website: www.jmmbtt.com

IBL BANK

A MEMBER OF THE JMMB GROUP

CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 2016

INTERCOMMERCIAL BANK LIMITED

INTERCOMMERCIAL BANK LIMITED

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, the parent 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 Group 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, 2016 and this includes ensuring that the systems and information from which the financial statements are derived are properly designed and 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, 2016 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	Chief Financial Officer
May 13 2016	May 13 2016
Date	Date

Independent Auditors' Report to the Shareholders of Intercommercial Bank Limited

We have audited the accompanying financial statements, comprising the separate financial statements of Intercommercial Bank Limited (the Parent) and the consolidated financial statements of the Parent and its subsidiary (the Group), which comprise the Parent's and Group's statements of financial position as at March 31, 2016, the Parent's and Group's 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 Financial Statements

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

Auditors' Responsibility

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

Independent Auditors' Report to the Shareholders of Intercommercial 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the statements present fairly, in all material respects, the financial positions of the Parent and Group as at March 31, 2016 and the Parent's and Group's financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants

May 13, 2016
Port of Spain
Trinidad and Tobago

Statement of Financial Position

March 31, 2016

Parent 2015	Parent 2016		Notes	Group 2016	Group 2015
$'000	$'000			$'000	$'000
		ASSETS			
7,204	9,828	Cash balances		9,828	7,204
81,684	93,510	Due from other financial institutions		92,559	79,918
432,567	305,099	Balances with Central Bank		310,273	447,741
917,842	996,835	Loans and advances	5	1,015,176	940,692
230,592	292,102	Investment securities	6	300,069	251,285
15,000	15,000	Investment in subsidiary		-	-
873	911	Amount due from subsidiary		-	-
8,620	19,390	Other assets, prepayments and accrued income	7	19,420	8,673
92	242	Deferred tax assets	8	410	187
-	-	Taxation recoverable		190	263
22,706	21,104	Property, plant and equipment	9	21,243	22,872
1,717,180	1,754,021	**TOTAL ASSETS**		1,769,168	1,758,835

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

Statement of Financial Position (cont'd)

March 31, 2016

Parent 2015	Parent 2016		Notes	Group 2016	Group 2015
$'000	$'000			$'000	$'000
		LIABILITIES			
1,459,538	1,473,678	Customer deposits and other funding instruments	10	1,499,290	1,495,407
3,176	19,701	Amount due to subsidiary		-	-
32,520	26,999	Other liabilities and accruals	11	27,429	33,107
80,000	80,000	Subordinated debt	12	80,000	80,000
1,607	1,171	Taxation payable		1,171	1,607
1,576,841	1,601,549	**TOTAL LIABILITIES**		1,607,890	1,610,121
		EQUITY			
77,631	77,631	Stated capital	13	77,631	77,631
17,462	26,850	Retained earnings		33,355	23,574
29,032	30,225	Statutory reserve		32,193	30,955
17,433	18,785	General loss reserve		19,319	17,967
(1,219)	(1,019)	Investment revaluation reserve		(1,220)	(1,413)
140,339	152,472	**TOTAL EQUITY**		161,278	148,714
1,717,180	1,754,021	**TOTAL LIABILITIES AND EQUITY**		1,769,168	1,758,835

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

Director

Winston A. Millett Director

Statement of Comprehensive Income

For the year ended March 31, 2016

Parent 2015	Parent 2016		Notes	Group 2016	Group 2015
$'000	$'000			$'000	$'000
71,032	74,571	Interest income	14	76,379	73,127
(12,040)	(12,327)	Interest expense	15	(12,573)	(12,422)
58,992	62,244	**NET INTEREST INCOME**		63,806	60,705
6,515	7,013	Fees and commissions		7,040	6,549
(407)	(401)	Net loss from investment securities at fair value through profit or loss		(691)	(502)
30	-	Dividend income		26	52
33,069	32,099	Foreign exchange revenue		32,097	33,071
39,207	38,711			38,472	39,170
98,199	100,955	**OPERATING INCOME**		102,278	99,875
82,530	83,933	Operating expenses	16	84,699	83,346
6,529	1,185	Loan loss expense	5	1,185	6,529
89,059	85,118			85,884	89,875
9,140	15,837	**PROFIT BEFORE TAXATION**		16,394	10,000
(3,508)	(3,904)	Taxation	18	(4,023)	(3,721)
5,632	11,933	**Profit attributable to equity holders of the parent**		12,371	6,279
		Items that may be reclassified to profit or loss			
2,631	200	Revaluation adjustment on available-for-sale investments		193	2,603
8,263	12,133	**Total comprehensive income for year attributable to equity holder**		12,564	8,882

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

Statement of Changes in Equity

For the year ended March 31, 2016

	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, 2014	77,631	20,489	30,327	15,401	(4,016)	139,832
Revaluation adjustment on available-for-sale investments	-	-	-	-	2,603	2,603
Net profit after taxation	-	6,279	-	-	-	6,279
Total comprehensive income for the year	-	6,279	-	-	2,603	8,882
Transactions with equity holders						
Transfer to general loss reserve	-	(2,566)	-	2,566	-	-
Transfer to statutory reserve	-	(628)	628	-	-	-
Total transactions with equity holders	-	(3,194)	628	2,566	-	-
Balance as at March 31, 2015	77,631	23,574	30,955	17,967	(1,413)	148,714
Revaluation adjustment on available-for-sale investments	-	-	-	-	193	193
Net profit after taxation	-	12,371	-	-	-	12,371
Total comprehensive income for the year	-	12,371	-	-	193	12,564
Transactions with equity holders						
Transfer to general loss reserve	-	(1,352)	-	1,352	-	-
Transfer to statutory reserve	-	(1,238)	1,238	-	-	-
Total transactions with equity holders	-	(2,590)	1,238	1,352	-	
Balance as at March 31, 2016	77,631	33,355	32,193	19,319	(1,220)	161,278

	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, 2014	77,631	14,959	28,469	14,867	(3,850)	132,076
Revaluation adjustment on available-for-sale investments	-	-	-	-	2,631	2,631
Net profit after taxation	-	5,632	-	-	-	5,632
Total comprehensive income for the year	-	5,632	-	-	2,631	8,263
Transactions with equity holders						
Transfer to general loss reserve	-	(2,566)	-	2,566	-	-
Transfer to statutory reserve	-	(563)	563	-	-	-
Total transactions with equity holders	-	(3,129)	563	2,566	-	-
Balance as at March 31, 2015	77,631	17,462	29,032	17,433	(1,219)	140,339
Revaluation adjustment on available-for-sale investments	-	-	-	-	200	200
Net profit after taxation	-	11,933	-	-	-	11,933
Total comprehensive income for the year	-	11,933	-	-	200	12,133

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

Statement of Changes in Equity (cont'd)
For the year ended March 31, 2016

PARENT (cont'd)

