CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2014

INTERCOMMERCIAL BANK LIMITED

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Management Statement of Responsibilities

The Financial Institutions Act, 2008 (FIA 2008) requires that management acknowledge responsibility for the preparation of the financial statements annually which provide a true and fair view of the state of affairs of Intercommercial Bank Limited and its subsidiary (the 'Group') at the end of the financial period and its operating results for that period. It also requires management to establish and maintain an adequate internal control structure and procedures for financial reporting, safeguarding the assets of the company as well as ensuring compliance with the FIA 2008.

Management is responsible for ensuring that the financial statements presented are a true and fair presentation of the state of affairs of the Group as at and for the year ended March 31, 2014 and this includes ensuring that the information from which the financial statements are derived are designed and properly monitored in a manner which would allow accurate information to be provided. In addition, management is responsible for ensuring that the information presented is free from material misstatement whether due to fraud or error.

Management accepts responsibility for the annual financial statements as well as the responsibility for maintaining accounting records and internal controls which may be relied upon in the preparation of these statements. The financial statements of the Group for the year ended March 31, 2014 are prepared in accordance with International Financial Reporting Standards and the appropriate accounting policies supported by reasonable judgements and estimates of management have been established and applied in a manner which gives a true and fair view of the Group's financial affairs and operating results.

It is noteworthy to mention that nothing has come to the attention of management to indicate that the Group will not remain as a going concern for the next twelve months from the date of this statement.

Chief Executive Officer

Date

N. Ajoo
Chief Financial Officer

Date

Independent Auditors' Report to the Shareholders of Intercommercial Bank Limited

We have audited the accompanying consolidated financial statements of Intercommercial Bank Limited and its subsidiary (the 'Group'), which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

Independent Auditors' Report to the Shareholders of Intercommercial Trust and Merchant Bank Limited (cont'd)

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 controls 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 respects, the financial position of the Group as at March 31, 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG
Chartered Accountants

May 14, 2014
Port of Spain
Trinidad and Tobago

Consolidated Statement of Financial Position

March 31, 2014

Parent 2013 $'000	Parent 2014 $'000		Notes	Group 2014 $'000	Group 2013 $'000
		ASSETS			
6,566	7,385	Cash balances		7,385	6,566
110,548	272,192	Due from other financial institutions		272,192	110,548
372,647	478,227	Balances with Central Bank		482,301	376,721
715,592	789,504	Loans and advances	5	814,141	733,653
5,648	5,648	Reverse repurchase agreements	6	5,648	5,648
234,929	56,838	Investment securities	7	80,378	262,500
15,000	15,000	Investment in subsidiary		-	-
19,229	19,463	Amount due from subsidiary		-	-
21,436	64,051	Other assets, prepayments and accrued income	8	64,571	21,875
-	-	Deferred tax assets	9	645	560
922	505	Taxation recoverable		809	1,039
28,160	24,244	Property, plant and equipment	10	24,444	28,402
1,530,677	1,733,057	**TOTAL ASSETS**		1,752,514	1,547,512

Consolidated Statement of Financial Position (cont'd)
March 31, 2014

Parent 2013	Parent 2014		Notes	Group 2014	Group 2013
$'000	$'000			$'000	$'000
		LIABILITIES			
1,343,835	1,498,400	Customer deposits and other funding instruments	11	1,537,998	1,388,150
33,533	28,850	Amount due to subsidiary		-	-
48,742	72,669	Other liabilities and accruals	12	73,001	49,020
1,448	1,062	Deferred tax liabilities	9	1,683	1,448
1,427,558	1,600,981	**TOTAL LIABILITIES**		1,612,682	1,438,618
		EQUITY			
52,631	77,631	Stated capital	13	77,631	52,631
14,888	14,959	Retained earnings		20,489	20,137
27,842	28,469	Statutory reserve		30,327	29,668
9,297	14,867	General loss reserve		15,401	9,831
(1,539)	(3,850)	Investment revaluation reserve		(4,016)	(3,373)
103,119	132,076	**TOTAL EQUITY**		139,832	108,894
1,530,677	1,733,057	**TOTAL LIABILITIES AND EQUITY**		1,752,514	1,547,512

The accompanying notes are an integral part of these consolidated financial statements.

Director

Director

Consolidated Statement of Comprehensive Income
For the year ended March 31, 2014

Parent 2013	Parent 2014		Notes	Group 2014	Group 2013
$'000	$'000			$'000	$'000
56,543	67,337	Interest income	14	69,719	59,394
(8,128)	(9,108)	Interest expense	15	(9,510)	(8,736)
48,415	58,229	**NET INTEREST INCOME**		60,209	50,658
8,650	8,247	Fees and commissions		8,288	8,780
2,957	1,657	Net gain from investment securities at fair value through profit or loss		1,693	4,035
28	19	Dividend income		43	50
19,868	18,568	Foreign exchange revenue		18,564	19,828
31,503	28,491			28,588	32,693
79,918	86,720	**OPERATING INCOME**		88,797	83,351
63,037	76,328	Operating expenses	16	77,227	63,542
4,672	2,161	Loan loss expense	5	2,913	5,672
67,709	78,489			80,140	69,214
12,209	8,231	**PROFIT BEFORE TAXATION**		8,657	14,137
(3,297)	(1,963)	Taxation	18	(2,076)	(3,982)
8,912	6,268	**Profit attributable to equity holders of the parent**		6,581	10,155
		Items that may be reclassified to profit or loss			
1,181	(2,311)	Revaluation adjustment on available-for-sale investments		(643)	460
10,093	3,957	**Total comprehensive income for year attributable to equity holder**		5,938	10,615

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the year ended March 31, 2014

	Stated Capital	Retained Earnings	Statutory Reserve	General Loss Reserve	Investment Revaluation Reserve	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
GROUP						
Balance as at March 31, 2012	52,631	21,650	21,154	6,677	(3,833)	98,279
Revaluation adjustment on available-for-sale investments	-	-	-	-	460	460
Net profit after taxation	-	10,155	-	-	-	10,155
Total comprehensive income for the year	-	10,155	-	-	460	10,615
Transactions with equity holders						
Transfer to general loss reserve	-	(3,154)	-	3,154	-	-
Transfer to statutory reserve	-	(8,514)	8,514	-	-	-
Total transactions with equity holders	-	(11,668)	8,514	3,154	-	-
Balance as at March 31, 2013	52,631	20,137	29,668	9,831	(3,373)	108,894
Revaluation adjustment on available-for-sale investments	-	-	-	-	(643)	(643)
Net profit after taxation	-	6,581	-	-	-	6,581
Total comprehensive income for the year	-	6,581	-	-	(643)	5,938
Transactions with equity holders						
Capital injection	25,000	-	-	-	-	25,000
Transfer to general loss reserve	-	(5,570)	-	5,570	-	-
Transfer to statutory reserve	-	(659)	659	-	-	-
Total transactions with equity holders	25,000	(6,229)	659	5,570	-	25,000
Balance as at March 31, 2014	77,631	20,489	30,327	15,401	(4,016)	139,832

	Stated Capital	Retained Earnings	Statutory Reserve	General Loss Reserve	Investment Revaluation Reserve	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
PARENT						
Balance as at March 31, 2012	52,631	17,360	19,451	6,304	(2,720)	93,026
Revaluation adjustment on available-for-sale investments	-	-	-	-	1,181	1,181
Net profit after taxation	-	8,912	-	-		8,912
Total comprehensive income for the year	-	8,912	-	-	1,181	10,093
Transactions with equity holders						
Transfer to general loss reserve	-	(2,993)	-	2,993	-	-
Transfer to statutory reserve	-	(8,391)	8,391	-	-	-
Total transactions with equity holders	-	(11,384)	8,391	2,993	-	-
Balance as at March 31, 2013	52,631	14,888	27,842	9,297	(1,539)	103,119
Revaluation adjustment on available-for-sale investments	-	-	-	-	(2,311)	(2,311)
Net profit after taxation	-	6,268	-	-	-	6,268
Total comprehensive income for the year	-	6,268	-	-	(2,311)	3,957

Consolidated Statement of Changes in Equity (cont'd)
March 31, 2014

	Stated Capital	Retained Earnings	Statutory Reserve	General Loss Reserve	Investment Revaluation Reserve	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
Transactions with equity holders						
Capital injection	25,000	-	-	-	-	25,000
Transfer to general loss reserve	-	(5,570)	-	5,570	-	-
Transfer to statutory reserve	-	(627)	627	-	-	-
Total transactions with equity holders	25,000	(6,197)	627	5,570	-	25,000
Balance as at March 31, 2014	77,631	14,959	28,469	14,867	(3,850)	132,076

