	2008		2008	2007
8,526	6,853	Amounts due to Secured Fund	-	-
24,896	23,666	Interest payable	20,752	24,145
2,376	2,649	Accrued expenses	13,372	7,904
19,845	20,429	Client funds held for investment	26,094	19,845
5,391	3,751	Premiums payable	3,751	-
-	-	Due to statutory authorities	9,095	8,820
-	-	Distributions payable	11,303	442
1,081	1,074	Deferred fee income	1,074	1,081
-	-	Unapplied premiums	11,403	8,291
-	-	Commissions payable	4,626	1,598
882	958	Staledated cheques	3,113	3,344
-	-	Due to reinsurers	65,251	38,307
3,163	14,477	Other creditors	18,067	12,349
<u>66,160</u>	<u>73,857</u>		<u>187,901</u>	<u>126,126</u>

### 17. Customers' deposits and other funding instruments

Parent			Group	
2007	2008		2008	2007
42,856	21,683	Customers' deposits	565,324	344,688
1,587,016	1,756,002	Other funding instruments	1,476,069	1,370,026
<u>1,629,872</u>	<u>1,777,685</u>		<u>2,041,393</u>	<u>1,714,714</u>

Other funding instruments comprise \$1,336 million (2007: \$1,162 million) local and foreign currency denominated secured investment note certificates. These certificates are secured against the following investments held under a Declaration of Trust dated February 18, 1999, the carrying value of which is as follows:

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### 17. Customers' deposits and other funding instruments (continued)

Parent			Group	
2007	2008		2008	2007
194,177	93,498	Cash and short term funds	93,498	194,177
128,263	63,437	Government Bonds and debentures	63,437	128,263
799	25,471	Government Guaranteed Bonds and debentures	25,471	799
499,340	777,045	Corporate Bonds and debentures	777,045	499,340
339,377	376,114	Hire Purchase Loans	376,114	339,377
<u>1,161,956</u>	<u>1,335,565</u>		<u>1,335,565</u>	<u>1,161,956</u>

Parent		Sectoral analysis of customers' deposits and other funding instruments	Group	
2007	2008		2008	2007
74,812	75,722	Individuals	75,722	212,645
127,584	14,464	Pension funds/credit unions/trustees	14,464	315,423
1,427,476	1,687,499	Private companies/estates/financial institutions	1,951,207	1,186,646
<u>1,629,872</u>	<u>1,777,685</u>		<u>2,041,393</u>	<u>1,714,714</u>

### 18. Debt securities in issue

Parent			Group	
2007	2008		2008	2007
<u>87,389</u>	<u>87,389</u>	Fixed rate bond (2001-2016)	<u>87,389</u>	<u>87,389</u>

In 2001 the Bank issued a fixed rate bond, which is repayable by 2016. Interest is fixed at a rate of 12.625% per annum and the bond is secured by a charge over the Parent's assets only after Secured Investment Certificates up to the sum of \$87,389.

The Bank has an option to prepay the bond after the expiration of seven years.

### 19. Guarantee reserve fund

Parent			Group	
2007	2008		2008	2007
-	16,124	Guarantee reserve fund	15,514	-

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

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

The Bank has guaranteed 100% return of the principal invested in the ANSA Secured Funds subject to a 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 balance sheet through the statement of income for any shortfalls that arise in respect of either principal or interest under the guarantee. At each reporting date, the Bank values these guarantees and any changes required are adjusted accordingly through the statement of income.

### 20. Investment contract liabilities

Parent			Group	
2007	2008		2008	2007
-	-	At the beginning of year	136,987	124,274
-	-	Premiums received	10,691	11,996
-	-	Interest received	10,721	9,240
-	-	Liabilities realised for payment on death, surrender and other terminations in the year	(5,236)	(7,621)
-	-	Other movements	(531)	(902)
-	-		<u>152,632</u>	<u>136,987</u>

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

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### 21. Insurance contracts liabilities

	Notes	2008			2007		
		Insurance contract liabilities	Reinsurers' share of liabilities	Net	Insurance contract liabilities	Reinsurers' share of liabilities	Net
Life insurance contracts	21(a)	595,377	(4,261)	591,116	553,346	(6,244)	547,102
General insurance contracts	21(b)	218,515	(63,478)	155,037	243,810	(94,021)	149,789
<b>Total insurance contract liabilities</b>		<b>813,892</b>	<b>(67,739)</b>	<b>746,153</b>	<b>797,156</b>	<b>(100,265)</b>	<b>696,891</b>

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

	2008			2007		
	Insurance contract liabilities	Reinsurers' share of liabilities	Net	Insurance contract liabilities	Reinsurers' share of liabilities	Net
With DPF	199,398	-	199,398	196,000	-	196,000
Without DPF	376,566	-	376,566	339,001	-	339,001
	575,964	-	575,964	535,001	-	535,001
Outstanding claims	19,413	(4,261)	15,152	18,345	(6,244)	12,101
<b>Total life insurance contract liabilities</b>	<b>595,377</b>	<b>(4,261)</b>	<b>591,116</b>	<b>553,346</b>	<b>(6,244)</b>	<b>547,102</b>

	2008			2007		
	Insurance contract liabilities	Reinsurers' share of liabilities	Net	Insurance contract liabilities	Reinsurers' share of liabilities	Net
<b>At 1 January</b>	553,346	(6,244)	547,102	512,089	(4,094)	507,995
Premiums received	81,027	(6,393)	74,634	79,243	(5,658)	73,585
Liabilities realised for payment on death, surrender and other terminations in the year	(38,996)	8,376	(30,620)	(37,986)	3,508	(34,478)
<b>At 31 December</b>	<b>595,377</b>	<b>(4,261)</b>	<b>591,116</b>	<b>553,346</b>	<b>(6,244)</b>	<b>547,102</b>