	Stated Capital	Retained Earnings	Statutory Reserve	General Loss Reserve	Investment Revaluation Reserve	Total Equity
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Transactions with equity holders						
Transfer to general loss reserve	-	(1,352)	-	1,352	-	-
Transfer to statutory reserve	-	(1,193)	1,193	-	-	-
Total transactions with equity holders	-	(2,545)	1,193	1,352	-	-
Balance as at March 31, 2016	77,631	26,850	30,225	18,785	(1,019)	152,472

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

Statement of Cash Flows
For the year ended March 31, 2016

Parent 2015	Parent 2016		Group 2016	Group 2015
$'000	$'000		$'000	$'000
		CASH FLOWS FROM OPERATING ACTIVITIES		
9,140	15,837	Profit before taxation	16,394	10,000
		Adjusted for:		
5,859	4,892	Depreciation	4,919	5,893
1,180	507	Amortisation of securities and discount cost	507	1,180
6,842	1,671	Provision for loan losses	1,671	6,842
-	5	Loss on disposal of property, plant and equipment	5	-
1,043	1,018	Loss on sale of investment	1,018	1,043
407	401	Unrealised loss on investments	691	502
24,471	24,331		25,205	25,460
(135,179)	(80,664)	Change in loans and advances	(76,155)	(133,392)
(38,861)	14,139	Change in customer deposits and other funding instruments	3,881	(42,592)
55,431	(10,770)	Change in other assets, prepayments and accrued income	(10,726)	55,608
45,660	127,468	Net change in reserve with Central Bank	137,468	34,559
(7,085)	16,487	Change in due to subsidiary	-	-
(40,149)	(5,521)	Net change in other liabilities and accruals	(5,699)	(39,602)
(3,428)	(4,556)	Taxes paid	(4,673)	(3,661)
(99,140)	80,914	**Net cash from (used in) operating activities**	69,301	(103,620)
		CASH FLOWS FROM INVESTING ACTIVITIES		
(4,321)	(3,295)	Net purchase of property, plant and equipment	(3,295)	(4,321)
(291,351)	(361,399)	Purchase of investments	(361,682)	(291,698)
124,123	298,230	Proceeds from sale/maturity of investments	310,941	127,184
(171,549)	(66,464)	**Net cash used in investing activities**	(54,036)	(168,835)
		CASH FLOWS FROM FINANCING ACTIVITIES		
80,000	-	Issue of subordinated debt	-	80,000
80,000	-	**Net cash from financing activities**	-	80,000
(190,689)	14,450	**Net movement in cash and cash equivalents**	15,265	(192,455)
279,577	88,888	**Cash and cash equivalents at beginning of year**	87,122	279,577
88,888	103,338	**Cash and cash equivalents at end of year**	102,387	87,122
		CASH AND CASH EQUIVALENTS ARE REPRESENTED BY		
7,204	9,828	Cash balances	9,828	7,204
81,684	93,510	Due from other financial institutions	92,559	79,918
88,888	103,338		102,387	87,122

Statement of Cash Flows (cont'd)
For the year ended March 31, 2016

Parent 2015	Parent 2016		Group 2016	Group 2015
$'000	$'000		$'000	$'000
		SUPPLEMENTAL INFORMATION		
71,883	68,416	Interest received during the year	70,313	73,653
7,582	9,057	Interest paid during the year	9,564	7,876

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

Notes to Financial Statements
March 31, 2016

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.

Effective April 26, 2016, the Bank has changed its name to JMMB Bank (T&T) Limited.

The ultimate parent of the Bank and its subsidiary is Jamaica Money Market Brokers Limited, a company domiciled in Jamaica.

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 13, 2016.

2. Basis of Preparation

*(a) **Statement of compliance***

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

*(b) **Basis of measurement***

The 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 financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). These 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 the 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, 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 Financial Statements (cont'd)
March 31, 2016

2. Basis of Preparation (cont'd)

(d) Use of estimates and judgements *(cont'd)*

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 financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 4.

(e) Basis of consolidation

i) Subsidiary

A 'Subsidiary' is an investee controlled by the Group. The Group 'controls' an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

3. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these 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 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 Group's 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 Central Bank and 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) Impairment

The carrying amounts of the Group's assets, other than deferred tax assets (see accounting policy (q)), 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 (d)(i)) and an impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the 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 statement of comprehensive income even though the financial asset has not been derecognised.

Notes to Financial Statements (cont'd)
March 31, 2016

3. Significant Accounting Policies (cont'd)

(d) Impairment *(cont'd)*

The amount of the cumulative loss that is recognised in the 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 statement of comprehensive income.

(i) Calculation of recoverable amount

The recoverable amount of the Group's loans and advances 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).

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. Receivables with a short duration are not discounted.

(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 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 statement of comprehensive income, the impairment loss shall be reversed, with the amount of the reversal recognised in the statement of comprehensive income.

(e) Loans and advances

Loans and advances are financial assets with fixed or determinable payments and are not quoted in an active market. Such assets are stated at amortised cost, net of any provisions 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 on loans over 90 days past due 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 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 restructured, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all conditions are met and future payments are likely to occur.

Notes to Financial Statements (cont'd)
March 31, 2016

3. Significant Accounting Policies (cont'd)

(f) 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.

(g) 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 exists. 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 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.

(h) Related parties

(a) Definition of 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

Notes to Financial Statements (cont'd)
March 31, 2016

3. Significant Accounting Policies (cont'd)

(h) Related parties *(cont'd)*

(a) Definition of related parties (cont'd)

(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.

(b) Identity of, and transactions and balances with, related parties

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 23).

(i) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Costs subsequent to acquisition are included in the asset's carrying amount or 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 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. Depreciation on leasehold improvements is computed using the straight line method over the life of the lease, or if shorter, the useful life of the asset.

The rates used are as follows:

Furniture and equipment 10% – 33⅓%

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.

(j) Deposits and other funding instruments

Deposits, other funding instruments and debt securities are the Group's sources of debt funding. They are classified in accordance with their contractual terms, typically financial liabilities. These debt funding instruments are initially measured at fair value and subsequently remeasured at their amortised cost using the effective interest method.

(k) 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.

(l) 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.

(m) 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.

Notes to Financial Statements (cont'd)
March 31, 2016

3. **Significant Accounting Policies** (cont'd)

(n) ***Revenue recognition***

i. *Interest income and expense*

Interest income and expense are recognised in the 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 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 cash flows 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 cash flows 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 the 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.

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.

(o) ***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 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.

(p) ***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, National Insurance Scheme 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 a two tiered defined contribution plan with Guardian Life of the Caribbean Limited, which 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 Group's plan are charged to the statement of comprehensive income in the year to which they relate. For the current financial year, March 31, 2016, the Group's contributions amounted to $2.6 million (2015: $2.5 million).

(q) ***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

Notes to Financial Statements (cont'd)
March 31, 2016

3. **Significant Accounting Policies** (cont'd)

(q) ***Taxation*** *(cont'd)*

tax rate enacted by the reporting date, green fund levy and any adjustment of tax payable for the previous years.