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
For the year ended March 31, 2014

Parent 2013	Parent 2014		Group 2014	Group 2013
$'000	$'000		$'000	$'000
		CASH FLOWS FROM OPERATING ACTIVITIES		
12,209	8,231	Profit before taxation	8,657	14,137
		Adjusted for:		
4,076	6,012	Depreciation	6,054	4,128
(1,600)	(1,678)	Amortisation of securities and discount cost	(1,696)	(1,784)
5,534	1,480	Provision for loan losses	2,480	6,534
6	-	Loss on disposal of fixed assets	-	6
(1,409)	(1,872)	Profit on sale of investment	(1,872)	(1,609)
(2,229)	(1,657)	Unrealised gain on investments	(1,693)	(2,923)
16,587	10,516	**Operating profit before working capital changes**	11,930	18,489
(255,390)	(75,392)	Change in loans and advances	(82,968)	(253,177)
309,249	154,565	Change in customer deposits and other funding instruments	149,848	305,365
(17,520)	(42,615)	Change in other assets, prepayments and accrued income	(42,696)	(17,541)
-	1,075	Net movement in property, plant and equipment	1,075	
(59,002)	(105,580)	Net change in reserve with Central Bank	(105,580)	(58,881)
(2,350)	(8,500)	Change in due to subsidiary	-	-
21,985	23,889	Net change in other liabilities and accruals	23,943	21,839
(3,906)	(1,124)	Taxes paid	(1,444)	(4,586)
-	-	Taxes refunded	-	80
9,653	(43,166)	Net cash (used in) from operating activities	(45,892)	11,588
		CASH FLOWS FROM INVESTING ACTIVITIES		
(11,669)	(3,171)	Net purchase of property, plant and equipment	(3,171)	(11,669)
(241,739)	(77,637)	Purchase of investments	(78,068)	(253,535)
235,425	261,437	Proceeds from sale/maturity of investments	264,594	245,119
(17,983)	180,629	**Net cash from (used in) investing activities**	183,355	(20,085)
		CASH FLOWS FROM FINANCING ACTIVITIES		
-	25,000	Capital injection	25,000	-
(8,330)	162,463	**Net movement in cash and cash equivalents**	162,463	(8,497)
125,444	117,114	**Cash and cash equivalents at beginning of year**	117,114	125,611
117,114	279,577	**Cash and cash equivalents at end of year**	279,577	117,114
		CASH AND CASH EQUIVALENTS ARE REPRESENTED BY		
6,566	7,385	Cash balances	7,385	6,566
110,548	272,192	Due from other financial institutions	272,192	110,548
117,114	279,577		279,577	117,114

Consolidated Statement of Cash Flows (cont'd)
March 31, 2014

Parent 2013	Parent 2014		Group 2014	Group 2013
$'000	$'000		$'000	$'000
		SUPPLEMENTAL INFORMATION		
50,654	63,659	Interest received during the year	65,993	52,736
7,185	9,163	Interest paid during the year	9,839	7,982

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements
March 31, 2014

1. Incorporation and Principal Activity

Intercommercial Bank Limited (the 'Bank' or 'Parent') was incorporated on September 7, 1997 in the Republic of Trinidad and Tobago and commenced operations from June 8, 1998. Its registered office and principal place of business is situated at DSM Plaza, Old Southern Main Road, Chaguanas. The Bank offers a complete range of banking and financial services as permitted under the Financial Institutions Act, 2008.

On October 2, 2013, the Bank became a fully owned subsidiary of Jamaica Money Market Brokers (Trinidad and Tobago) Limited, a company licensed to carry on the business of a financial holding company pursuant to Section 70 of the Financial Institutions Act 2008. Prior to this date the Bank's shares were held by four companies, three of which are incorporated in Barbados and the other in Jamaica. The shareholding of the Bank is now ultimately owned by Jamaica Money Market Brokers Limited.

Intercommercial Trust and Merchant Bank Limited (ITMBL) was incorporated in the Republic of Trinidad and Tobago in January 2001 and commenced operations in October 2001. ITMBL is a wholly owned subsidiary of the Bank and is a licensed trust company, merchant bank and finance company. Its principal activities include providing medium and long term finance, mortgages, accepting medium and long term fixed deposits from the public, invoice financing, trade and inventory financing, investment services, leasing, project financing and arranging and underwriting issues of marketable securities.

For the purposes of these financial statements the Bank and its subsidiary are referred to as the Group.

These financial statements were authorised for issue by the Board of Directors on May 14, 2014.

2. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss and available for sale financial assets which are measured at fair value.

(c) Functional and presentation currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Group's functional and presentation currency, unless otherwise stated. All amounts are rounded to the nearest thousand, unless otherwise indicated.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

2. Basis of Preparation (cont'd)

(d) Use of estimates and judgements

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the non-consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 4.

(e) Basis of consolidation

The consolidated financial statements for the year ended March 31, 2014 include all of the assets and liabilities and results of operations of the Bank and its subsidiary. The financial statements of the subsidiary are prepared for the same reporting period as the Bank, using consistent accounting policies. All material inter-company transactions and balances between parent and subsidiary have been eliminated. The investment in the subsidiary is reported at cost in the accounts of the Bank.

3. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

(a) Foreign currency

Transactions in foreign currencies are initially recorded at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are expressed in Trinidad and Tobago dollars at the rate of exchange ruling on the reporting date. All differences arising are taken to the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(b) Financial assets and liabilities

The Group's financial assets and financial liabilities are recognised in the consolidated statement of financial position when it becomes party to contractual obligations of the instrument.

The Group derecognises its financial assets when it loses control of the contractual rights that comprise the financial assets. The Group loses such control if it realises rights to benefits specified in the contract, the rights expire, or the Group surrenders those rights. Financial liabilities are derecognised only when the obligation is discharged, cancelled or expired.

(c) Cash and cash equivalents

Cash and equivalents include notes and coins on hand, balances held with other financial institutions, which are highly liquid financial assets with less than 90 days to maturity from the date of acquisition, are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(d) Derivative instruments

When a derivative is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in the consolidated statement of comprehensive income as a component of net income on other financial instruments carried at fair value.

(e) Impairment

The carrying amounts of the Group's assets, other than deferred tax assets (see accounting policy (r)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy (e)(i)) and an impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of comprehensive income.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that had been recognised in reserves is recognised in the consolidated statement of comprehensive income even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the consolidated statement of comprehensive income is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of comprehensive income.

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

3. Significant Accounting Policies (cont'd)

(e) Impairment

(i) Calculation of recoverable amount

The recoverable amount of the Group's loans and advances and other assets is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the consolidated statement of comprehensive income.

If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of comprehensive income, the impairment loss shall be reversed, with the amount of the reversal recognised in the consolidated statement of comprehensive income.

(f) Loans and advances

Loans and advances are financial assets with fixed or determinable payments and are not quoted in an active market created by the Group providing credit facilities to a debtor other than those created with the intention of short-term profit sharing. Such assets are stated at amortised cost, net of any advances for credit losses using the effective interest method.

A loan is classified as impaired when there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of the loan. Objective evidence of impairment includes observable data that comes to the attention of the Group such as:

- Delinquency in contractual payments of principal or interest
- Cashflow difficulties experienced by the borrower
- Breach of loan covenants or conditions
- Initiation of bankruptcy proceedings
- Deterioration of the borrower's competitive position
- Deterioration of the value of collateral
- Downgrading below investment grade

If there is objective evidence that an impairment loss on loans has been incurred, the amount of the allowance for impairment is measured as the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans. Interest is no longer accrued and taken to income on an ongoing basis because there is doubt as to the recoverability of the balance.

The allowance which is made during the year, less amounts released and recoveries of bad debts previously written off, is charged against the consolidated statement of comprehensive income. When a loan is deemed uncollectible, it is written off against the related allowance for losses.

Where possible the Group seeks to restructure loans rather than take possession of collateral. This may involve extending the payment arrangements and the arrangement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all conditions are met and future payments are likely to occur.

(g) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (reverse repurchase agreements) are treated as collateralised financing transactions. The difference between the sale/purchase and repurchase/resale price is treated as interest and accrued over the life of the agreements using the effective yield method.

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

3. Significant Accounting Policies (cont'd)

(h) Investment securities

All purchases and sales of investment securities that require delivery within the time frame established by regulation or market convention are recognised at trade date.

(i) At fair value through profit or loss

Securities at fair value through profit or loss are trading securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit taking exist. Trading securities are initially recognised at cost and subsequently re-measured at fair value based on quoted bid prices at reporting date. Where the instrument is not actively traded or quoted on recognised exchanges, fair value is determined using discounted cash flow analysis. Where discounted cashflow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions.