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

Provisions for claims reported by policy holders	78,370	(18,099)	60,271	107,977	(48,913)	59,064
Provisions for claims incurred but not reported (IBNR)	19,592	(4,525)	15,067	29,020	(12,227)	16,793
<b>Total claims reported and IBNR</b>	<b>97,962</b>	<b>(22,624)</b>	<b>75,338</b>	<b>136,997</b>	<b>(61,140)</b>	<b>75,857</b>
Provision for unearned premiums	107,277	(36,322)	70,955	95,064	(28,968)	66,096
Provision for unexpired risk	13,276	(4,532)	8,744	11,749	(3,913)	7,836
<b>Total general insurance contract liabilities</b>	<b>218,515</b>	<b>(63,478)</b>	<b>155,037</b>	<b>243,810</b>	<b>(94,021)</b>	<b>149,789</b>

### 22. 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.

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### 22. Insurance contracts, investment contracts and reinsurance assets – terms, assumptions and sensitivities (continued)

#### (a) Life insurance contracts and investment contracts (continued)

##### *Key assumptions*

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

For insurance contracts estimates are made in two stages; at inception of the contract, the Group determines the assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. Secondly, at each reporting date, 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 each reporting date 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 excessive 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 based on 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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### 22. Insurance contracts, investment contracts and reinsurance assets – terms, assumptions and sensitivities (continued)

#### (a) Life insurance contracts and investment contracts (continued)

##### *Sensitivities*

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

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

Assumption change	Required increase in insurance contract liabilities
10% Increase in mortality	12,200
10% Increase in expenses	12,900
20% Change in lapse rates	5,600
0.5% Decrease in investment earnings	25,700

#### (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 balance sheet date.

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.

##### *Assumptions*

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

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, etc, 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 balance sheet date.

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

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### 23. Stated capital

Parent			Group	
2007	2008		2008	2007
		Authorised		
		An unlimited number of shares		
		<b>Issued</b>		
		85,605,263 (2007: 85,605,263)		
<u>667,274</u>	<u>667,274</u>	ordinary shares of no par value	<u>667,274</u>	<u>667,274</u>

### 24. Net premiums earned and contributions received

Parent			Group	
2007	2008		2008	2007
-	-	Gross Premiums	354,740	330,639
-	-	Reinsurance placed	(111,636)	(107,694)
-	-	Net premiums	243,104	222,945
-	-	Change in unearned premiums	(5,767)	(7,322)
-	-	Net premiums earned and contributions received	<u>237,337</u>	<u>215,623</u>

### 25. Investment income

Parent			Group	
2007	2008		2008	2007
-	-	Interest and dividend income from investments at fair value through the statement of income	9,717	4,773
117,977	128,668	Interest and dividend income from other financial assets	186,882	163,228
6,649	6,218	Realised gain on available-for-sale investments	17,041	12,288
-	-	Net gains on assets at fair value through the statement of income	(78,601)	30,261
8,436	10,859	Other income from dealing in securities	12,654	11,369
<u>133,062</u>	<u>145,745</u>		<u>147,693</u>	<u>221,919</u>

### 26. Other income

Parent			Group	
2007	2008		2008	2007
2,598	1,356	Lease sales and recoveries	1,356	2,598
4,471	12,970	Foreign exchange trading	9,352	4,471
2,682	1,159	Other	1,251	4,420
-	-	Property rental	16,353	11,634
-	-	Trustee and other fiduciary fees	3,277	2,435
11,955	13,373	Fees	6,626	7,387
<u>21,706</u>	<u>28,858</u>		<u>38,215</u>	<u>32,945</u>

### 27. Net insurance benefits and claims incurred

	Total		General insurance		Life insurance	
	2008	2007	2008	2007	2008	2007
Gross insurance and investment contracts benefits and claims paid	169,527	151,483	123,956	107,087	45,571	44,396
Reinsurers' share of gross insurance and investment contracts benefits and claims paid	(42,434)	(43,895)	(39,665)	(41,725)	(2,769)	(2,170)
Net insurance benefits and claims incurred	<u>127,093</u>	<u>107,588</u>	<u>84,291</u>	<u>65,362</u>	<u>42,802</u>	<u>42,226</u>

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### 28. General administrative and selling expenses

Parent			Group	
2007	2008		2008	2007
2,484	2,484	Management fees	7,585	6,486
(5,300)	5,655	Provision for impairment	51,532	(4,459)
-	16,124	Provision for guarantee reserve fund	15,514	-
435	1,110	Marketing and policy expenses	21,888	35,909
22,808	21,745	General administrative expenses	46,591	40,209
7,254	9,337	Staff costs	11,357	14,630
375	2,201	Losses on loans and advances	2,201	375
818	1,265	Depreciation	2,735	2,276
<u>28,874</u>	<u>59,921</u>		<u>159,403</u>	<u>95,426</u>

The global credit crisis and its ripple effect on the local and regional financial markets resulted in significant declines in market values in the latter part of the financial year. Management considers significant or prolonged declines in value below cost to be an indicator of impairment, and in accordance with the Group's accounting policy, these unrealised losses have been recognised as impairment charges through the Group's Statement of Income.

### 29. Taxation

Parent			Group	
2007	2008		2008	2007
7,192	9,608	Current year's provision	33,037	26,150
201	398	Green fund levy	846	645
3,726	(10,076)	Transferred to deferred taxation	(29,776)	9,136
<u>11,119</u>	<u>(70)</u>		<u>4,107</u>	<u>35,931</u>
		Reconciliation between tax expenses and the product of accounting profit multiplied by the tax rate:		
101,761	95,143	Accounting profit	54,291	210,537
25,440	23,786	Tax at the rate of 25% (2007: 25%)	13,573	52,634
-	-	Adjustment for differential tax rates in insurance subsidiaries	662	(8,589)
3,434	(3,701)	Other	15,172	18,797
(17,755)	(20,155)	Tax exempt allowance items	(25,300)	(26,911)
<u>11,119</u>	<u>(70)</u>		<u>4,107</u>	<u>35,931</u>

### 30. Segmental information

The relevant segmental information for the Group is as follows:

	Bank	Ansa Secured Fund	Life Insurance operations	General Insurance operations	Eliminations	Total
<b>2008</b>						
Total income	271,604	31,196	111,897	221,345	(115,796)	520,246
Operating expenses	152,481	33,847	116,836	139,546	(46,002)	396,708
Operating profit	119,123	(2,651)	(4,939)	81,799	(69,794)	123,538
Provisions and impairment losses	(23,980)	(1,500)	(38,377)	(6,000)	610	(69,247)
Profit before tax	95,143	(4,151)	(43,316)	75,799	(69,184)	54,291
Total assets	2,789,021	579,195	1,282,188	604,131	(863,056)	4,391,479
Total liabilities	1,981,755	624,437	833,047	339,867	(374,111)	3,404,995
Purchase of fixed assets	697	-	1,964	428	-	3,089
Depreciation	1,265	-	467	1,004	-	2,736
<b>2007</b>						
Total income	231,668	23,422	185,020	171,462	(63,651)	547,921
Operating expenses	134,832	22,438	110,786	96,881	(23,469)	341,468
Operating profit	96,836	984	74,234	74,581	(40,182)	206,453
Provisions and impairment losses	4,925	-	-	(841)	-	4,084
Profit before tax	101,761	984	74,234	73,740	(40,182)	210,537
Total assets	2,713,374	331,477	1,265,807	646,978	(816,451)	4,141,185
Total liabilities	1,877,369	330,654	778,449	344,426	(274,870)	3,056,028
Purchase of fixed assets	2,226	-	152	1,157	-	3,535
Depreciation	818	-	306	1,152	-	2,276

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### 31. 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 and premium financing, deposits, insurance coverage and foreign currency transactions. These transactions were carried out at commercial terms and at market rates.

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

Parent			Group	
2007	2008		2008	2007
		<b>Loans, investments &amp; other assets</b>		
65,713	249,965	ANSA McAL Group	271,097	70,000
10,234	24,038	Subsidiaries	-	-
43,742	296	Directors and key management personnel	296	43,742
73,354	102,403	Other related parties	102,403	73,354
<u>193,043</u>	<u>376,702</u>		<u>373,796</u>	<u>187,096</u>
		<b>Deposits and other liabilities</b>		
107,324	231,618	ANSA McAL Group	236,315	109,956
230,385	295,892	Subsidiaries	-	-
53,082	52,000	Directors and key management personnel	52,000	54,599
-	-	Other related parties	-	46,265
<u>390,791</u>	<u>579,510</u>		<u>288,315</u>	<u>210,820</u>
		<b>Interest and other income</b>		
4,242	33,154	ANSA McAL Group	67,793	34,739
39,742	39,004	Subsidiaries	-	-
3,334	196	Directors and key management personnel	196	3,351
7,722	10,107	Other related parties	14,390	8,755
<u>55,040</u>	<u>82,461</u>		<u>82,379</u>	<u>46,845</u>
		<b>Interest and other expense</b>		
8,039	29,900	ANSA McAL Group	36,651	12,041
13,663	26,445	Subsidiaries	-	-
6,623	5,980	Directors and key management personnel	5,980	8,528
287	-	Other related parties	-	287
<u>28,612</u>	<u>62,325</u>		<u>42,631</u>	<u>20,856</u>

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

Key management compensation

2,197	3,005	Short term benefits	5,304	4,065
36	43	Post employment benefits	87	73
<u>2,233</u>	<u>3,048</u>		<u>5,391</u>	<u>4,138</u>

### 32. Financial instruments

#### Fair values

With the exception of insurance contracts which are specifically excluded under IFRS 7, the estimated fair values of certain financial instruments have been determined using available market information or other appropriate valuation methodologies that require judgement in interpreting market data and developing estimates. Consequently, estimates made do not necessarily reflect the amounts that the Group would realise in a current market exchange. The use of different assumptions and/or different methodologies may have a material effect on the fair values estimated.

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### 32. Financial instruments (continued)

#### Fair values (continued)

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.

#### (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 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 relied 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, capitalisation of interest, moratoria, amortisations 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) Investment properties

Investment properties are carried at revalued amounts.

#### (iv) 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 substantially equal to the carrying value.

#### (v) Debt securities in issue

The fair value of these debt securities is arrived at based on discounting the future cash flows at the interest rates to maturity.

#### (vi) Derivative financial instruments

The aggregate nominal amount of derivative instruments represents the amount to which a rate or price is applied to determine the amount of cash flows to be exchanged. All contracts mature within less than one year. Written options represent a Put Option on bonds issued by the Government of Aruba.

Parent		Nominal amounts
2007	2008	
12,623	-	Written options

The fair value of these options at 31st December, 2008 amounted to \$Nil (2007: \$Nil).

#### (vii) Carrying amounts and fair values

The following tables summarise the carrying amounts and the fair values of the parent and the Group financial assets and liabilities. With the exception of unquoted equities, all the parent's assets and liabilities are carried at fair value.

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### 32. Financial instruments (continued)

Fair values (continued)

(vii) Carrying amounts and fair values (continued)

2008 Parent			Financial Assets	2008 Group		
Carrying values	Fair values	Difference		Carrying values	Fair values	Difference
223,380	223,380	-	Cash and short term funds	409,297	409,297	-
-	-	-	Fixed deposits	81,145	81,145	-
618,747	618,747	-	Net investment in leased assets and other instalment loans	618,747	618,747	-
233,177	233,177	-	Loans and advances	315,106	315,106	-
-	-	-	Financial assets at fair value through statement of income	258,544	258,544	-
921,173	921,173	-	Financial assets available-for-sale	1,564,011	1,564,011	-
90,777	90,777	-	Financial assets held-to-maturity	522,164	497,569	(24,595)
24,801	24,801	-	Interest receivables	56,933	56,933	-
-	-	-	Insurance receivables	105,581	105,581	-
<u>2,112,055</u>	<u>2,112,055</u>	<u>-</u>		<u>3,931,528</u>	<u>3,906,933</u>	<u>(24,595)</u>

#### Financial liabilities

50,496	50,496	-	Accrued interest and other payable	165,349	165,349	-
1,777,685	1,777,685	-	Customers' deposits and other funding instruments	2,041,393	2,041,393	-
87,389	87,389	-	Debt securities in issue	87,389	87,389	-
15,860	15,860	-	Bank overdraft	15,910	15,910	-
16,124	16,124	-	Guarantee reserve fund	15,514	15,514	-
-	-	-	Investment contract liabilities	152,632	152,632	-
<u>1,947,554</u>	<u>1,947,554</u>	<u>-</u>		<u>2,478,187</u>	<u>2,478,187</u>	<u>-</u>