Deferred tax is recognised in respect of 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 statement of comprehensive income, except to the extent that it relates to items previously charged or credited directly to equity.

(r) ***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			Group	
2015	**2016**		**2016**	**2015**
		Earnings per share		
5,632	11,933	Net profit after tax ($'000)	12,371	6,279
77,631	77,631	Number of shares in issue ('000)	77,631	77,631
$ 0.07	0.15	Earnings per share	$ 0.16	$ 0.08

(s) ***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, 2016 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:

- IAS 1, *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:
  - specific single disclosures that are not material do not have to be presented even if they are minimum requirements of a standard;
  - the order of notes to the financial statements is not prescribed;
  - line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material;
  - specific criteria is now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI; and
  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never, be reclassified to profit or loss.

  The Group is assessing the impact that this amendment will have on its 2017 financial statements.

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

  The Group is assessing the impact that this amendment will have on its 2019 financial statements.

Notes to Financial Statements (cont'd)
March 31, 2016

3. Significant Accounting Policies (cont'd)

(s) New standards and interpretations not yet adopted *(cont'd)*

- IFRS 15, *Revenue From Contracts With Customers*, effective for accounting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

  The Group will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

  There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

  The Group is assessing the impact that this amendment will have on its 2019 financial statements.

(t) Acceptances, guarantees and letters of credit

The Group's commitments under acceptances, guarantees and letters of credit have been excluded from these financial statements because they do not meet the criteria for recognition. These commitments as at March 31, 2016 totalled $11,392 million (2015: $12,466 million). In the event of a call on these commitments, the Group has equal and offsetting claims against its customers.

(u) General loss reserve

The general loss reserve is a non-distributable reserve and has been established by the Bank based on the 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 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 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.

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.

Notes to Financial Statements (cont'd)
March 31, 2016

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 cost to be treated as a capital expense. Further judgement 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 2015	Parent 2016		Group 2016	Group 2015
$'000	$'000		$'000	$'000
814,800	822,882	Performing loans	840,043	837,650
56,841	143,296	Past due but not impaired	144,476	56,841
55,296	39,223	Impaired loans	39,223	55,296
926,937	1,005,401	Gross loans and advances	1,023,742	949,787
(9,095)	(8,566)	Less provision for loan losses	(8,566)	(9,095)
917,842	996,835		1,015,176	940,692
		Provision for loan losses		
2,464	9,095	Balance brought forward	9,095	2,464
6,842	1,671	Charge against profit	1,671	6,842
(211)	(2,200)	Loans written off	(2,200)	(211)
9,095	8,566	Balance carried forward	8,566	9,095
		Loan loss expense		
6,842	1,671	Charge against profit	1,671	6,842
(313)	(486)	Recoveries	(486)	(313)
6,529	1,185		1,185	6,529
		Concentration of gross loans		
115,239	123,238	Retail	125,705	117,845
196,058	229,520	Mortgages	231,661	198,403
135,845	159,688	Commercial	159,688	135,845
479,795	492,955	Corporate	506,688	497,694
926,937	1,005,401		1,023,742	949,787

6. Investment Securities

Parent 2015	Parent 2016		Group 2016	Group 2015
$'000	$'000		$'000	$'000
		(a) At fair value through profit or loss (FVPTL)		
64,330	77,896	Corporate securities	84,753	83,874
		(b) Available for sale (AFS)		
151,129	188,430	Government bonds	188,851	151,589
1,516	1,537	Equity	2,227	2,205
10,617	21,239	Corporate securities	21,238	10,617
163,262	211,206		212,316	164,411

Notes to Financial Statements (cont'd)
March 31, 2016

6. Investment Securities (cont'd)

Parent 2015	Parent 2016		Group 2016	Group 2015
$'000	$'000		$'000	$'000
		(c) Held to maturity		
3,000	3,000	Government bonds	3,000	3,000
230,592	292,102	**Total investment securities**	300,069	251,285

7. Other Assets, Prepayments and Accrued Income

Parent 2015	Parent 2016		Group 2016	Group 2015
$'000	$'000		$'000	$'000
3,699	3,749	Accrued interest income on loans and investments	3,745	3,827
4,921	15,641	Accounts receivable and prepayments	15,675	4,846
8,620	19,390		19,420	8,673

8. Deferred Tax (Asset)/Liability

Parent 2015	Parent 2016		Group 2016	Group 2015
$'000	$'000		$'000	$'000
		(i) The net deferred tax (asset) liability is attributable to the following items:		
61	52	Deferred fees	22	26
319	211	Accelerated tax depreciation	227	338
(66)	(166)	Unrealised loss on FVTPL investments	(253)	(81)
314	97	Deferred tax liability	(4)	283
(406)	(339)	Unrealised loss on AFS investments	(406)	(470)
(92)	(242)	**Net deferred tax (asset) liability**	(410)	(187)
		(ii) The movement in the deferred tax account comprised:		
1,062	(92)	Balance at beginning of year	(187)	1,038
877	67	Available-for-sale investments fair value re-measurement	64	868
(2,031)	(217)	Current deferred tax charge	(287)	(2,093)
(92)	(242)	**Balance at year end**	(410)	(187)

The net deferred tax (asset) liability of ($410) (2015: ($187)) comprises the Parent's deferred tax asset of ($242) (2015: ($92)) and the subsidiary's deferred tax asset of ($168) (2015: ($95)).

9. Property, Plant and Equipment

Group

	Capital work-in-progress	Leasehold Improvements	Equipment	2016 Total	2015 Total
	$'000	$'000	$'000	$'000	$'000
Opening net book value	482	7,316	15,074	22,872	24,444
Transfer from WIP	(506)	26	480	-	-
Additions	2,428	-	867	3,295	4,321
Adjustments	-	-	(5)	(5)	-
Depreciation charge	-	(908)	(4,011)	(4,919)	(5,893)
Closing net book value	2,404	6,434	12,405	21,243	22,872
Cost	2,404	20,696	55,625	78,725	75,434
Accumulated depreciation	-	(14,262)	(43,220)	(57,482)	(52,562)
Net book value	2,404	6,434	12,405	21,243	22,872

Notes to Financial Statements (cont'd)
March 31, 2016

9. Property, Plant and Equipment (cont'd)

Parent

	Capital work-in-progress	Leasehold Improvements	Equipment	2016 Total	2015 Total
	$'000	$'000	$'000	$'000	$'000
Opening net book value	482	7,316	14,908	22,706	24,244
Transfer from WIP	(506)	26	480	-	-
Additions	2,428	-	867	3,295	4,321
Adjustments	-	-	(5)	(5)	-
Depreciation charge	-	(908)	(3,984)	(4,892)	(5,859)
Closing net book value	2,404	6,434	12,266	21,104	22,706
Cost	2,404	20,696	54,604	77,704	74,413
Accumulated depreciation	-	(14,262)	(42,338)	(56,600)	(51,707)
Net book value	2,404	6,434	12,266	21,104	22,706