All related realised and unrealised gains and losses are included in operating income. Interest earned whilst holding trading securities is reported as interest income.

(ii) Available for sale

Available for sale securities are financial assets that are not financial assets at fair value through profit and loss, originated by the Group or held to maturity. These are initially measured at cost.

After initial recognition, investments which are classified as "available for sale" are measured at fair value in the same manner described above, with unrealised gains or losses on revaluation recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative loss or gain previously reported in the unrealised investment reserve is included in the consolidated statement of comprehensive income.

Any available for sale asset that does not have a quoted market price in an active market and where fair value cannot be reliably measured is stated at cost less impairment losses.

(iii) Held to maturity

Held to maturity assets are other investments which the Group's management has the positive intention and ability to hold to maturity. These investments are carried at amortised cost less impairment losses. Amortised cost is calculated on the effective interest method.

(i) Related parties

A party is related to the Group, if:

(i) directly, or indirectly through one or more intermediaries, the party:
  a) is controlled by, or is under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries);
  b) has a direct or indirect interest in the Group that gives it significant influence; or
  c) has joint control over the Group;

(ii) the party is an associate of the Group;

(iii) the party is a joint venture in which the company is a venturer;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The Group has a related party relationship with its directors and key management personnel, representing certain senior officers of the company, its parent company and all their affiliates.

A number of banking transactions are entered into with related parties in the normal course of business. These transactions were carried out on commercial terms and conditions at market rates, except loans to officers (see Note 24).

(j) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Subsequent costs are included in the asset's carrying amount or

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

3. Significant Accounting Policies (cont'd)

(j) Property, plant and equipment

recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on furniture and equipment, which consist of computer hardware, machinery and office equipment, is provided on the reducing balance method at various rates sufficient to write off the assets over their estimated useful lives. Leasehold improvements are computed using the straight-line method over the life of the lease.

The rates used are as follows:

Furniture and equipment 10 – 33$^1/_3$%

The assets residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with their carrying amount and are taken into account in determining operating profit.

(k) Deposits and other funding instruments

Deposits, other funding instruments and debt securities are the Group's sources of debt funding. These debt funding instruments are initially measured at fair value and subsequently remeasured at their amortised cost using the effective interest method.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(m) Reserve requirements

In accordance with the provisions of the Financial Institutions Act, 2008, Intercommercial Bank and Intercommercial Trust and Merchant Bank are required to hold and maintain with the Central Bank of Trinidad and Tobago a cash reserve balance equivalent to 17% and 9% respectively of total prescribed liabilities.

Additionally, the Central Bank has mandated that the Bank maintain an interest bearing Secondary Reserve of 2% of total prescribed liabilities along with fixed rate term deposits with tenors of one year each.

(n) Statutory reserve fund

In accordance with the Financial Institutions Act, 2008, Intercommercial Bank and Intercommercial Trust and Merchant Bank are required to transfer at the end of each financial year no less than 10% of their net income after tax to a statutory reserve fund until the amount standing to the credit of the statutory reserve fund is not less than their paid-up capital.

(o) Revenue recognition

i. Interest income and expense

Interest income and expense are recognised in the consolidated statement of comprehensive income for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities as well as accrued discount and premium on treasury bills and other discounted instruments. Interest income is reversed when loans are 90 days overdue and considered non-performing.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cashflows through the expected life of the financial instrument, or where appropriate, a shorter period to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates cashflows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

ii. Fees and commissions income

Unless included in the effective interest calculation, fees and commissions are recognised on an accrual basis as the service is provided. Commissions and fees not integral to effective interest arising from negotiating or participating in negotiation of a transaction for a third party are recognised on the completion of the underlying transaction.

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

3. Significant Accounting Policies (cont'd)

***(o) Revenue recognition** (cont'd)*

iii. Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of net trading income, net income on other financial instruments at fair value or other operating income based on the underlying classification of the equity instrument.

(p) Accounting for leases – where the Group is the lessee

Leases entered into by the Group are all operating leases. Payments made under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.
When the operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of a penalty is recognised as an expense in the period in which termination takes place.

(q) Employee benefits

(i) Short-term

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave, and non-monetary benefits such as medical care and loans, post-employment benefits such as pensions, and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: short-term employee benefits are recognised as a liability, net of payments made, and charged as expense. Post-employment benefits are accounted for as described below.

(ii) Post employment

The Group operates two tiered defined contribution plan with Guardian Life of the Caribbean Limited, that is in compliance with the provisions of the Income Tax Act of Trinidad & Tobago section 134(6). Under the terms of employment the Group is obligated to contribute on behalf of all eligible employees an amount of 10% of the employees' pensionable salary directly to the Company's plan.

In addition, all eligible employees contribute an amount of 5% of their pensionable salary to individual annuities.

The Group's contributions to the company's plan are charged to the consolidated statement of comprehensive income in the year to which they relate. For the current financial year, March 31, 2014, the Group's contributions amounted to $2,228,246 (2013: $1,724,146).

(r) Taxation

Tax on income comprises current tax and the change in deferred tax. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rate enacted by the reporting date, green fund levy and any adjustment of tax payable for the previous years.

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable income (loss). Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated on the basis of the tax rate that is expected to apply to the period when the asset is realised or the liability is settled. The effect on the deferred tax of any changes in the tax rate is charged to the consolidated statement of comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

(s) Earnings per share

Data on basic earnings per share has been computed by dividing the net profit attributable to ordinary shareholders, by the weighted average number of ordinary shares in issue during the year.

Parent 2013	Parent 2014		Group 2014	Group 2013
		Earnings per share		
8,912	6,268	Net profit after tax ($'000)	6,581	10,155
52,631	77,631	Number of shares in issue ('000)	77,631	52,631
$ 0.17	0.10	Earnings per share	$ 0.10	0.20

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

3. Significant Accounting Policies (cont'd)

(t) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended March 31, 2014, and have not been applied in preparing these financial statements. It is not expected that these will have a material effect on the financial statements of the Group, except:

- IFRS 9 *Financial Instruments*, published on November 12, 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39. The requirement of this standard introduces new requirements for the classification and measurement of financial assets. It contains two primary measurement categories for financial assets: amortised costs and fair value. A financial asset would be measured at amortised costs if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows. All other financial assets will be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. IFRS 9 is not expected to become effective for accounting periods beginning any earlier than January 1, 2017.

(u) Acceptances, guarantees and letters of credit

The Group's commitments under acceptances, guarantees and letters of credit have been excluded from these consolidated financial statements because they do not meet the criteria for recognition. These commitments as at March 31, 2014 totalled $6,293 million (2013: $5,526 million). In the event of a call on these commitments, the Group has equal and offsetting claims against its customers.

(v) General loss reserve

The general loss reserve is a non-distributable reserve and has been established by the Bank based on Guidelines on Measurement Monitoring and Control of Impaired Assets issued by the Central Bank of Trinidad and Tobago. The reserve is created through an appropriation of retained earnings and is calculated as a percentage of the loan portfolio that is not individually assessed for provisions or impairment as at the end of the financial year.

4. Significant Accounting Judgements and Estimates

In the process of applying the Group's accounting policies, management has made judgements, estimates and assumptions in determining the amounts recognised in the financial statements as assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. The most significant use of judgements and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Note 24 provides the Group's policy on fair value measurement which reflects the significance of inputs used in making the measurements.

Impairment losses on loans and advances

The Group reviews its loans and advances portfolio at each reporting date to assess whether an allowance for impairment should be recorded in the consolidated statement of comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

Impairment of equity investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its costs or where other objective evidence of impairment exist. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group evaluates other factors, such as the share price volatility.

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

4. Significant Accounting Judgements and Estimates (cont'd)

Held to Maturity Investments

The Group follows the guidance from IAS 39 on classifying non derivative financial assets with fixed or determinable payments and maturities as held to maturity securities. This classification requires significant judgement regarding the Group's ability and intention to hold such investments to maturity.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax asset that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Property, plant and equipment

Management exercises judgement in determining whether costs incurred can accrue sufficient future economic benefits to the Group to enable the value to be treated as a capital expense. Further judgment is used upon annual review of the residual values and useful lives of all capital items to determine any necessary adjustments to carrying value.