2007 Parent			Financial Assets	2007 Group		
Carrying values	Fair values	Difference		Carrying values	Fair values	Difference
334,401	334,401	-	Cash and short term funds	428,499	428,499	-
-	-	-	Fixed deposits	164,690	164,690	-
560,193	560,193	-	Net investment in leased assets and other instalment loans	560,193	560,193	-
115,749	115,749	-	Loans and advances	189,490	189,490	-
-	-	-	Financial assets at fair value through statement of income	319,245	319,245	-
904,412	904,412	-	Financial assets available-for-sale	1,416,366	1,416,366	-
127,761	127,761	-	Financial assets held-to-maturity	499,107	528,443	29,336
26,390	26,390	-	Interest receivables	78,819	78,819	-
-	-	-	Insurance receivables	55,538	55,538	-
<u>2,068,906</u>	<u>2,068,906</u>	<u>-</u>		<u>3,711,947</u>	<u>3,741,283</u>	<u>29,336</u>

#### Financial liabilities

61,034	61,034	-	Accrued interest and other payable	83,826	83,826	-
1,629,872	1,629,872	-	Customers' deposits and other funding instruments	1,714,714	1,714,714	-
87,389	87,389	-	Debt securities in issue	87,389	87,389	-
81,518	81,518	-	Bank overdraft	81,542	81,542	-
-	-	-	Investment contract liabilities	136,987	136,987	-
<u>1,859,813</u>	<u>1,859,813</u>	<u>-</u>		<u>2,104,458</u>	<u>2,104,458</u>	<u>-</u>

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### 32. Financial instruments (continued)

#### Fair values (continued)

#### (vii) Carrying amounts and fair values (continued)

The following table shows an analysis of financial assets recorded at fair value, between those whose fair value is based on quoted market price and those where the valuation techniques involve the use of non-market observable inputs.

<b>PARENT 2008</b>	<b>Quoted market price</b>	<b>Valuation techniques - non market observable inputs</b>	<b>Total</b>
<b>Financial assets</b>			
Financial assets available-for-sale	192,300	728,873	921,173
	<u>192,300</u>	<u>728,873</u>	<u>921,173</u>
<b>PARENT 2007</b>	<b>Quoted market price</b>	<b>Valuation techniques - non market observable inputs</b>	<b>Total</b>
<b>Financial assets</b>			
Financial assets available-for-sale	300,128	604,284	904,412
	<u>300,128</u>	<u>604,284</u>	<u>904,412</u>
<b>GROUP 2008</b>	<b>Quoted market price</b>	<b>Valuation techniques - non market observable inputs</b>	<b>Total</b>
<b>Financial assets</b>			
Financial assets at fair value	258,544	-	258,544
through statement of income	599,656	964,355	1,564,011
Financial assets available-for-sale	<u>858,200</u>	<u>964,355</u>	<u>1,822,555</u>
<b>GROUP 2007</b>	<b>Quoted market price</b>	<b>Valuation techniques - non market observable inputs</b>	<b>Total</b>
<b>Financial assets</b>			
Financial assets at fair value	319,245	-	319,245
through statement of income	612,871	803,495	1,416,366
Financial assets available-for-sale	<u>932,116</u>	<u>803,495</u>	<u>1,735,611</u>

### 33. Risk management

#### Introduction

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

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

#### Risk Management Structure

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

#### Board of Directors

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

## NOTES TO THE FINANCIAL STATEMENTS

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### 33. Risk management (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.

#### 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 balance sheet date.

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 balance sheet date. 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.

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

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

The following table shows the maximum exposure to credit risk for the components of the balance sheet, without taking account of any collateral held or other credit enhancements.

Parent			Group	
Gross maximum exposure 2007	Gross maximum exposure 2008		Gross maximum exposure 2008	Gross maximum exposure 2007
302,431	182,116	Cash and short term funds	368,033	396,529
-	-	Fixed deposits	81,145	164,690
560,193	618,747	Net investment in leased assets and other instalment loans	618,747	560,193
115,749	233,177	Loans and advances	315,106	189,490
-	-	Financial assets at fair value through statement of income	139,042	117,958
877,792	889,302	Financial assets available-for-sale	1,306,835	1,114,996
127,761	90,777	Financial assets held-to-maturity	522,164	499,107
26,390	24,801	Interest receivable	56,933	78,819
-	-	Insurance receivables	105,581	55,538
<b>2,010,316</b>	<b>2,038,920</b>	<b>Total</b>	<b>3,513,586</b>	<b>3,177,320</b>
4,392	2,019	Contingent liabilities	2,019	4,392
-	-	Mortgages with recourse	299	1,200
3,675	-	Commitments	32,615	4,843
<b>2,018,383</b>	<b>2,040,939</b>		<b>3,548,519</b>	<b>3,187,755</b>

The table above 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.

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### 33. Risk management (continued)

#### Maximum exposure to credit risk without taking account of any collateral and other credit enhancements (continued)

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.

#### Cash and Short Term Funds and Fixed Deposits

These funds are placed with highly rated local banks and with the Central Bank of Trinidad & Tobago. In addition cash is held by five international financial institutions with whom the Group has relationships as custodians or fund managers. All custodians and fund managers are highly rated by Fitch 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 Instalment Loans, Mortgages and Policy Loans

These leases and loans are individually insignificant. With the exception of Policy Loans, these facilities are typically secured by the related asset. Policy loans are lent 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:

Parent	Current	1-30 Days	In Arrears 31-60 Days	61-90 Days	Over 90 Days	Total
<b>2008</b>						
Gross balance	577,688	36,414	2,483	2,667	2,308	621,560
Provision for losses	-	-	-	(505)	(2,308)	(2,813)
	<u>577,688</u>	<u>36,414</u>	<u>2,483</u>	<u>2,162</u>	<u>-</u>	<u>618,747</u>
<b>2007</b>						
Gross balance	516,302	38,414	4,024	427	2,933	562,100
Provision for losses	-	-	-	-	(1,907)	(1,907)
	<u>516,302</u>	<u>38,414</u>	<u>4,024</u>	<u>427</u>	<u>1,026</u>	<u>560,193</u>
<b>Group</b>						
<b>2008</b>						
Gross balance	649,898	40,507	8,038	2,738	2,659	703,840
Provision for losses	-	-	-	(505)	(2,659)	(3,164)
	<u>649,898</u>	<u>40,507</u>	<u>8,038</u>	<u>2,233</u>	<u>-</u>	<u>700,676</u>
<b>2007</b>						
Gross balance	590,043	38,414	4,024	427	3,284	636,192
Provision for losses	-	-	-	-	(2,258)	(2,258)
	<u>590,043</u>	<u>38,414</u>	<u>4,024</u>	<u>427</u>	<u>1,026</u>	<u>633,934</u>

#### Other Loans and Advances

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

**High Grade** These facilities are current and have been serviced in accordance with the loan agreements. In addition, these loans are well secured typically by mortgages over properties in desirable locations, or shares in publicly traded companies on the local stock exchange. Also included in this category are loans with Related Parties which meet all of the above criteria.

**Standard** These facilities are current and have been serviced in accordance with the loan agreements.

**Special Monitoring** These are loans that are typically not serviced on time, but are in arrears for less than 90 days. Payments are normally received after follow up with the client.

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### 33. Risk management (continued)

#### Other Loans and Advances (continued)

Sub-standard These facilities are either greater than 90 days in arrears but are not considered to be impaired, or have been restructured in the past financial year.

Impaired These facilities are non-performing.

Parent	High Grade	Standard	Special Monitoring	Sub-standard	Impaired	Total
<b>2008</b>	<u>210,970</u>	<u>21,432</u>	<u>-</u>	<u>1,012</u>	<u>2,528</u>	<u>235,942</u>
<b>2007</b>	<u>101,475</u>	<u>-</u>	<u>2,787</u>	<u>11,487</u>	<u>2,765</u>	<u>118,514</u>
<b>Group</b>						
<b>2008</b>	<u>210,970</u>	<u>21,432</u>	<u>-</u>	<u>1,012</u>	<u>2,528</u>	<u>235,942</u>
<b>2007</b>	<u>101,475</u>	<u>-</u>	<u>2,787</u>	<u>11,487</u>	<u>2,765</u>	<u>118,514</u>

#### Investment Securities

The credit quality of other investment securities has been analysed into the following categories:

High Grade These include Regional Sovereign Debt Securities issued directly or through state intermediary bodies where there have 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. Also included in this category are securities issued by fellow subsidiaries within the ANSA McAL Group of companies or other companies under common control.

Sub-standard These securities are either greater than 90 days in arrears but are not considered to be impaired, or have been restructured in the past financial year.

Impaired These securities are non-performing.

Parent	High Grade	Standard	Sub-standard	Impaired	Total
<b>2008</b>	<u>258,102</u>	<u>595,861</u>	<u>32,913</u>	<u>93,203</u>	<u>980,079</u>
<b>2007</b>	<u>154,332</u>	<u>747,368</u>	<u>100,672</u>	<u>3,181</u>	<u>1,005,553</u>
<b>Group</b>					
<b>2008</b>	<u>759,269</u>	<u>972,351</u>	<u>130,827</u>	<u>105,594</u>	<u>1,968,041</u>
<b>2007</b>	<u>325,955</u>	<u>1,282,150</u>	<u>120,775</u>	<u>3,181</u>	<u>1,732,061</u>

#### Insurance Receivables

An aged analysis of insurance receivables is as follows:

	Up to 45 Days	45-90 Days	Over 90 Days	Total
<b>2008</b>				
Premiums receivable	16,550	5,696	10,006	32,252
Reinsurance receivables	<u>16,692</u>	<u>15,611</u>	<u>41,026</u>	<u>73,329</u>
	<u>33,242</u>	<u>21,307</u>	<u>51,032</u>	<u>105,581</u>
<b>2007</b>				
Premiums receivable	11,243	5,279	13,038	29,560
Reinsurance receivables	<u>4,728</u>	<u>6,207</u>	<u>15,043</u>	<u>25,978</u>
	<u>15,971</u>	<u>11,486</u>	<u>28,081</u>	<u>55,538</u>

## NOTES TO THE FINANCIAL STATEMENTS

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### 33. 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 these 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 following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's income and equity.

The sensitivity of the statement 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 31st December. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale assets for the effects of assumed changes in interest rates at 31st December. In addition, a 5% duration for financial assets held with foreign investment managers have been applied. In the case of the Parent, these sensitivities impact equity whereas with respect to the Subsidiaries, their impact is on the income.

Group	Increase/decrease in basis points	2008 Sensitivity of Income	2008 Sensitivity of Equity	2007 Sensitivity of Income	2007 Sensitivity of Equity
	+ 100	9,740	(35,003)	5,081	(21,905)
	- 100	(9,740)	23,670	(5,081)	16,079
Parent	Increase/decrease in basis points	2008 Sensitivity of Income	2008 Sensitivity of Equity	2007 Sensitivity of Income	2007 Sensitivity of Equity
	+ 100	2,051	(24,127)	615	(18,338)
	- 100	(2,051)	16,533	(615)	14,795

#### 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 has set limits on positions by currency. 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 table opposite indicates the currencies to which the Group had significant exposure at 31st December on its monetary assets and liabilities and its forecasted cash flows. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency. The analysis also calculates the effects of a reasonably possible movement of each currency rate against the Trinidad and Tobago dollar, with other variables held constant.