10. Customer Deposits and Other Funding Instruments

Parent 2015	Parent 2016		Group 2016	Group 2015
$'000	$'000		$'000	$'000
607,042	609,680	Savings	609,680	607,042
237,037	234,857	Demand	234,857	237,037
615,459	629,141	Time deposits	654,753	651,328
1,459,538	1,473,678		1,499,290	1,495,407
		Sectoral Analysis		
90,068	99,328	State enterprises	99,328	98,323
748,873	688,205	Corporate and commercial	688,205	769,708
620,597	686,145	Personal	711,757	627,376
1,459,538	1,473,678		1,499,290	1,495,407

11. Other Liabilities and Accruals

Parent 2015	Parent 2016		Group 2016	Group 2015
$'000	$'000		$'000	$'000
3,187	2,844	Interest accrued on deposits	2,993	3,547
25,685	17,821	Items in the process of collection	17,821	25,685
3,648	6,334	Other liabilities and accruals	6,615	3,875
32,520	26,999		27,429	33,107

12. Debt Securities in Issue

Parent 2015	Parent 2016		Group 2016	Group 2015
$'000	$'000		$'000	$'000
80,000	80,000	Subordinated debt	80,000	80,000

The Parent issued subordinated debt of $80 million during the financial year 2015 for a term of eight (8) years at a fixed rate of 4.50% and with principal due at maturity. This debt is denominated in Trinidad and Tobago dollars and matures on March 28, 2022.

13. Stated Capital

Parent 2015	Parent 2016		Group 2016	Group 2015
$'000	$'000		$'000	$'000
		Authorised		
		An unlimited number of shares of no par value		
		Issued and fully paid		
77,631	77,631	77,630,756 ordinary shares of no par value	77,631	77,631

Notes to Financial Statements (cont'd)
March 31, 2016

14. Interest Income

Parent 2015 $'000	Parent 2016 $'000		Group 2016 $'000	Group 2015 $'000
66,225	68,162	Interest on loans and advances	69,680	68,012
4,745	6,347	Interest from investments	6,637	5,020
62	62	Other	62	95
71,032	74,571		76,379	73,127

15. Interest Expense

Parent 2015 $'000	Parent 2016 $'000		Group 2016 $'000	Group 2015 $'000
8,437	8,674	Interest on customer deposits and other funding instruments	8,963	8,852
3,570	3,610	Interest expense on subordinated debt	3,610	3,570
33	43	Other	-	-
12,040	12,327		12,573	12,422

16. Operating Expenses

Parent 2015 $'000	Parent 2016 $'000		Group 2016 $'000	Group 2015 $'000
45,200	44,986	Staff costs	44,986	45,200
5,859	4,892	Depreciation	4,919	5,893
6,113	6,136	Operating lease rentals (Note 17)	6,355	6,334
1,175	2,374	Advertising and marketing	2,435	1,231
24,183	25,545	Administrative and other expenses	26,004	24,688
82,530	83,933		84,699	83,346

17. Operating Leases

Parent 2015 $'000	Parent 2016 $'000		Group 2016 $'000	Group 2015 $'000
71,646	66,034	The total of future minimum lease payments under non-cancellable operating leases	66,034	71,646
		The maturity profile of leases is as follows:		
10,700	6,694	Less than one year	6,694	10,700
25,688	32,825	Between one year and five years	32,825	25,688
35,258	26,515	Greater than five years	26,515	35,258
71,646	66,034		66,034	71,646
6,113	6,136	The lease payments recognised in profit or loss for the year	6,355	6,334

18. Taxation

Parent 2015 $'000	Parent 2016 $'000		Group 2016 $'000	Group 2015 $'000
(117)	(167)	Green fund levy	(170)	(121)
(4,204)	(4,009)	Current year tax charge	(4,203)	(4,475)
(1,218)	55	Prior year tax charge	63	(1,218)
2,031	217	Deferred tax	287	2,093
(3,508)	(3,904)		(4,023)	(3,721)

Notes to Financial Statements (cont'd)
March 31, 2016

18. Taxation (cont'd)

Parent 2015 $'000	Parent 2016 $'000		Group 2016 $'000	Group 2015 $'000
		Reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate:		
9,140	15,837	Accounting profit	16,394	10,000
(2,285)	(3,959)	Expected tax calculated at statutory tax rate	(4,099)	(2,500)
(101)	210	Net income not assessable for tax	225	(105)
(117)	(167)	Green Fund levy	(170)	(117)
(1,218)	55	Prior year tax charge	64	(1,218)
213	(43)	Other permanent differences	(43)	219
(3,508)	(3,904)		(4,023)	(3,721)

19. Contingent Liabilities

As at March 31, 2016, there were no legal proceedings outstanding against the Group, as such no provisions were required (2015: NIL).

20. Credit Commitments

As at March 31, 2016, the Group's commitments of a credit nature were as follows:

Parent 2015 $'000	Parent 2016 $'000		Group 2016 $'000	Group 2015 $'000
		Commitments and contingencies		
10,297	19,861	Undrawn commitments for loans and advances	19,861	10,297
42,756	12,933	Loans and advances approved pending finalisation of documents	12,933	42,756

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 Risk
- Operational Risk

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 three Management Committees in order to maximise shareholders value within the Group's risk appetite; Management Credit Committee, Asset and Liability Committee (ALCO), and Operational Risk Committee, which are responsible for the development and monitoring of the 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, as approved by Board, establish a framework for identification, analysis and measurement of the risks faced by the Group, setting of appropriate risk limits and controls, as well as the monitoring of 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 continuously 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.

Notes to Financial Statements (cont'd)
March 31, 2016

21. Financial Risk Management (cont'd)

(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 the individual obligor, the obligor risk group and the obligor risk rating, country and sector risk), as well as 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 and Investment Committee, the Management Credit Committee and individual Team Members as deemed necessary. 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 credit assessment, risk grading and reporting, collateral requirements, documentary and legal procedures, and compliance to regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval and renewal of credit facilities. Authorisation limits, as approved by the Board, are allocated on an individual and/or committee basis which includes the Management Credit 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 credit exposures prior to facilities being approved and committed to customers by the business unit concerned. Renewals and requests for new facilities are subject to the same assessment.
- *Limiting concentrations of exposure* to counterparties, geographies and industries (for loans and advances), and by obligor/issuer, credit rating band, market liquidity and exposure by 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 business banking credit categories has to be risk rated in accordance with the model recommended by the Group Risk Unit and approved by the Board. 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 Chief Risk Officer and in the exceptional case where the Board Credit and Investment Committee suggests a change, the final approving authority is the JMMB Group's Risk Manager. The risk rating model takes into account the risk relating to management, 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* with agreed exposure limits, including those for selected industries, country and cross border risk and product types. Regular reports are provided by Group Credit Risk Unit to the Management Credit Committee, the Board Credit and Investment Committee and the Board Risk Committee on the credit quality of the Group's portfolios and where necessary appropriate corrective action is taken.
- *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 Board Credit and Investment Committee, 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.