5. Loans and Advances

Parent 2013 $'000	Parent 2014 $'000		Group 2014 $'000	Group 2013 $'000
634,165	695,986	Performing loans	720,623	646,216
42,389	47,345	Past due but not impaired	47,345	43,888
40,038	48,637	Impaired loans	48,637	45,549
716,592	791,968	Gross loans and advances	816,605	735,653
(1,000)	(2,464)	Less provision for loan losses	(2,464)	(2,000)
715,592	789,504		814,141	733,653

Parent 2013 $'000	Group 2014 $'000		2014 $'000	2013 $'000
		Provision for loan losses		
1,000	1,000	Balance brought forward	2,000	1,000
5,534	1,480	Charge against profit	2,480	6,534
(5,534)	(16)	Loans written off	(2,016)	(5,534)
1,000	2,464	Balance carried forward	2,464	2,000
		Loan Loss Expense		
5,534	1,480	Charge against profit	2,480	6,534
-	1,517	Write offs	1,517	-
(862)	(836)	Recoveries	(1,084)	(862)
4,672	2,161		2,913	5,672
		Concentration of gross loans		
107,556	102,674	Retail	105,413	107,672
99,953	170,438	Mortgages	173,711	99,953
176,362	113,912	Commercial	113,912	173,362
332,721	404,944	Corporate	423,569	352,666
716,592	791,968		816,605	733,653

6. Reverse Repurchase Agreements

The Group and the Parent enter into reverse repurchase agreements collaterised by securities. These agreements may result in credit exposure in the event that the counterparty to the transaction is unable to fulfil its contractual obligations. The fair value of collateral held pursuant to reverse repurchase agreements is $5,351,068 (2013: $5,123,890) for the Group and Parent.

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

7. Investment Securities

Parent 2013 $'000	Parent 2014 $'000			Group 2014 $'000	Group 2013 $'000
		(a)	**At fair value through profit or loss**		
54,564	11,493		Corporate securities	33,786	79,500
6,105	7,791		Equity	7,791	6,105
60,669	19,284			41,577	85,605
		(b)	**Available for sale**		
33,513	16,471		Government bonds	16,988	35,362
1,523	1,525		Equity	2,255	2,309
21,719	11,558		Corporate securities	11,558	21,719
56,755	29,554			30,801	59,390
		(c)	**Held to maturity**		
109,505	-		Treasury bills	-	109,505
8,000	8,000		Government bonds	8,000	8,000
117,505	8,000			8,000	117,505
234,929	56,838		**Total investment securities**	80,378	262,500

8. Other Assets, Prepayments and Accrued Income

Parent 2013 $'000	Parent 2014 $'000		Group 2014 $'000	Group 2013 $'000
2,777	2,550	Accrued interest income on loans and investments	2,664	3,127
18,659	61,501	Accounts receivable and prepayments	61,907	18,748
21,436	64,051		64,571	21,875

9. Deferred Tax (Asset) Liability

Parent 2013 $'000	Parent 2014 $'000			Group 2014 $'000	Group 2013 $'000
		(i)	The net deferred tax (asset) liability is attributable to the following items:		
-	27		Deferred fees	27	-
369	365		Accelerated tax depreciation	388	396
1,592	1,953		Unrealised gains on investments	1,962	1,617
1,961	2,345		Deferred tax liability	2,377	2,013
(513)	(1,283)		Unrealised losses on investments	(1,339)	(1,125)
1,448	1,062		**Net deferred tax liability (asset)**	1,038	888
		(ii)	The movement in the deferred tax account comprised:		
142	1,448		Balance at beginning of year	888	(518)
78	(770)		Available-for-sale investments fair value re-measurement	(214)	(287)
1,228	384		Current deferred tax charge	364	1,693
1,448	1,062		**Balance at year end**	1,038	888

The net deferred tax liability (asset) of $1,038 (2013: ($888)) comprises the Parent's deferred tax liability of $1,062 (2013: $1,448) and the subsidiary's deferred tax asset of $24 (2013: ($560)).

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

10. Property, Plant and Equipment

Group

	Capital work-in-progress $'000	Leasehold Improvements $'000	Equipment $'000	2014 Total $'000	2013 Total $'000
Opening net book value	3,008	9,694	15,700	28,402	20,867
Transfer from WIP	(4,235)	328	3,907	-	-
Additions	1,325	32	1,814	3,171	11,669
Disposals		-	-		(6)
Adjustments	(10)	(491)	(574)	(1,075)	-
Depreciation charge	-	(1,108)	(4,946)	(6,054)	(4,128)
Closing net book value	88	8,455	15,901	24,444	28,402
Cost	88	20,642	50,384	71,114	69,021
Accumulated depreciation	-	(12,187)	(34,483)	(46,670)	(40,619)
Net book value	88	8,455	15,901	24,444	28,402

Parent

	Capital work-in-progress $'000	Leasehold Improvements $'000	Equipment $'000	2014 Total $'000	2013 Total $'000
Opening net book value	3,008	9,694	15,458	28,160	20,573
Transfer (from) to WIP	(4,235)	328	3,907	-	-
Additions	1,325	32	1,814	3,171	11,669
Disposals		-	-	-	(6)
Adjustments	(10)	(491)	(574)	(1,075)	-
Depreciation charge	-	(1,108)	(4,904)	(6,012)	(4,076)
Closing net book value	88	8,455	15,701	24,244	28,160

	Capital work-in-progress $'000	Leasehold Improvements $'000	Equipment $'000	2014 Total $'000	2013 Total $'000
Cost	88	20,642	49,363	70,093	68,000
Accumulated depreciation	-	(12,187)	(33,662)	(45,849)	(39,840)
Net book value	88	8,455	15,701	24,244	28,160

11. Customer Deposits and Other Funding Instruments

Parent 2013 $'000	Parent 2014 $'000		Group 2014 $'000	Group 2013 $'000
406,290	532,067	Savings	532,067	406,290
151,459	240,752	Demand	240,752	151,459
786,086	725,581	Time deposits	765,179	830,401
1,343,835	1,498,400		1,537,998	1,388,150
		Sectoral Analysis		
295,126	69,326	State enterprises	74,326	305,257
622,300	854,448	Corporate and commercial	880,475	642,907
426,409	574,626	Personal	583,197	439,986
1,343,835	1,498,400		1,537,998	1,388,150

12. Other Liabilities and Accruals

Parent 2013 $'000	Parent 2014 $'000		Group 2014 $'000	Group 2013 $'000
2,354	2,299	Interest accrued on deposits	2,474	2,551
28,625	13,640	Items in the process of collection	13,640	28,625
17,763	56,730	Other liabilities and accruals	56,887	17,844
48,742	72,669		73,001	49,020

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

13. Stated Capital

Parent 2013 $'000	Parent 2014 $'000		Group 2014 $'000	Group 2013 $'000
		Authorised		
		An unlimited number of shares of no par value		
		Issued and fully paid		
52,631	52,631	In issue as at April 1, 2013	52,631	52,631
-	25,000	Issued on October 16, 2013	25,000	-
52,631	77,631	In issue as at March 31, 2014	77,631	52,631

On October 16, 2013, Jamaica Money Market Brokers (Trinidad and Tobago) Limited injected $25,000,000 of capital into Intercommercial Bank Limited. At the end of the year there were 77,630,756 ordinary shares of no par value issued and fully paid.

14. Interest Income

Parent 2013 $'000	Parent 2014 $'000		Group 2014 $'000	Group 2013 $'000
50,294	63,840	Interest on loans and advances	65,809	52,443
6,206	3,438	Interest from investments	3,851	6,935
43	59	Other	59	16
56,543	67,337		69,719	59,394

15. Interest Expense

Parent 2013 $'000	Parent 2014 $'000		Group 2014 $'000	Group 2013 $'000
8,061	9,008	Interest on customer deposits and other funding instruments	9,508	8,736
67	100	Other	2	-
8,128	9,108		9,510	8,736

16. Operating Expenses

Parent 2013 $'000	Parent 2014 $'000		Group 2014 $'000	Group 2013 $'000
34,987	41,484	Staff costs	41,484	34,987
4,076	6,012	Depreciation	6,054	4,128
4,256	6,026	Operating lease rentals (Note 17)	6,241	4,256
3,210	2,450	Advertising and marketing	2,520	3,210
16,508	20,356	Administrative and other expenses	20,928	16,961
63,037	76,328		77,227	63,542

17. Operating Leases

Parent 2013 $'000	Parent 2014 $'000		Group 2014 $'000	Group 2013 $'000
58,122	70,003	The total of future minimum lease payments under non-cancellable operating leases	70,003	58,122
		The maturity profile of leases is as follows:		
5,150	6,068	Less than one year	6,068	5,150
21,654	27,659	Between one year and five years	27,659	21,654
31,318	36,276	Greater than five years	36,276	31,318
58,122	70,003		70,003	58,122
4,256	6,026	The lease payments recognised in profit or loss for the year	6,241	4,256

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

18. Taxation

Parent 2013	Parent 2014		Group 2014	Group 2013
$'000	$'000		$'000	$'000
(89)	(114)	Green fund levy	(116)	(93)
(1,980)	(1,465)	Current year tax charge	(1,596)	(2,196)
(1,228)	(384)	Deferred tax	(364)	(1,693)
(3,297)	(1,963)		(2,076)	(3,982)
		Reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate:		
12,209	8,231	Accounting profit	8,657	14,137
(3,052)	(2,058)	Expected tax calculated at statutory tax rate	(2,164)	(3,534)
-	105	Net income not assessable for tax	75	85
(89)	(114)	Green Fund levy	(116)	(93)
(156)	104	Other permanent differences	129	(440)
(3,297)	(1,963)		(2,076)	(3,982)

19. Contingent Liabilities

As at March 31, 2014, there was one legal proceeding outstanding against the Group. Based on legal advice, the directors do not expect the outcome of that action to have a material impact on the Group's financial position and as such no provisions were required. (2013: NIL).