## NOTES TO THE FINANCIAL STATEMENTS

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### 33. Risk management (continued)

#### Currency risk (continued)

Parent	USD	BDS	JPY	Other	Total
<b>2008</b>					
<b>ASSETS</b>					
Cash and short term funds	96,594	-	-	1,310	97,904
Loans and advances	170,663	-	-	-	170,663
Financial assets available-for-sale	576,051	-	65,202	-	641,253
<b>Total Financial Assets</b>	<b>843,308</b>	<b>-</b>	<b>65,202</b>	<b>1,310</b>	<b>909,820</b>
<b>LIABILITIES</b>					
Customers' deposits and other funding instruments	947,887	-	65,424	-	1,013,311
Bank overdraft	-	-	-	-	-
<b>Total Financial Liabilities</b>	<b>947,887</b>	<b>-</b>	<b>65,424</b>	<b>-</b>	<b>1,013,311</b>
<b>Net Currency Risk Exposure</b>	<b>(104,579)</b>	<b>-</b>	<b>(222)</b>	<b>1,310</b>	
Reasonably possible change in currency rate	5%	5%	5%	5%	
<b>Effect on profit before tax</b>	<b>(5,229)</b>	<b>-</b>	<b>(11)</b>	<b>66</b>	
<b>2007</b>					
<b>ASSETS</b>					
Cash and short term funds	156,882	-	-	10,640	167,522
Loans and advances	55,902	-	-	-	55,902
Financial assets available-for-sale	508,492	-	-	-	508,492
<b>Total Financial Assets</b>	<b>721,276</b>	<b>-</b>	<b>-</b>	<b>10,640</b>	<b>731,916</b>
<b>LIABILITIES</b>					
Customers' deposits and other funding instruments	998,835	-	-	-	998,835
Bank overdraft	520	-	-	-	520
<b>Total Financial Liabilities</b>	<b>999,355</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>999,355</b>
<b>Net Currency Risk Exposure</b>	<b>(278,079)</b>	<b>-</b>	<b>-</b>	<b>10,640</b>	
Reasonably possible change in currency rate	5%	5%	5%	5%	
<b>Effect on profit before tax</b>	<b>(13,904)</b>	<b>-</b>	<b>-</b>	<b>532</b>	

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### 33. Risk management (continued)

#### Currency risk (continued)

Group	USD	BDS	JPY	Other	Total
<b>2008</b>					
<b>ASSETS</b>					
Cash and short term funds	334,710	9,023	-	1,715	345,448
Fixed deposits	31,273	29,613	-	4,590	65,476
Loans and advances	170,663	-	-	-	170,663
Financial assets at fair value through statement of income	139,047	-	-	-	139,047
Financial assets available-for-sale	759,695	-	65,202	-	824,897
Financial assets held-to-maturity	33,341	2,956	-	667	36,964
Insurance receivable	72,611	7,230	-	-	79,841
<b>Total Financial Assets</b>	<b>1,541,340</b>	<b>48,822</b>	<b>65,202</b>	<b>6,972</b>	<b>1,662,336</b>
<b>LIABILITIES</b>					
Customers' deposits and other funding instruments	1,194,377	-	65,424	-	1,259,801
Bank overdraft	-	-	-	-	-
<b>Total Financial Liabilities</b>	<b>1,194,377</b>	<b>-</b>	<b>65,424</b>	<b>-</b>	<b>1,259,801</b>
<b>Net Currency Risk Exposure</b>	<b>346,963</b>	<b>48,822</b>	<b>(222)</b>	<b>6,972</b>	
Reasonably possible change in currency rate	5%	5%	5%	5%	
<b>Effect on profit before tax</b>	<b>17,349</b>	<b>2,442</b>	<b>(12)</b>	<b>349</b>	
<b>2007</b>					
<b>ASSETS</b>					
Cash and short term funds	180,877	1,362	-	11,059	193,298
Fixed deposits	44,036	39,319	-	4,052	87,407
Loans and advances	55,902	-	-	-	55,902
Financial assets at fair value through statement of income	319,245	-	-	-	319,245
Financial assets available-for-sale	520,804	20,695	-	-	541,499
Financial assets held-to-maturity	32,604	3,031	-	2,966	38,601
Insurance receivable	-	9,568	-	-	9,568
<b>Total Financial Assets</b>	<b>1,153,468</b>	<b>73,975</b>	<b>-</b>	<b>18,077</b>	<b>1,245,520</b>
<b>LIABILITIES</b>					
Customers' deposits and other funding instruments	998,835	-	-	-	998,835
Bank overdraft	520	-	-	-	520
<b>Total Financial Liabilities</b>	<b>999,355</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>999,355</b>
<b>Net Currency Risk Exposure</b>	<b>154,113</b>	<b>73,975</b>	<b>-</b>	<b>18,077</b>	
Reasonably possible change in currency rate	5%	5%	5%	5%	
<b>Effect on profit before tax</b>	<b>7,706</b>	<b>3,699</b>	<b>-</b>	<b>904</b>	

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### 33. Risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit 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 deposits and funding instruments, wholesale deposits and funding instruments and the capital markets. A substantial portion of the funding for the Group is provided by "core deposits". 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.

The table below summarises the maturity profile of the liabilities of the Parent and the Group as at 31st December based on contractual undiscounted repayment obligations over the remaining life of those liabilities. These balances include interest to be paid over the remaining life of the liabilities and therefore will be greater than the carrying amount in the balance sheet.

Parent	Up to 1 year	1 to 5 years	Over 5 years	Total
<b>2008</b>				
<b>LIABILITIES</b>				
Customers' deposits and other funding instruments	1,514,468	327,761	-	1,842,229
Debt securities in issue	11,033	44,131	114,971	170,135
Bank overdraft	15,860	-	-	15,860
	<u>1,541,361</u>	<u>371,892</u>	<u>114,971</u>	<u>2,028,224</u>
<b>2007</b>				
<b>LIABILITIES</b>				
Customers' deposits and other funding instruments	1,322,731	370,116	-	1,692,847
Debt securities in issue	11,033	44,131	126,004	181,168
Bank overdraft	81,518	-	-	81,518
	<u>1,415,282</u>	<u>414,247</u>	<u>126,004</u>	<u>1,955,533</u>
<b>Group</b>				
<b>2008</b>				
<b>LIABILITIES</b>				
Customers' deposits and other funding instruments	2,005,324	156,571	150,927	2,312,822
Debt securities in issue	11,033	44,131	114,971	170,135
Bank overdraft	15,910	-	-	15,910
Investment contracts	152,631	-	-	152,631
	<u>2,184,898</u>	<u>200,702</u>	<u>265,898</u>	<u>2,651,498</u>
<b>2007</b>				
<b>LIABILITIES</b>				
Customers' deposits and other funding instruments	1,407,573	370,116	-	1,777,689
Debt securities in issue	11,033	44,131	126,004	181,168
Bank overdraft	81,542	-	-	81,542
Investment contracts	136,987	-	-	136,987
	<u>1,637,135</u>	<u>414,247</u>	<u>126,004</u>	<u>2,177,386</u>