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

Notes to Financial Statements (cont'd)
March 31, 2016

21. Financial Risk Management (cont'd)

(a) Credit risk (cont'd)

Exposure to credit risk

Group

	Loans and Advances to Customers		Investment Securities	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Carrying amount	1,015,176	940,692	300,069	251,285
Collectively impaired	-	-	-	-
Individually impaired				
Gross amount	39,223	55,296	-	-
Allowance for impairment	(8,217)	(9,095)	-	-
Carrying amount	31,006	46,201	-	-
Past due but not impaired				
Carrying amount	144,127	56,841	-	-
Past due comprises:				
1-30 days	90,829	28,949	-	-
30-60 days	31,109	12,356		
60-90 days	22,538	15,536	-	-
Allowance for impairment	(349)	-	-	-
Carrying amount	144,127	56,841	-	-
Neither past due nor impaired				
Gross amount	840,043	837,650	300,069	251,285
Allowance for performance risk	-	-	-	-
Carrying amount*	840,043	837,650	300,069	251,285
Total carrying amount	1,015,176	940,692	300,069	251,285
*Carrying amount includes amounts with renegotiated terms	60,456	39,499	-	-

Parent

	Loans and Advances to Customers		Investment Securities	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Carrying amount	996,835	917,842	292,102	230,592
Collectively impaired	-	-	-	-
Individually impaired				
Gross amount	39,223	55,296	-	-
Allowance for impairment	(8,217)	(9,095)	-	-
Carrying amount	31,006	46,201	-	-
Past due but not impaired				
Carrying amount	142,947	56,841	-	-
Past due comprises:				
1-30 days	89,649	28,949	-	-
30-60 days	31,109	12,356	-	-
60-90 days	22,538	15,536	-	-
Allowance for impairment	(349)	-	-	-
Carrying amount	142,947	56,841	-	-

Notes to Financial Statements (cont'd)
March 31, 2016

21. Financial Risk Management (cont'd)

(a) Credit risk (cont'd)

***Exposure to credit risk** (cont'd)*

Parent (cont'd)

	Loans and Advances to Customers 2016	2015	Investment Securities 2016	2015
	$'000	$'000	$'000	$'000
Neither past due nor impaired				
Gross amount	822,882	814,800	292,102	230,592
Allowance for performance risk	-	-	-	-
Carrying amount*	822,882	814,800	292,102	230,592
Total carrying amount	996,835	917,842	292,102	230,592
*Carrying amount includes amounts with renegotiated terms	60,456	39,499	-	-

Impaired loans and Investments

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.

Rescheduled/Refinanced and Restructured Loans

Rescheduled/refinanced loans are extensions of credit which have been modified at favourable terms and conditions for the borrower due to factors such as variation in interest rates or increased lending. That is, there is no inherent weakness in the credit being rescheduled/refinanced.

Restructured loans are facilities which have been refinanced, rolled over or otherwise modified as a result of an assessment of the borrower's inability to service the facility in line with the original repayment terms and conditions. As conditions precedent to a restructuring, the obligor must demonstrate the capacity to service the debt under the new conditions imposed by the restructured facility and the facility must be fully secured with standard loan to value margins restored which may require additional or up-stamped collateral.

Allowances for impairment

The Group establishes allowances for impairment or provisions in respect of individual financial assets which are not performing satisfactorily. These provisions are based on an assessment of the recoverability of collateral held as security on the facilities which is discounted using the original interest rate over the expected recovery period. Any shortfall of these expected recoverable amounts when compared to the principal outstanding is provided for through the statement of comprehensive income as reflected in Note 5.

Write-off policy

The Group writes off a loan/investment balance (and any related allowances for impairment losses) when the Chief Risk Officer, the Management Credit Committee or the Group Credit and Investment Committee (as per delegated limits approved by the Board) determines that the loans/investments 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 the liquidation of the collateral will not be sufficient to fully liquidate the exposure. As at March 31, 2016 the amount written off was $2.2 million (2015: $211 thousand).

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

Notes to Financial Statements (cont'd)
March 31, 2016

21. Financial Risk Management (cont'd)

(a) Credit risk (cont'd)

***Write-off policy** (cont'd)*

	Loans and Advances to Customers Gross	Net	Investment Securities Gross	Net
	$'000	$'000	$'000	$'000
Group				
March 31, 2016	39,223	31,006	-	-
March 31, 2015	55,296	46,201	-	-
Parent				
March 31, 2016	39,223	31,006	-	-
March 31, 2015	55,296	46,201	-	-

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 generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral is not usually held against investment securities and no such collateral was held at March 31, 2016 or 2015.

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 2016	2015
	$'000	$'000
Group		
Against collectively impaired	-	-
Against individually impaired		
Property	50,690	35,181
Other	8,602	18,996
Against past due but not impaired		
Property	149,038	64,075
Other	71,716	16,963
Against neither past due nor impaired		
Property	706,654	688,871
Equities	11,016	10,488
Other	376,781	447,084
Total	1,374,497	1,281,658
Parent		
Against collectively impaired	-	-
Against individually impaired		
Property	50,690	35,181
Other	8,602	18,996
Against past due but not impaired		
Property	145,538	64,075
Other	71,715	16,963
Against neither past due nor impaired		
Property	684,104	670,320
Equities	11,015	10,488
Other	368,098	431,301
Total	1,339,762	1,247,324

Notes to Financial Statements (cont'd)
March 31, 2016

21. Financial Risk Management (cont'd)

(a) Credit risk (cont'd)

***Exposure to credit risk** (cont'd)*

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:

Group

	Loans and Advances to Customers		Investment Securities	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Gross amount	1,023,742	949,787	300,069	251,285
Concentration by sector				
Corporate / commercial	677,274	646,873	97,680	60,073
Sovereign	-	-	191,851	154,589
Bank	-	-	8,311	34,418
Retail	346,468	302,914	-	-
Equity	-	-	2,227	2,205
	1,023,742	949,787	300,069	251,285
Concentration by location				
Trinidad	1,018,204	949,170	278,083	245,717
Regional	5,538	617	21,986	5,568
International	-	-	-	-
	1,023,742	949,787	300,069	251,285

Parent

	Loans and Advances to Customers		Investment Securities	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Gross amount	1,005,401	926,937	292,102	230,592
Concentration by sector				
Corporate / commercial	662,845	628,974	93,625	47,215
Sovereign	-	-	191,430	154,129
Bank	-	-	5,510	27,732
Retail	342,556	297,963	-	-
Equity	-	-	1,537	1,516
	1,005,401	926,937	292,102	230,592
Concentration by location				
Trinidad	999,863	926,320	270,537	225,484
Regional	5,538	617	21,565	5,108
International	-	-	-	-
	1,005,401	926,937	292,102	230,592

Concentration by location for loans and advances is measured based on the location of the obligor. 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 trades requires transaction specific or counterparty specific approvals from Group Risk.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due and/or to replace funds when they are withdrawn.