20. Credit Commitments

As at March 31, 2014, the Group's commitments of a credit nature were as follows:

Parent 2013	Parent 2014		Group 2014	Group 2013
$'000	$'000		$'000	$'000
		Commitments and contingencies		
104,508	66,675	Undrawn commitments for loans and advances	66,675	104,508

21. Financial Risk Management

Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- settlement risk
- liquidity risk
- market risks
- operational risks.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and its management of capital.

Risk management framework

The Board of Directors (the Board) has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Group Credit and Investment, Audit and Risk committees. These Board committees currently employ an integrated Risk Management Framework supported by four Management Committees in order to maximise shareholders value within the group's risk appetite; Management Credit Committee, Portfolio Planning, Asset and Liability (ALCO), and Operational Risk committees, which are responsible for developing and monitoring Group risk management policies in their specified areas. All Board committees have non-executive members and report regularly to the Board.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group Audit and Risk Committees are responsible for monitoring compliance with the Group's risk management policies and procedures and for reviewing the adequacy of the risk

management framework in relation to the risks faced by the Group. The Group Audit and Risk Committees are assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit committee.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk), and manages credit risk arising on trading activities.

Management of credit risk

The Board has delegated responsibility for the management of credit risk to its Board Credit Committee, Management Credit Committee Credit and Investment Committee. A separate Group Credit Risk department, reporting to the Chief Risk Officer, is responsible for oversight of the Group's credit risk, including:

- *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance, regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits are allocated on an individual and/or committee basis which includes Management Credit and Investment Committee, and the Board Credit and Investment Committee. Approval under each committee is based on delegated authority level as approved by the Board.
- *Reviewing and assessing credit risk.* Group Credit Risk assesses all credit exposures prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- *Developing and maintaining the Group's risk* rating systems and guidelines is an integral part of the credit appraisal process. Each borrower under the Corporate and Commercial credit categories has to be risk rated in accordance with the model approved by the Group office. The risk rating assigned is reviewed annually or earlier as appropriate. The accountability for the setting of the risk rating of the obligor lies with the final approving authority. The risk rating model takes into account the risk relating to management, to the business, collateral security, financial performance and transactional data. In the case of credit facilities to consumers a scoring model is used in the appraisal process. The risk rating or credit score of the obligor reflects the level of risk associated with the exposure and is the main driver in pricing.
- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Group Credit Risk unit on the credit quality of local portfolios and appropriate corrective action is taken, where necessary.
- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Group in the management of credit risk.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities delegated to the Group Board, the Management Credit Committees and Credit Risk officers. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Regular audits of business units and Group Credit processes are undertaken by Internal Audit.

Exposure to credit risk

Group

	Loans and Advances to Customers 2014	Loans and Advances to Customers 2013	Investment Securities 2014	Investment Securities 2013
	$'000	$'000	$'000	$'000
Carrying amount	814,141	733,653	80,378	262,500
Collectively impaired				
Gross amount	30,753	40,660	-	-
Allowance for impairment	(984)	(1,000)	-	-
Carrying amount	29,769	39,660	-	-

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

21. Financial Risk Management (cont'd)

(a) Credit risk (cont'd)

Exposure to credit risk (cont'd)

	Loans and advances to customers		Investment securities	
	Gross	Net	Gross	Net
	$'000	$'000	$'000	$'000
Individually impaired				
Gross amount	17,884	4,889	-	-
Allowance for impairment	(1,480)	(1,000)	-	-
Carrying amount	16,404	3,889	-	-
Past due but not impaired				
Carrying amount	47,345	42,389	-	-
Past due comprises:				
1-30 days		39,171	36,134	
30-60 days	7,624	5,762	-	-
60-90 days	550	493	-	-
90-180 days	-	-	-	-
180 days +	-	-	-	-
Carrying amount	47,345	42,389	-	-
Neither past due nor impaired				
Gross amount	720,623	647,715	80,378	262,500
Allowance for performance risk	-	-	-	-
Carrying amount*	720,623	647,715	80,378	262,500
Total carrying amount	814,141	733,653	80,378	262,500
*Carrying amount includes amounts with renegotiated terms	55,763	33,535	-	-

Parent

	Loans and advances to customers		Investment securities	
	Gross	Net	Gross	Net
	$'000	$'000	$'000	$'000
Carrying amount	789,504	715,592	56,838	234,929
Collectively impaired				
Gross amount	30,753	40,038	-	-
Allowance for impairment	(984)	(1,000)	-	-
Carrying amount	29,769	39,038	-	-
Individually impaired				
Gross amount	17,884	4,889	1,755	-
Allowance for impairment	(1,480)	(1,000)	-	-
Carrying amount	16,404	3,889	1,755	-
Past due but not impaired				
Carrying amount	47,345	42,389	-	-
Past due comprises:				
1-30 days	39,171	36,134	-	-
30-60 days	7,624	5,762	-	-
60-90 days	550	493	-	-
90-180 days	-	-	-	-
180 days +	-	-	-	-
Carrying amount	47,345	42,389	-	-
Neither past due nor impaired				
Gross amount	695,986	634,165	55,083	234,929
Allowance for performance risk	-	-	-	-
Carrying amount*	695,986	634,165	55,083	234,929
Total carrying amount	789,504	715,592	56,838	234,929
*Carrying amount includes amounts with renegotiated terms	55,763	33,535	-	-

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

21. Financial Risk Management (cont'd)

(a) Credit risk (cont'd)

Exposure to credit risk (cont'd)

Impaired loans and securities

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan/securities agreement(s).

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for performance risks, without individual loan assessment for impairment.

Write-off policy

The Group writes off a loan/security balance (and any related allowances for impairment losses) when Group Credit determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of impaired assets.

Group

	Loans and advances to customers		Investment securities	
	Gross	Net	Gross	Net
	$'000	$'000	$'000	$'000
March 31, 2014	48,637	46,173	-	-
March 31, 2013	40,660	39,660	-	-

Parent

	Loans and advances to customers		Investment securities	
	Gross	Net	Gross	Net
	$'000	$'000	$'000	$'000
March 31, 2014	48,637	46,173	-	-
March 31, 2013	40,038	39,038	-	-

Collateral held

The Group holds collateral against loans and advances to customers in the form of mortgage interest over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing. Annual property inspections are performed by management while independent third party valuations are required every three years or when a loan is individually assessed as impaired. Collateral is not usually held against investment securities and no such collateral was held at March 31, 2014 or 2013.