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### 33. Risk management (continued)

#### Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of 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 equity will arise as a result of changes in the fair value of equity instruments categorised as available-for-sale whereas the effect on income will arise as a result of the change in fair value of equity instruments categorised as fair value through the Statement of Income. In the case of the Parent, changes in fair value affect equity, whereas with respect to the subsidiaries, changes in fair value have an impact on both equity and income.

The effect on equity and income at December 31st due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

#### PARENT

Market Indices	Change in Equity price %	Effect on Equity		Effect on Income	
		2008	2007	2008	2007
TTSE	+/- 3	330	799	-	-
S&P 500	+/- 8	1,302	-	-	-

#### GROUP

Market Indices	Change in Equity price %	Effect on Equity		Effect on Income	
		2008	2007	2008	2007
TTSE	+/- 3	7,657	9,229	-	-
S&P 500	+/- 8	3,156	-	10,118	22,107

### 34. Capital management

When managing capital which is a broader concept than the 'equity' on the face of balance sheets the objectives of the parent and its subsidiaries are:

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

Capital adequacy and the use of regulatory capital are monitored monthly by the company's management, employing techniques based on the guidelines developed and implemented by the Central Bank of Trinidad & Tobago (the Central Bank) 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%.

For 2008 and 2007, the parent and its subsidiaries complied with all of the externally imposed capital and funding requirements to which they are subject at the date of this report.

## NOTES TO THE FINANCIAL STATEMENTS



FOR THE YEAR ENDED 31ST DECEMBER, 2008  
(Expressed in thousands of  
Trinidad & Tobago dollars)

### 35. Capital commitments

Parent			Group	
2007	2008		2008	2007
<u>3,375</u>	<u>-</u>	<b>Capital commitments</b>		
		Contracts outstanding	<u>-</u>	<u>8,826</u>
<u>-</u>	<u>-</u>	Other capital expenditure approved by the directors	<u>-</u>	<u>-</u>

### 36. Contingent liabilities

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

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

Parent			Group	
2007	2008		2008	2007
<u>4,392</u>	<u>2,019</u>	Acceptances	<u>2,019</u>	<u>4,392</u>

#### (ii) Coup claims

Claims have been filed by insureds who have suffered losses from events connected with the 27th July, 1990 coup attempt, for which reinsurers have denied liability. Several writs have been served against the General Insurance subsidiary and these are being defended. No provision has been made in these financial statements for these claims but provision has been made for the estimated costs of defending the legal actions arising therefrom. On the basis of the legal advice obtained, the directors are of the opinion that the Company is not liable under the respective policies of insurance.

The Company is contingently liable in respect of these matters to the maximum extent of \$500 net of reinsurance recoveries.

#### (iii) 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.

#### (iv) Litigation

At 31st December, 2008, there were certain legal proceedings outstanding against the Group. Provisions have been established as indicated necessary based on professional advice received.

### 37. Proposed dividends

The Board of Directors declared a final dividend of \$0.15 (2007: \$0.70) per share for the year ended 31st December, 2008. This dividend amounting to \$12,628 (2007: \$58,930) is not recorded as a liability in the Balance Sheet.

### 38. Subsidiaries

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

### 39. Investment in subsidiaries

On 1st 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 31st December, 2003.

### Board of Directors

Anthony N. Sabga, CMT, Hon.LL.D (UWI) (Chairman)  
Chip SaGomes (Managing Director)  
Ray A. Sumairsingh  
Varun Maharaj  
Gregory N. Hill  
Timothy Hamel-Smith  
Victor P. Herde  
Nabeel Hadeed  
Jeremy Matouk  
Nicholas W. S. Owen

### Corporate Secretary

Nigel Edwards

### Registered Office

ANSA Centre,  
11A Maraval Road  
Port of Spain

### Registrar & Transfer Office

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

### Head Office

ANSA Centre  
11A Maraval Road  
Port of Spain

### Branch Office

ANSA McALCentre  
25 Royal Road  
San Fernando

### 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  
St. Clair  
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

Victor P. Herde (Chairman)  
Timothy Hamel-Smith  
Jeremy Matouk  
Nicholas W. S. Owen

## CORPORATE INFORMATION

Tatil & Tatil Life Assurance Limited



### Board of Directors

Anthony N. Sabga, **CMT, Hon.LL.D (UWI) (Chairman)**  
Ray A. Sumairsingh  
Gerry Brooks  
Victor P. Herde  
Michael Moses  
W. David Clarke  
M. Musa Ibrahim  
Richard Jones  
Nigel Edwards

### Corporate Secretary

Ronald Lai Fang

### Registered Office

11A Maraval Road  
Port of Spain

### Branch Offices

67 Independence Square  
Port of Spain

13 Quenca Street  
San Fernando

ANSA McAL Centre  
25 Royal Road  
San Fernando

ANSA McAL Building  
Milford Road  
Scarborough

Cor. Green & Cocorite Streets  
Arima

Grand Bazaar  
Valsayn

Mid Centre Mall  
Chaguanas

### Auditors

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

### Principal Bankers

Republic Bank Limited  
59 Independence Square  
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

Victor P. Herde (**Chairman**)  
W. David Clarke

## DIRECTORS' AND SUBSTANTIAL INTERESTS

	March 31, 2007 Beneficial	March 31, 2008 Beneficial
Anthony N. Sabga, CMT	0	0
Ray A. Sumairsingh	10,000	10,000
Chip Sa Gomes	2,000	3,000
Varun Maharaj	0	0
Gregory N. Hill	0	0
Timothy Hamel-Smith	0	0
Nabeel Hadeed	80,000	80,000
Victor P. Herde	11,516	11,516
Jeremy Matouk	3,202	3,202
Nicholas W. S. Owen	0	0

## REPORT OF THE DIRECTORS

The Directors present their report and Statement of Accounts for the year ended December 31, 2008.