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.

Notes to Financial Statements (cont'd)
March 31, 2016

21. Financial Risk Management (cont'd)

(c) Liquidity risk (cont'd)

***Management of liquidity risk** (cont'd)*

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. 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, which can be used for liquidity support. The liquidity requirements of business units and the subsidiary are met through funding sourced by 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 Risk Committee and 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 Treasury for managing liquidity risk is the ratio of net liquid assets to total assets. For this purpose liquid assets are defined as comprising cash and cash equivalents and treasury bills maturing within one year. Reported hereunder is the ratio of liquid assets to total assets on all currencies at the reporting date and during the year:

	2016	2015
At March 31		
Average for the year	29.35	39.35
Maximum for the year	31.98	46.49
Minimum for the year	27.42	33.78

Maturity analysis for financial liabilities

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

	Carrying Amount	Gross Nominal Inflow/ (Outflow)	Up to One Year	One to Five Years	Over Five Years
	$'000	$'000	$'000	$'000	$'000
Group 2016					
Customer deposits and other funding instruments	1,499,290	(1,506,492)	(874,364)	(632,128)	-
Other liabilities	108,600	(108,600)	(27,429)	(1,171)	(80,000)
	1,607,890	(1,615,092)	(901,793)	(633,299)	(80,000)
Group 2015					
Customer deposits and other funding instruments	1,495,407	(1,501,301)	(699,648)	(801,653)	-
Other liabilities	114,714	(115,002)	(33,395)	(1,607)	(80,000)
	1,610,121	(1,616,303)	(733,043)	(803,260)	(80,000)
Parent 2016					
Customer deposits and other funding instruments	1,473,678	(1,480,647)	(848,520)	(632,127)	-
Amount due to subsidiary	19,701	(19,701)	(19,701)	-	-
Other liabilities	108,170	(108,170)	(26,999)	(1,171)	(80,000)
	1,601,549	(1,608,518)	(895,220)	(633,298)	(80,000)
Parent 2015					
Customer deposits and other funding instruments	1,459,538	(1,464,933)	(687,044)	(777,889)	-
Amount due to subsidiary	3,176	(3,176)	(3,176)	-	-
Other liabilities	114,127	(114,127)	(32,520)	(1,607)	(80,000)
	1,576,841	(1,582,236)	(722,740)	(779,496)	(80,000)

Notes to Financial Statements (cont'd)
March 31, 2016

21. Financial Risk Management (cont'd)

(c) Liquidity risk (cont'd)

Maturity analysis for financial liabilities *(cont'd)*

The tables in the previous page show the undiscounted cash flows on the Group's financial liabilities on the basis of their earliest possible contractual maturity. The Group's expected cash flows on these instruments could vary from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance.

(d) Market risks

Market risk is the risk that changes in market prices, such as interest rates, 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 traded 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 the ALCO. The Group's Risk Unit 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 gaps. The 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 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, 2016

	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		788	-	-	101,599	102,387
Balances with Central Bank	0.48	65,710	-	-	244,563	310,273
Loans and advances	7.25	949,563	42,354	23,259	-	1,015,176
Investment securities	2.36	178,836	65,326	53,680	2,227	300,069
Other assets		-	-	-	41,263	41,263
Total assets		1,194,897	107,680	76,939	389,652	1,769,168
Liabilities						
Customer deposits and other funding instruments	0.91	1,238,842	21,633	-	238,815	1,499,290
Other liabilities		-	-	-	28,600	28,600
Subordinated debt	4.50	-	-	80,000	-	80,000
Equity		-	-	-	161,278	161,278
Total liabilities		1,238,842	21,633	80,000	428,693	1,769,168
Net gap		(43,945)	86,047	(3,061)	(39,041)	-
Cumulative gap		(43,945)	42,102	39,041	-	-

Notes to Financial Statements (cont'd)
March 31, 2016

21. Financial Risk Management (cont'd)

(d) Market risks (cont'd)

Interest rate risk **(Group)** *(cont'd)*

As at March 31, 2015

	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		-	-	-	87,122	87,122
Balances with Central Bank	0.29	120,381	-	-	327,360	447,741
Loans and advances	7.30	888,097	41,667	10,921	7	940,692
Investment securities	3.35	153,694	10,456	75,624	11,511	251,285
Other assets		-	-	-	31,995	31,995
Total assets		1,162,172	52,123	86,545	457,995	1,758,835
Liabilities						
Customer deposits and other funding instruments	0.70	1,205,342	48,407	-	241,658	1,495,407
Other liabilities		-	-	-	34,714	34,714
Subordinated debt	4.50	-	-	80,000	-	80,000
Equity		-	-	-	148,714	148,714
Total liabilities		1,205,342	48,407	80,000	425,086	1,758,835
Net gap		(43,170)	3,716	6,545	32,909	-
Cumulative gap		(43,170)	(39,454)	(32,909)	-	-

Interest rate risk **(Parent)**

As at March 31, 2016

	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		788	-	-	102,550	103,338
Balances with Central Bank	0.48	65,710	-	-	239,389	305,099
Loans and advances	7.25	931,222	42,354	23,259	-	996,835
Investment in subsidiary		-	-	-	15,000	15,000
Investment securities	2.41	171,979	65,326	53,259	1,538	292,102
Amounts due from subsidiary		911	-	-	-	911
Other assets		-	-	-	40,736	40,736
Total assets		1,170,610	107,680	76,518	399,213	1,754,021
Liabilities						
Customer deposits and other funding instruments	0.92	1,213,230	21,633	-	238,815	1,473,678
Amounts due to subsidiary		-	-	-	19,701	19,701
Other liabilities		-	-	-	28,170	28,170
Subordinated debt	4.50	-	-	80,000	-	80,000
Equity		-	-	-	152,472	152,472
Total liabilities		1,213,230	21,633	80,000	439,158	1,754,021
Net gap		(42,620)	86,047	(3,482)	(39,945)	-
Cumulative gap		(42,620)	43,427	39,945	-	-

Notes to Financial Statements (cont'd)
March 31, 2016

21. Financial Risk Management (cont'd)

(d) Market risks (cont'd)

Interest rate risk (Parent) (cont'd)

As at March 31, 2015

	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		-	-	-	88,888	88,888
Balances with Central Bank	0.29	120,381	-	-	312,186	432,567
Loans and advances	7.31	865,248	41,667	10,920	7	917,842
Investment securities	3.60	134,150	10,456	75,164	10,822	230,592
Investment in subsidiary		-	-	-	15,000	15,000
Amounts due from subsidiary		873	-	-	-	873
Other assets		-	-	-	31,418	31,418
Total assets		1,120,652	52,123	86,084	458,321	1,717,180
Liabilities						
Customer deposits and other funding instruments	0.52	1,169,473	48,407	-	241,658	1,459,538
Amounts due to subsidiary		3,176	-	-	-	3,176
Other liabilities		-	-	-	34,127	34,127
Subordinated debt	4.50	-	-	80,000	-	80,000
Equity		-	-	-	140,339	140,339
Total liabilities		1,172,649	48,407	80,000	416,124	1,717,180
Net gap		(51,997)	3,716	6,084	42,197	-
Cumulative gap		(51,997)	(48,281)	(42,197)	-	-