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

21. Financial Risk Management (cont'd)

(a) Credit risk (cont'd)

Collateral held (cont'd)

An estimate of the fair value of collateral and other security enhancements held against loans and advances to other customers is shown below:

	Loans and advances to customers	
	2014	2013
	$'000	$'000
Group		
Against collectively impaired		
Property	65,870	59,815
Other	22,646	16,922
Against individually impaired		
Property	-	3,048
Against past due but not impaired		
Property	44,142	4,830
Other	21,325	4,219
Against neither past due nor impaired		
Property	549,752	423,238
Equities	9,976	3,205
Other	395,452	380,598
Total	1,109,163	895,875
Parent		
Against collectively impaired		
Property	65,870	59,815
Other	22,646	16,922
Against past due but not impaired		
Property	44,142	4,830
Other	21,325	4,219
Against neither past due nor impaired		
Property	523,779	417,838
Equities	9,976	-
Other	387,440	356,693
Total	1,075,178	860,317

The Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	Loans and Advances to Customers		Investment Securities	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Group				
Gross amount	816,605	735,653	80,378	262,500
Concentration by sector				
Corporate	423,569	351,663	34,414	89,158
Sovereign	-	-	28,906	157,045
Bank	-	-	7,012	7,883
Retail/commercial	393,036	383,990	-	-
Equity	-	-	10,046	8,414
	816,605	735,653	80,378	262,500
Concentration by location				
Trinidad	814,748	713,422	65,419	248,851
Regional	1,857	22,231	7,168	7,544
International	-	-	7,791	6,105
	816,605	735,653	80,378	262,500
Parent				
Gross amount	791,968	716,592	56,838	234,929
Concentration by sector				
Corporate	404,944	332,720	22,639	75,817
Sovereign	-	-	24,471	151,081
Bank	-	-	412	404
Retail/commercial	387,024	383,872	-	-
Equity	-	-	9,316	7,627
	791,968	716,592	56,838	234,929
Concentration by location				
Trinidad	790,111	700,852	42,396	223,178
Regional	1,857	15,740	6,651	5,646
International	-	-	7,791	6,105
	791,968	716,592	56,838	234,929

Concentration by location for loans and advances is measured based on the location of the Group entity holding the asset, which has a high correlation with the location of the borrower. Concentration by location for investment securities is measured based on the location of the issuer of the security.

(b) Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a company to honour its obligations to deliver cash, securities or other assets as contractually agreed.

Settlement limits form part of the credit approval/limit monitoring process. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Group Risk. Alternative trades are done on a cash basis.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's Treasury unit receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units and the subsidiary are met through funding sourced by Group Treasury to cover any short-term fluctuations and longer term funding sourced by the business units.

The daily liquidity position is monitored by the Treasury Unit. Daily reports cover the liquidity position of both the Group and its operating subsidiary. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO for review and monitoring.

Exposure to liquidity risk

Apart from monitoring of daily cash forecasts and concentration risks, a key measure used by the Group Treasury for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities issued, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used on a weekly basis to measure the Bank's foreign currency compliance with the liquidity limit established by the Central Bank of Trinidad and Tobago. Reported hereunder is the capital ratio of net liquid assets to deposits and other funding instruments on all currencies at the reporting date and during the year were as follows:

	2014	2013
At March 31	51.73	41.06
Average for the year	43.72	45.12
Maximum for the year	51.73	55.70
Minimum for the year	39.37	39.85

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

21. Financial Risk Management (cont'd)

(c) Liquidity risk (cont'd)

Exposure to liquidity risk

Maturity analysis for financial liabilities

The table below shows the residual contractual maturities of financial liabilities:

	Carrying Amount $'000	Gross Nominal Inflow/ (Outflow) $'000	Up to One Year $'000	One to Five Years $'000
Group 2014				
Customer deposits and other funding instruments	1,537,998	(1,553,147)	(884,156)	(668,991)
Other liabilities	73,001	(73,001)	(73,001)	-
	1,610,999	(1,626,148)	(957,157)	(668,991)
Group 2013				
Customer deposits and other funding instruments	1,388,150	(1,396,326)	(984,851)	(411,475)
Other liabilities	49,020	(49,020)	(49,020)	-
	1,437,170	(1,445,346)	(1,033,871)	(411,475)
Parent 2014				
Customer deposits and other funding instruments	1,498,400	(1,505,683)	(860,223)	(645,460)
Amounts due to subsidiary	28,850	(28,850)	(28,850)	-
Other liabilities	72,669	(72,669)	(72,669)	-
	1,599,919	(1,607,202)	(961,742)	(645,460)
Parent 2013				
Customer deposits and other funding instruments	1,343,835	(1,351,441)	(940,298)	(411,143)
Amounts due to subsidiary	33,533	(33,533)	(33,533)	-
Other liabilities	48,742	(48,742)	(48,742)	-
	1,426,110	(1,433,716)	(1,022,573)	(411,143)

The previous tables show the undiscounted cash flows on the Group's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The Group's expected cash flows on these instruments vary significantly from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance; and unrecognised loan commitments are not all expected to be drawn down immediately.

The gross nominal inflow (outflow) disclosed in the previous table is the contractual, undiscounted cash flow on the financial liability or commitment.

(d) Market risks

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

The Group holds no exposure to actively trading portfolios. With the exception of translation risk arising on the Group's net balance sheet position, all foreign exchange risk within the Group is managed by the group's Treasury Unit.

Overall responsibility for review and monitoring of market risk is vested in ALCO, Group Risk is responsible for the development of detailed risk management policies and for the day-to-day review of their implementation.

Exposure to interest rate risk – non trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing. ALCO is the monitoring body for compliance with these limits and is assisted by the Risk Unit in its day-to-day monitoring activities. The table below summarises the Group's exposure to

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

21. Financial Risk Management (cont'd)

(d) Market risks (cont'd)

Exposure to interest rate risk – non trading portfolios (cont'd)

interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

Interest rate risk (Group)

As at March 31, 2014

	Average Effective Rate %	Up to One Year $'000	One to Five Years $'000	Over Five years $'000	Non-interest bearing $'000	Total $'000
Assets						
Cash and cash equivalents	0.10	-	-	-	279,577	279,577
Balances with Central Bank	0.22	123,263	-	-	359,038	482,301
Loans and advances	13.81	719,670	40,170	54,300	1	814,141
Investment securities (including reverse repurchase agreements)	1.99	55,991	5,123	7,168	17,744	86,026
Other assets		-	-	-	90,469	90,469
Total assets		898,924	45,293	61,468	746,829	1,752,514
Liabilities						
Customer deposits and other funding instruments	0.64	1,161,144	132,506	-	244,348	1,537,998
Other liabilities		-	-	-	74,684	74,684
Equity		-	-	-	139,832	139,832
Total liabilities		1,161,144	132,506	-	458,864	1,752,514
Net gap		(262,220)	(87,213)	61,468	287,965	-
Cumulative gap		(262,220)	(349,433)	(287,965)	-	-

As at March 31, 2013

	Average Effective Rate %	Up to One Year $'000	One to Five Years $'000	Over Five years $'000	Non-interest bearing $'000	Total $'000
Assets						
Cash and cash equivalents	0.09	3,084	-	-	114,030	117,114
Balances with Central Bank	0.10	99,134	-	-	277,587	376,721
Loans and advances	8.88	667,512	41,780	24,334	27	733,653
Investment securities (including reverse repurchase agreements)	2.54	199,652	21,720	12,952	33,824	268,148
Other assets		-	-	-	51,876	51,876
Total assets		969,382	63,500	37,286	477,344	1,547,512
Liabilities						
Customer deposits and other funding instruments	0.76	1,226,256	4,906	-	156,988	1,388,150
Other liabilities		-	-	-	50,468	50,468
Equity		-	-	-	108,894	108,894
Total liabilities		1,226,256	4,906	-	316,350	1,547,512
Net gap		(256,874)	58,594	37,286	160,994	-
Cumulative gap		(256,874)	(198,280)	(160,994)	-	-

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

21. Financial Risk Management (cont'd)

(d) Market risks (cont'd)

Interest rate risk (Parent)

As at March 31, 2014

	Average Effective Rate	Up to One Year	One to Five Years	Over Five years	Non-interest bearing	Total
	%	$'000	$'000	$'000	$'000	$'000
Assets						
Cash and cash equivalents	0.09	-	-	-	279,577	279,577
Balances with Central Bank	0.22	123,263	-	-	354,964	478,227
Loans and advances	14.03	698,410	39,533	51,560	1	789,504
Investment securities (including reverse repurchase agreements)	2.05	33,698	5,123	6,651	17,014	62,486
Amounts due from subsidiary		19,463	-	-	-	19,463
Investment in subsidiary		-	-	-	15,000	15,000
Other assets		-	-	-	88,800	88,800
Total assets		874,834	44,656	58,211	755,356	1,733,057
Liabilities						
Customer deposits and other funding instruments	0.62	1,142,680	111,372	-	244,348	1,498,400
Amounts due to subsidiary		28,850	-	-	-	28,850
Other liabilities		-	-	-	73,731	73,731
Equity		-	-	-	132,076	132,076
Total liabilities		1,171,530	111,372		450,155	1,733,057
Net gap		(296,696)	(66,716)	58,211	305,201	-
Cumulative gap		(296,696)	(363,412)	(305,201)	-	-