	\$000	\$000
<b>FINANCIAL RESULTS FOR THE YEAR</b>		
Profit attributable to shareholders		50,206
Dividends on ordinary shares		
– Final paid (2007) - 70¢	(59,924)	
– Interim paid - 15¢	<u>(12,841)</u>	
		(71,563)
Transfer to Statutory Reserve		(9,521)
Other Life Insurance Movements		<u>(3,203)</u>
		(34,081)
Retained profits from previous year		376,928
Retained profits at the end of the year		342,847

## SUBSTANTIAL INTERESTS

Shares of no par value  
as at March 31, 2009

ANSA McAL Limited	70,605,263
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A substantial interest means a holding of one-twentieth or more of the issued shares of the Company.

## DIVIDENDS

The Directors declared a final dividend of 15¢ per ordinary share, which, with the interim of 15¢ already paid, makes a total of 30¢ for the year. The final dividend will be paid on May 29, 2009 to members on the register of shareholders at May 21, 2009.

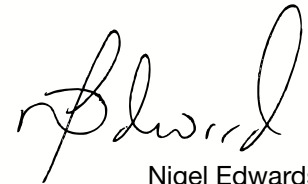
## DIRECTORS

Pursuant to paragraph 4.4 of By-Law No. 1 of the Bank, Dr. Anthony N. Sabga and Messrs Ray A. Sumairsingh, Timothy Hamel-Smith, Nabeel Hadeed and Victor P. Herde, Jeremy Matouk and Nicholas W. S. Owen elected at the last Annual Meeting, retire and, being eligible, offer themselves for re-election.

## AUDITORS

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

BY ORDER OF THE BOARD



Nigel Edwards  
Corporate Secretary

ANSA Centre  
11 Maraval Road  
Port of Spain  
April 24, 2009

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

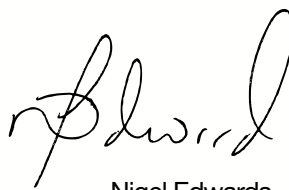
NOTICE IS HEREBY GIVEN that the Thirty First Annual Meeting of Shareholders of ANSA MERCHANT BANK LIMITED will be held at the ANSA McAL Board Room, 10th Floor, Tatil Building, 11A Maraval Road, Port of Spain on Wednesday May 27, 2009 at 4:00 p.m. for the following purpose:

### ORDINARY BUSINESS

1. To receive and consider the Report of the Directors and the Audited Financial Statements for the financial year ended December 31, 2008 together with the Report of the Auditors and to note the final dividend.
2. To elect Directors
3. To appoint the Auditors and to authorise the Directors to fix their remuneration
4. Your Board of Directors, and in particular its non-executive members, are of the firm view that executives of the Company and its subsidiaries should be given incentives which will give them a vested interest in the profitability and growth of the Company. As such, on the 22nd April 2009 your Board recommended that 5 million Ordinary Shares be set aside from the existing authorised share capital for the purpose of an Executive Stock Option Plan. It is necessary under our Listing Agreement with the Stock Exchange to obtain the consent of the Company in a general meeting prior to issuing options to subscribe for equity capital, and we seek your approval for so doing.

DATED at Port of Spain, Trinidad, this 24th day of April, 2009

BY ORDER OF THE BOARD




Nigel Edwards  
Corporate Secretary

### NOTES

1. No service contracts were entered into between the Company and any of its Directors.
2. A member of the company entitled to attend and vote at the above meeting is entitled to appoint a 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.

1. **NAME OF COMPANY:** ANSA Merchant Bank Ltd  
**COMPANY NO:** A – 350 (c)
  
2. **PARTICULARS OF MEETING:**  
The Thirty First Annual Meeting of the Company to be held at the ANSA McAL Board Room, 10th Floor, Tatil Building, 11A Maraval Road, Port of Spain on Wednesday May 27, 2009 at 4:00 p.m.
  
3. **SOLICITATION:**  
It is intended to vote the Proxy solicited hereby (unless the Shareholder directs otherwise) in favour of all resolutions therein.
  
4. **ANY DIRECTOR'S STATEMENT SUBMITTED PURSUANT TO SECTION 76 (2):**  
No statement has been received from any Director pursuant to Section 76 (2) of The Companies Act, 1995.
  
5. **ANY AUDITOR'S STATEMENT SUBMITTED PURSUANT TO SECTION 171 (1):**  
No statement has been received from the Auditors of the Company pursuant to Section 171 (1) of The Companies Act, 1995.
  
6. **ANY SHAREHOLDER'S PROPOSAL AND/OR STATEMENT SUBMITTED PURSUANT TO SECTIONS 116 (a) AND 117 (2):**  
No proposal has been received from any shareholder pursuant to Sections 116 (a) and 117 (2) of The Companies Act, 1995.

DATE	NAME AND TITLE	SIGNATURE
April 24, 2009	Nigel Edwards Corporate Secretary	

## FORM OF PROXY

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

I/We ..... being a member/members of ANSA Merchant Bank Limited hereby appoint Mr Anthony N Sabga of Port of Spain, or failing him Mr Timothy Hamel-Smith 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, 2009 and at any adjournment thereof.

Dated this ..... day of ..... 2009.

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 Timothy Hamel-Smith  
Mr Victor P. Herde  
Mr Nabeel Hadeed  
Mr Jeremy Matouk  
Mr Nicholas W. S. Owen
3. To appoint Auditors and to authorise the Directors to fix their remuneration.
4. To set aside 5 million Ordinary Shares from the existing authorised share capital of the Company for the purpose of an Executive Stock Option Plan.

FOR	AGAINST

### 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 later 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 authorised in writing.
4. In the case of joint holders, the signature of any holder is sufficient but the names of all joint holders should be stated.
5. Return of a completed Form of Proxy will not preclude a member from attending and voting at the Meeting.