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 ($'000)	100 bp Parallel Decrease ($'000)	50 bp Increase After 1 Year ($'000)	50 bp Decrease After 1 Year ($'000)
Group				
2016				
At March 31				
Average for the year	0	0	26	(26)
Maximum for the year	108	66	34	(19)
Minimum for the year	(66)	(108)	19	(34)
2015				
At March 31				
Average for the year	(133)	133	24	(24)
Maximum for the year	(27)	271	83	25
Minimum for the year	(271)	27	(25)	(83)
Parent				
2016				
At March 31				
Average for the year	(5)	5	26	(26)
Maximum for the year	98	71	35	(19)
Minimum for the year	(71)	(98)	19	(35)
2015				
At March 31				
Average for the year	(135)	135	25	(25)
Maximum for the year	(35)	261	81	18
Minimum for the year	(261)	35	(18)	(81)

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.

Notes to Financial Statements (cont'd)
March 31, 2016

21. Financial Risk Management (cont'd)

(d) Market risks (cont'd)

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, 2016				
Assets				
Cash and due from banks	328,005	83,097	1,558	412,660
Loans and advances	1,009,638	5,538	-	1,015,176
Investment securities	125,387	174,682	-	300,069
Property, plant and equipment	21,243	-	-	21,243
Other assets	18,128	1,892	-	20,020
Total assets	1,502,401	265,209	1,558	1,769,168
Liabilities and shareholders' equity				
Customer deposits	1,264,149	235,141	-	1,499,290
Other liabilities	22,954	4,619	1,027	28,600
Subordinated debt	80,000	-	-	80,000
Shareholders' equity	162,061	(783)	-	161,278
Total liabilities and shareholders' equity	1,529,164	238,977	1,027	1,769,168
Net balance sheet position	(26,763)	26,232	531	-
Credit commitments	32,794	-	-	32,794

	TT $'000	US $'000	Other $'000	Total $'000
As at March 31, 2015				
Assets				
Cash and due from banks	462,672	70,499	1,692	534,863
Loans and advances	926,996	13,696	-	940,692
Investment securities	113,243	138,042	-	251,285
Property, plant and equipment	22,872	-	-	22,872
Other assets	7,772	1,351	-	9,123
Total assets	1,533,555	223,588	1,692	1,758,835
Liabilities and shareholders' equity				
Customer deposits	1,270,973	224,434	-	1,495,407
Other liabilities	29,497	3,656	1,561	34,714
Subordinated debt	80,000	-	-	80,000
Shareholders' equity	151,032	(2,318)	-	148,714
Total liabilities and shareholders' equity	1,531,502	225,772	1,561	1,758,835
Net balance sheet position	2,053	(2,184)	131	-
Credit commitments	53,053	-	-	53,053

Notes to Financial Statements (cont'd)
March 31, 2016

21. Financial Risk Management (cont'd)

(d) Market risks (cont'd)

Currency risk (Parent)

	TT $'000	US $'000	Other $'000	Total $'000
As at March 31, 2016				
Assets				
Cash and due from banks	323,783	83,096	1,558	408,437
Loans and advances	991,297	5,538	-	996,835
Investment securities	118,230	173,872	-	292,102
Amounts due from subsidiary	-	911	-	911
Investment in subsidiary	15,000	-	-	15,000
Property, plant and equipment	21,104	-	-	21,104
Other assets	17,740	1,892	-	19,632
Total assets	1,487,154	265,309	1,558	1,754,021
Liabilities and shareholders' equity				
Customer deposits and other funding instruments	1,238,537	235,141	-	1,473,678
Amounts due to subsidiary	19,539	162	-	19,701
Other liabilities	22,530	4,613	1,027	28,170
Subordinated debt	80,000	-	-	80,000
Shareholders' equity	153,342	(870)	-	152,472
Total liabilities and shareholders' equity	1,513,948	239,046	1,027	1,754,021
Net balance sheet position	(26,794)	26,263	531	-
Credit commitments	32,794	-	-	32,794

	TT $'000	US $'000	Other $'000	Total $'000
As at March 31, 2015				
Assets				
Cash and due from banks	449,264	70,499	1,692	521,455
Loans and advances	904,146	13,696	-	917,842
Investment securities	93,404	137,188	-	230,592
Amounts due from subsidiary	-	873	-	873
Investment in subsidiary	15,000	-	-	15,000
Property, plant and equipment	22,706	-	-	22,706
Other assets	7,363	1,349	-	8,712
Total assets	1,491,883	223,605	1,692	1,717,180
Liabilities and shareholders' equity				
Customer deposits and other funding instruments	1,235,104	224,434	-	1,459,538
Amounts due to subsidiary	3,100	76	-	3,176
Other liabilities	28,916	3,650	1,561	34,127
Subordinated debt	80,000	-	-	80,000
Shareholders' equity	142,758	(2,419)	-	140,339
Total liabilities and shareholders' equity	1,489,878	225,741	1,561	1,717,180
Net balance sheet position	2,005	(2,136)	131	-
Credit commitments	53,053	-	-	53,053

(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.

Notes to Financial Statements (cont'd)
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21. Financial Risk Management (cont'd)

(e) Operational risks (cont'd)

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
- requirements 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.

(f) Business Continuity

The Group's Business Continuity Plan (BCP) encompasses a defined set of planning, preparatory and related activities which are intended to ensure that the critical business functions will either continue to operate despite serious incidents or disasters that might otherwise have interrupted its operations, or will be recovered to an operational state within a reasonably short period. The management of Business Continuity falls largely within the sphere of Risk Management.

The objectives of the Group's BCP are to:

1. Protect human life.
2. Identify processes critical to the operations of the Group and safe guard the Group's assets.
3. Provide tested plans which, when executed, will permit timely and efficient recovery and resumption of the Bank's critical business functions.
4. Minimize the inconvenience and potential disruption of service to internal and external customers.
5. Describe the organizational structure necessary for executing the plan.
6. Identify the equipment, procedures and activities for recovery.
7. Ensure that the reputation and financial viability of the Bank is maintained at all times.
8. Ensure compliance with regulatory requirements.

The BCP is focused on minimizing the down time and data loss within the thresholds identified by the Bank. The plan is meant to minimize the loss to the Bank and or negative impact to customer service as a result of serious incidents or disasters that may occur for some time.

Group standards are supported by periodic reviews undertaken by the Internal Audit department.

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

Notes to Financial Statements (cont'd)
March 31, 2016

22. Capital Management (cont'd)

Regulatory capital *(cont'd)*

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.