As at March 31, 2013

	Average Effective Rate	Up to One Year	One to Five Years	Over Five years	Non-interest bearing	Total
	%	$'000	$'000	$'000	$'000	$'000
Assets						
Cash and cash equivalents	0.02	3,084	-	-	114,030	117,114
Balances with Central Bank	0.10	99,134	-	-	273,513	372,647
Loans and advances	8.90	649,477	41,754	24,334	27	715,592
Investment securities (including reverse repurchase agreements)	2.52	174,717	21,720	11,103	33,037	240,577
Amounts due from subsidiary		19,229	-	-	-	19,229
Investment in subsidiary		-	-	-	15,000	15,000
Other assets		-	-	-	50,518	50,518
Total assets		945,641	63,474	35,437	486,125	1,530,677
Liabilities						
Customer deposits and other funding instruments	0.73	1,182,241	4,606	-	156,988	1,343,835
Amounts due to subsidiary		33,533	-	-	-	33,533
Other liabilities		-	-	-	50,190	50,190
Equity		-	-	-	103,119	103,119
Total liabilities		1,215,774	4,606	-	310,297	1,530,677
Net gap		(270,133)	58,868	35,437	175,828	-
Cumulative gap		(270,133)	(211,265)	(175,828)	-	-

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

21. Financial Risk Management (cont'd)

(d) Market risks (cont'd)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100 basis point (bp) parallel fall or rise in interest rates. An analysis of the Group's sensitivity to an increase or decrease in market interest rates is as follows:

	100 bp Parallel Increase	100 bp parallel decrease	50bp increase after 1 year	50bp decrease after 1 year
Group				
In thousands of dollars				
2014				
At March 31				
Average for the year	(150)	150	37	(37)
Maximum for the year	(95)	240	64	11
Minimum for the year	(240)	95	(11)	(64)
2013				
At March 31				
Average for the year	(104)	104	39	(39)
Maximum for the year	(23)	173	45	(31)
Minimum for the year	(173)	23	31	(45)
Parent				
In thousands of dollars				
2014				
At March 31				
Average for the year	(150)	150	39	(39)
Maximum for the year	(99)	251	63	4
Minimum for the year	(251)	99	(4)	(63)
2013				
At March 31				
Average for the year	(114)	114	36	(36)
Maximum for the year	(59)	182	42	(20)
Minimum for the year	(182)	59	20	(42)

Overall non-trading interest rate risk positions are managed by the group's Treasury Unit, which uses investment securities, advances to banks and deposits from banks to manage the overall position arising from the Group's non-trading activities.

Exposure to other market risks – non-trading portfolios

Credit spread risk (not relating to changes in the obligor's/issuer's credit standing) on debt securities held by the group's Treasury Unit and equity price risk is subject to regular monitoring by Group Risk, but is not currently significant in relation to the overall results and financial position of the Group.

Exposure to currency risk

The techniques used by the Group to manage currency risk vary subject to market conditions. Assets are primarily funded from liabilities of the same currency, thus eliminating currency risk. Foreign currency transactions have not required the use of interest rate swaps, foreign currency options or other derivative instruments. Currency exposure resides mainly in trading activity where the Parent buys and sells currencies in the spot markets. Trading portfolios are managed with the intent to buy and sell over short periods, rather than to hold positions for investments. Explicit limits are established by currency, position and term, and daily reports are reviewed for compliance.

Currency risk (Group)

The Group has the following significant foreign currency positions expressed in Trinidad and Tobago dollars.

	TT $'000	US $'000	Other $'000	Total $'000
As at March 31, 2014				
Assets				
Cash and due from banks	498,957	208,940	53,981	761,878
Loans and advances	796,998	17,143	-	814,141
Investment securities (including reverse repurchase agreements)	61,471	24,555	-	86,026
Property, plant and equipment	24,444	-	-	24,444
Other assets	64,919	1,084	22	66,025
Total assets	1,446,789	251,722	54,003	1,752,514

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

21. Financial Risk Management (cont'd)

(d) Market risks (cont'd)

	TT $'000	US $'000	Other $'000	Total $'000
Liabilities and shareholders' equity				
Customer deposits	1,306,292	231,706	-	1,537,998
Other liabilities	17,749	3,366	53,569	74,684
Shareholders' equity	145,864	(6,032)	-	139,832
Total liabilities and shareholders' equity	1,469,905	229,040	53,569	1,752,514
Net balance sheet position	(23,116)	22,682	434	-
Credit commitments	66,675	-	-	66,675

As at March 31, 2013

	TT $'000	US $'000	Other $'000	Total $'000
Assets				
Cash and due from banks	412,500	79,557	1,778	493,835
Loans and advances	695,385	38,268	-	733,653
Investment securities (including reverse repurchase agreements)	219,335	48,813	-	268,148
Property, plant and equipment	28,402	-	-	28,402
Other assets	19,596	3,878	-	23,474
Total assets	1,375,218	170,516	1,778	1,547,512
Liabilities and shareholders equity				
Customer deposits and other	1,206,827	181,323	-	1,388,150
Other liabilities	28,666	21,802	-	50,468
Shareholders' equity	114,568	(5,674)	-	108,894
Total liabilities and shareholders equity	1,350,061	197,451	-	1,547,512
Net balance sheet position	25,157	(26,935)	1,778	-
Credit commitments	104,508	-	-	104,508

Currency risk (Parent)

As at March 31, 2014

	TT $'000	US $'000	Other $'000	Total $'000
Assets				
Cash and due from banks	494,883	208,940	53,981	757,804
Loans and advances	772,361	17,143	-	789,504
Investment securities (including reverse repurchase agreements)	38,885	23,601	-	62,486
Amounts due from subsidiary	-	19,463	-	19,463
Investment in subsidiary	15,000	-	-	15,000
Property, plant and equipment	24,244	-	-	24,244
Other assets	63,450	1,084	22	64,556
Total assets	1,408,823	270,231	54,003	1,733,057
Liabilities and Shareholders' equity				
Customer deposits and other funding instruments	1,268,490	229,910	-	1,498,400
Amounts due to subsidiary	8,507	20,343	-	28,850
Other liabilities	16,855	3,307	53,569	73,731
Shareholders' equity	138,250	(6,174)	-	132,076
Total liabilities and Shareholders' equity	1,432,102	247,386	53,569	1,733,057
Net balance sheet position	(23,279)	22,845	434	-
Credit commitments	66,675	-	-	66,675

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

21. Financial Risk Management (cont'd)

(d) Market risks (cont'd)

Currency risk (Parent)

As at March 31, 2013

	TT $'000	US $'000	Other $'000	Total $'000
Assets				
Cash and due from banks	408,427	79,556	1,778	489,761
Loans and advances	683,815	31,777	-	715,592
Investment securities	194,010	46,567	-	240,577
Amounts due from subsidiary	-	19,229	-	19,229
Investment in subsidiary	15,000	-	-	15,000
Property, plant and equipment	28,160	-	-	28,160
Other assets	18,812	3,546	-	22,358
Total assets	1,348,224	180,675	1,778	1,530,677
Liabilities and Shareholders' equity				
Customer deposits	1,164,287	179,548	-	1,343,835
Amounts due to subsidiary	22,784	10,749	-	33,533
Other liabilities	28,431	21,759	-	50,190
Shareholders' equity	106,613	(3,494)	-	103,119
Total liabilities and shareholders' equity	1,322,115	208,562	-	1,530,677
Net balance sheet position	26,109	(27,887)	1,778	-
Credit commitments	104,508	-	-	104,508

(e) *Operational risks*

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations and are faced by all business entities.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Operational Risk Committee. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- equirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit.

22. Capital Management

Regulatory capital

The Group's lead regulator the Central Bank of Trinidad and Tobago sets and monitors capital requirements for the parent company and the subsidiary. In implementing current capital requirements the Central Bank of Trinidad and Tobago requires that the bank and its subsidiary maintain a prescribed ratio of total capital to total risk-weighted assets.

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

22. Capital Management (cont'd)

Regulatory capital (cont'd)

The Group's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, retained earnings statutory reserve after deductions for intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

Various limits are applied to elements of the capital base. Tier 1 capital comprises of equity and disclosed reserves. These capital elements are considered core because they are either: (i) permanent in nature, or (ii) available to absorb losses while the institution remains a going concern. Qualifying tier 2 capital cannot exceed tier 1 capital. There also are restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital. Other deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation, investments in the capital of banks and certain other regulatory items.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Parent and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The Group's approach to capital management has been consistent with prior years.

Regulatory capital

The Parent's regulatory capital position at March 31 was as follows:

	2014	2013
	$'000	$'000
Tier 1 capital		
Ordinary share capital	77,631	52,631
Statutory reserve	28,469	27,842
Retained earnings	14,959	14,888
	121,059	95,361
Less investment in financial subsidiaries	(15,000)	(15,000)
Total Tier 1 capital	106,059	80,361

	2014	2013
	$'000	$'000
Tier 2 capital		
Fair value reserve for available-for-sale equity securities	(3,850)	(1,539)
General loss reserve	14,867	9,297
Total Tier 2 capital	11,017	7,758
Total regulatory capital	117,076	88,119
Risk-weighted assets		
Loans and advances, investment securities and other assets	840,006	741,297
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	13.94%	11.90%
Total tier 1 capital expressed as a percentage of risk-weighted assets	12.63%	10.84%

On April 4, 2014, Intercommercial Bank Limited issued $80,000,000 of unsecured, subordinated debt. The Financial Institutions (Prudential Criteria) Regulation 1994 limits the amount of the subordinated debt that can qualify as tier 2/supplementary capital to 50% of the Bank's tier 1/core capital. This will result in an increase in the Bank's regulatory capital position and boost its capital adequacy.

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

23. Related Party Balances and Transactions (cont'd)

23. Related Party Balances and Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions. These transactions were carried out on normal terms and conditions at market rates. For the year ended March 31, 2014, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2013: NIL).

The following table provides the total amount of balances and transactions, which have been entered into with related parties who have significant influence over the Group for the relevant financial year.

Parent 2013 $'000	Group 2014 $'000		2014 $'000	2013 $'000
		(i) Outstanding balances advances, investments, cash and balances with bank and other assets		
24	443	Affiliated companies	443	24
19,229	19,463	Subsidiary	-	-
1,768	4,438	Directors, key management personnel and close family members	4,438	1,768
21,021	24,344		4,881	1,792
		Deposits and other liabilities		
33,533	28,850	Subsidiary company	-	-
1,685	695	Affiliated companies	695	1,685
160	-	Technovision*	-	160
2,452	3,380	Parent company – JMMB (Trinidad & Tobago) Limited	3,380	2,452
3,569	4,541	Directors, key management personnel and close family members	4,541	3,569
41,399	37,466		8,616	7,866

* As at October 2, 2013, Technovision Investments Incorporated ceased being a related party to Intercommercial Bank Limited and as such any balances related to this company are not reflected as related party balances as at March 31, 2014.

Parent 2013 $'000	Group 2014 $'000		2014 $'000	2013 $'000
		(ii) ***Transactions***		
30	184	Interest and other income	30	3
929	251	Interest and other expenses	153	862
		Key management compensation		
7,909	11,174	Short term employee benefit	11,174	7,909
390	338	Post-employment benefits	338	390
8,299	11,512		11,512	8,299

24. Fair Value of Financial Assets and Liabilities

(a) Valuation models

The fair value of financial instruments that are recognised on the statement of financial position and the fair value of financial instruments that are not recognised on the statement of financial position are based on the valuation methods and assumptions set out in the significant accounting policies note 3(h).

Fair value represents the amount at which a financial instrument could be exchanged in an arm's length transaction between willing parties under no compulsion to act and is best evidenced by a quoted market price. If no quoted market prices are available, the fair values presented are estimates derived using present value or other valuation techniques and may not be indicative of net realisable value.

The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

24. Fair Value of Financial Assets and Liabilities (cont'd)

(a) Valuation models (cont'd)

- Level 1 – Inputs that are quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2 - Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique included inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Due to the judgement used in applying a wide range of acceptable valuation techniques and estimations in the calculation of fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based upon market conditions at a specific point in time and may not be reflective of future fair values.

(b) Financial instruments measured at fair value – fair value hierarchy

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

Group

2014	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Equity	8,521	-	1,525	10,046
Government bonds	4,895	9,820	2,273	16,988
Corporate securities	220	45,124	-	45,344
	13,636	54,944	3,798	72,378

Group

2013	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Equity	6,892	-	1,523	8,415
Government bonds	-	34,796	564	35,360
Corporate securities	31,838	69,382	-	101,220
	38,730	104,178	2,087	144,995

Parent

2014	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Equity	7,791	-	1,525	9,316
Government bonds	4,895	9,820	1,756	16,471
Corporate securities	220	22,831	-	23,051
	12,906	32,651	3,281	48,838

Parent

2013	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Equity	6,105	-	1,523	7,628
Government bonds	-	33,512	-	33,512
Corporate securities	31,838	44,446	-	76,284
	37,943	77,958	1,523	117,424

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

24. Fair Value of Financial Assets and Liabilities (cont'd)

(c) Level 3 fair value measurements

(i) Reconciliation

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Government Bonds	Other	Total
	$'000	$'000	$'000
Parent 2014			
Balance at April 1	-	-	-
Total gains or losses:			
in OCI	(299)		(299)
Transfers	3,580	-	3,580
Balance at March 31	3,281	-	3,281
Group 2014			
Balance at April 1	564	-	564
Total gains or losses:			
- in OCI	(299)		(299)
Purchases			
Issues			
Settlements	(46)		(46)
Transfers	3,579	-	3,579
Balance at March 31	3,798	-	3,798
Parent 2013			
Balance at April 1	-	-	-
Transfers	1,523	-	1,523
Balance at March 31	1,523	-	1,523
Group 2013			
Balance at April 1	-	-	-
Transfers	2,087	-	2,087
Balance at March 31	2,087	-	2,087

(ii) Unobservable inputs used in measuring fair value

The following table set out information about unobservable inputs used at year end in measuring financial instruments categorised as Level 3 in the fair value hierarchy.

Type of Financial Instrument	Fair Value at March 31, 2014	Valuation Technique	Significant Unobservable Input	Range of Estimates (weighted-average) for Unobservale Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Bond	1,755	Market price	Price derived from broker quotes however there is no active market	N.A.	N.A.
Bond	518	Valued at par	There is no active market for these bonds	N.A.	N.A.
Equity	1,525	Valued at cost	There is no active market for these equities	N.A.	N.A.

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

24. Fair Value of Financial Assets and Liabilities (cont'd)

(d) Financial instruments not measured at fair value

The following table set out the fair value of financial instruments at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

Group 2014

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total Fair Value $'000	Total Carrying Amount $'000
Assets					
Cash and due from banks	761,878	-	-	761,878	761,878
Loans and advances	-	767,968	46,173	814,141	814,141
Investment securities	-	8,000	-	8,000	8,000
Other assets, prepayments and accrued income	-	64,571	-	64,571	64,571
	761,878	840,539	46,173	1,648,590	1,648,590
Liabilities					
Customer deposits	-	1,537,998	-	1,537,998	1,537,998
Other liabilities and accruals	-	73,001	-	73,001	73,001
	-	1,610,999	-	1,610,999	1,610,999

Parent 2014

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total Fair Value $'000	Total Carrying Amount $'000
Assets					
Cash and due from banks	757,804	-	-	757,804	757,804
Loans and advances	-	743,331	46,173	789,504	789,504
Investment securities	-	8,000	-	8,000	8,000
Other assets, prepayments and accrued income	-	64,051	-	64,051	64,051
	757,804	815,382	46,173	1,619,359	1,619,359
Liabilities					
Customer deposits	-	1,498,400	-	1,498,400	1,498,400
Amount due to subsidiary	-	28,850	-	28,850	28,850
Other liabilities and accruals	-	72,669	-	72,669	72,669
	-	1,599,919	-	1,599,919	1,599,919

Notes to Consolidated Financial Statements (cont'd)
March 31, 2014

24. Fair Value of Financial Assets and Liabilities (cont'd)

(d) Financial instruments not measured at fair value (cont'd)

Group 2013

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total Fair Value $'000	Total Carrying Amount $'000
Assets					
Cash and due from banks	493,835	-	-	493,835	493,835
Loans and advances	-	690,104	43,549	733,653	733,653
Investment securities	-	117,505	-	117,505	117,505
Other assets, prepayments and accrued income	-	21,875	-	21,875	21,875
	493,835	829,484	43,549	1,312,868	1,312,868
Liabilities					
Customer deposits	-	1,388,150	-	1,388,150	1,388,150
Other liabilities and accruals	-	49,020	-	49,020	49,020
	-	1,437,170	-	1,437,170	1,437,170

Parent 2013

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total Fair Value $'000	Total Carrying Amount $'000
Assets					
Cash and due from banks	489,761	-	-	489,761	489,761
Loans and advances	-	676,554	39,038	715,592	715,592
Investment securities	-	117,505	-	117,505	117,505
Other assets, prepayments and accrued income	-	21,436	-	21,436	21,436
	489,761	815,495	39,038	1,344,294	1,344,294
Liabilities					
Customer deposits	-	1,343,835	-	1,343,835	1,343,835
Amounts due to parent	-	33,533	-	33,533	33,533
Other liabilities and accruals	-	48,742	-	48,742	48,742
	-	1,426,110	-	1,426,110	1,426,110