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. 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.
- 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.

The capital framework identifies various elements of the capital base: Qualifying Tier 2 capital cannot exceed Tier 1 capital, the minimum ratio of Tier 1 capital to risk weighted assets is 4% and the minimum total capital to risk weighted assets is 8%. 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 subsidiary have complied with all externally imposed capital requirements throughout the year.

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

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

	2016	2015
	$'000	$'000
Tier 1 capital		
Ordinary share capital	77,631	77,631
Statutory reserve	30,225	29,032
Retained earnings	26,850	17,462
Total Tier 1 capital	134,706	124,125
Tier 2 capital		
Fair value reserve for available-for-sale equity securities	(1,019)	(1,219)
Qualifying portion of subordinated debt	61,387	62,063
General loss reserve	18,785	17,433
Dislaowed general loss reserve	(5,752)	(5,919)
Total Tier 2 capital	73,401	72,358
Less investment in financial subsidiaries	(15,000)	(15,000)
Total regulatory capital	193,107	181,483
Risk-weighted assets		
Loans and advances, investment securities and other assets	1,036,792	915,240
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	18.63%	19.83%
Total Tier 1 capital expressed as a percentage of risk-weighted assets	12.99%	13.56%

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.

Notes to Financial Statements (cont'd)
March 31, 2016

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, 2016, the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2015: 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			Group	
2015	2016		2016	2015
$'000	$'000		$'000	$'000
		(i) Outstanding balances advances, investments, cash and balances with bank and other assets		
133	132	Affiliated companies	132	133
873	911	Subsidiary	-	-
3,796	4,449	Directors, key management personnel and close family members	4,449	3,796
4,802	5,492		4,581	3,929
		Deposits and other liabilities		
3,176	19,701	Subsidiary company	-	-
3,635	20,408	Affiliated companies	20,408	3,635
4,796	9,090	Ultimate Parent company – Jamaica Money Market Brokers Limited	9,090	4,796
4,241	2,658	Directors, key management personnel and close family members	2,658	4,241
15,848	51,857		32,156	12,672
		(ii) Transactions		
110	211	Interest and other income	204	110
27	49	Interest and other expenses	7	27
		Key management compensation		
10,733	9,183	Short-term employee benefit	9,183	10,733
344	603	Post-employment benefits	603	344
11,077	9,786		9,786	11,077

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(g).

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:

- 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.

Notes to Financial Statements (cont'd)
March 31, 2016

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

(a) Valuation models (cont'd)

- 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:

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Equity	690	-	1,537	2,227
Government bonds	21,565	166,865	421	188,851
Corporate securities	616	105,375	-	105,991
	22,871	272,240	1,958	297,069

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Equity	689	-	1,516	2,205
Government bonds	5,108	146,021	460	151,589
Corporate securities	30,743	63,748	-	94,491
	36,540	209,769	1,976	248,285

	2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Parent				
Equity	-	-	1,537	1,537
Government bonds	21,565	166,865	-	188,430
Corporate securities	553	98,582	-	99,135
	22,118	265,447	1,537	289,102

	2015			
	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Parent				
Equity	-	-	1,516	1,516
Government bonds	5,108	146,021	-	151,129
Corporate securities	22,826	52,121	-	74,947
	27,934	198,142	1,516	227,592

Notes to Financial Statements (cont'd)
March 31, 2016

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**
Group 2016			
Balance at April 1	1,976	-	1,976
Total gains or losses:			
- in OCI	(18)	-	(18)
Balance at March 31	1,958	-	1,958
Group 2015			
Balance at April 1	3,798	-	3,798
Total gains or losses:			
- in OCI	(9)	-	(9)
Settlements	(1,813)	-	(1,813)
Balance at March 31	1,976	-	1,976
Parent 2016			
Balance at April 1	1,516	-	1,516
Total gains or losses:			
- in OCI	21	-	21
Balance at March 31	1,537	-	1,537
Parent 2015			
Balance at April 1	3,281	-	3,281
Total gains or losses:			
- in OCI	(10)	-	(10)
Transfers	(1,755)	-	(1,755)
Balance at March 31	1,516	-	1,516

(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, 2016	Valuation Technique	Significant Unobservable Input	Range of Estimates (weighted-average) for Unobservable Inputs	Fair Value Measurement Sensitivity to Unobservable Inputs
Bond	421	Valued at par	There is no active market for these bonds	N.A.	N.A.
Equity	1,537	Valued at cost	There is no active market for these equities	N.A.	N.A.

(d) Financial instruments not measured at fair value

The following table sets out the estimated fair value of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

Notes to Financial Statements (cont'd)
March 31, 2016

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

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

Group 2016

	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Assets					
Loans and advances	-	-	1,015,176	1,015,176	1,015,176
Investment securities	-	3,000	-	3,000	3,000
Other assets, prepayments and accrued income	-	-	19,420	19,420	19,420
	-	3,000	1,034,596	1,037,596	1,037,596
Liabilities					
Customer deposits	-	-	1,499,290	1,499,290	1,499,290
Other liabilities and accruals	-	-	27,429	27,429	27,429
	-	-	1,526,719	1,526,719	1,526,719

Group 2015

	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Assets					
Loans and advances	-	-	940,692	940,692	940,692
Investment securities	-	3,000	-	3,000	3,000
Other assets, prepayments			-	-	-
and accrued income	-	-	8,673	8,673	8,673
	-	3,000	949,365	952,365	952,365
Liabilities					
Customer deposits	-	-	1,495,407	1,495,407	1,495,407
Other liabilities and accruals	-	-	33,107	33,107	33,107
	-	-	1,528,514	1,528,514	1,528,514

Notes to Financial Statements (cont'd)
March 31, 2016

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

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

Parent 2016

	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Assets					
Loans and advances	-	-	996,835	996,835	996,835
Investment securities	-	3,000	-	3,000	3,000
Other assets, prepayments and accrued income	-	-	19,390	19,390	19,390
	-	3,000	1,016,225	1,019,225	1,019,225
Liabilities					
Customer deposits	-	-	1,473,678	1,473,678	1,473,678
Amount due to subsidiary	-	-	19,701	19,701	19,701
Other liabilities and accruals	-	-	26,999	26,999	26,999
	-	-	1,520,378	1,520,378	1,520,378

Parent 2015

	Level 1	Level 2	Level 3	Total Fair Value	Total Carrying Amount
	$'000	$'000	$'000	$'000	$'000
Assets					
Loans and advances	-	-	917,842	917,842	917,842
Investment securities	-	3,000	-	3,000	3,000
Other assets, prepayments and accrued income	-	-	8,620	8,620	8,620
	-	3,000	926,462	929,462	929,462
Liabilities					
Customer deposits	-	-	1,459,538	1,459,538	1,459,538
Amount due to subsidiary	-	-	3,176	3,176	3,176
Other liabilities and accruals	-	-	32,520	32,520	32,520
	-	-	1,495,234	1,495,234	1,495,234