LAURENTIDE INSURANCE AND MORTGAGE COMPANY LIMITED 2016 AUDITED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of:
Laurentide Insurance and Mortgage Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Laurentide Insurance and Mortgage Company Limited (the Company), which comprise the statement of financial position as at December 31, 2016, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte & Touche

Nassau, Bahamas
April 26, 2017

OLIVER WYMAN

Certification of Actuary

This Certificate is prepared in accordance with the provisions of the Insurance Act, 2005 in respect of the life and health insurance business of Laurentide Insurance and Mortgage Company Limited, a wholly-owned subsidiary of Commonwealth Bank Limited.

I have examined the financial position, and valued the policy liabilities for its balance sheet as at December 31, 2016, and the corresponding change in the policy liabilities in the income statement for the year then ended.

In my opinion:

1. The methods and procedures used in the verification of the valuation data are sufficient and reliable, and fulfill the required standards of care.
2. The methods and assumptions used to calculate the actuarial and the other policy liabilities are appropriate to the circumstances of the company and of the said policies and claims.
3. The valuation of actuarial and other policy liabilities has been made in accordance with generally accepted actuarial practice (with such changes as determined and any directions made by the Commission).
4. The valuation is appropriate under the circumstances of the company and the financial statements fairly reflect its results.
5. Having regard for the results of the investigation performed pursuant to section 62 of the Insurance Act, 2005 the value of actuarial and other policy liabilities, when taken together with the total capital available makes good and sufficient provisions for all unmatured obligations under the terms of the policies in force.

Leslie P. Rehbeli
Fellow of the Society of Actuaries
Fellow of the Canadian Institute of Actuaries
Member of American Academy of Actuaries
January 31, 2017

LAURENTIDE INSURANCE AND MORTGAGE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016
(Expressed in Bahamian dollars)

	2016	2015
ASSETS		
Deposit - Parent (Notes 5 and 8)	$ 5,770,509	$ 5,081,739
Investments (Notes 5 and 6)	40,055,034	40,055,312
Due from Parent (Notes 5 and 8)	6,487,835	4,472,030
Other assets	3,083	3,132
TOTAL	$52,316,461	$49,612,213
LIABILITIES AND EQUITY		
LIABILITIES:		
Life assurance fund liability (Notes 5 and 7)	$13,267,872	$12,814,160
Other liabilities	145,140	160,840
Total liabilities	13,413,012	12,975,000
EQUITY:		
Share capital		
Authorized, issued and fully paid:		
105,000 shares at $2.86	300,300	300,300
Contributed surplus	2,750,000	2,750,000
Retained earnings	35,853,149	33,586,913
Total equity	38,903,449	36,637,213
TOTAL	$52,316,461	$49,612,213

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

These financial statements were approved by the Board of Directors on February 14, 2017 and are signed on its behalf by:

Director

Director

LAURENTIDE INSURANCE AND MORTGAGE COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Bahamian dollars)

	2016	2015
INCOME:		
Gross premiums	$16,721,607	$18,717,501
Refunds	(8,344,394)	(9,443,546)
Commissions (Note 8)	(1,672,161)	(1,871,750)
Tax on premiums	(501,648)	(561,525)
Net premium	6,203,404	6,840,680
Interest income - government stock (Note 5)	1,945,164	1,939,849
Interest income - Parent (Notes 5 and 8)	616,335	443,944
Total income	8,764,903	9,224,473
EXPENSES:		
Claims	1,151,913	1,172,970
Change in Life assurance fund liability (Note 7)	453,712	405,599
General and administrative		
Fees - Parent (Note 8)	300,000	300,000
Other	78,042	82,546
Total expenses	1,983,667	1,961,115
TOTAL PROFIT AND COMPREHENSIVE INCOME	$ 6,781,236	$ 7,263,358
WEIGHTED AVERAGE NUMBER OF COMMON SHARES	105,000	105,000
EARNINGS PER SHARE (BASIC AND DILUTED)	$ 64.58	$ 69.17

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

LAURENTIDE INSURANCE AND MORTGAGE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Bahamian dollars)

	Share Capital	Contributed Surplus	Retained Earnings	Total
Balance as at **December 31, 2014**	$300,300	$ 2,750,000	$31,048,555	$34,098,855
Total profit and comprehensive income	-	-	7,263,358	7,263,358
Dividends ($45.00 per share)	-	-	(4,725,000)	(4,725,000)
Balance as at **December 31, 2015**	300,300	2,750,000	33,586,913	36,637,213
Total profit and comprehensive income	-	-	6,781,236	6,781,236
Dividends ($43.00 per share)	-	-	(4,515,000)	(4,515,000)
Balance as at **December 31, 2016**	$300,300	$ 2,750,000	$35,853,149	$38,903,449

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

LAURENTIDE INSURANCE AND MORTGAGE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Expressed in Bahamian dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Total profit and comprehensive income	$ 6,781,236	$ 7,263,358
Adjustment for interest income	(2,561,499)	(2,383,793)
Decrease (increase) in other assets	49	(1,049)
Increase in life assurance fund liability	453,712	405,599
Decrease in other liabilities	(15,700)	(31,465)
Net cash from operating activities	4,657,798	5,252,650
CASH FLOWS FROM INVESTING ACTIVITIES:		
Advances to Parent	(2,015,805)	(1,015,912)
Interest received	2,561,777	2,383,515
Net cash from investing activities	545,972	1,367,603
CASH FLOWS FROM FINANCING ACTIVITY:		
Dividends paid	(4,515,000)	(4,725,000)
NET INCREASE IN DEPOSIT - PARENT	688,770	1,895,253
DEPOSIT - PARENT, BEGINNING OF YEAR	5,081,739	3,186,486
DEPOSIT - PARENT, END OF YEAR	$ 5,770,509	$ 5,081,739

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

(Expressed in Bahamian dollars)

1. INCORPORATION AND ACTIVITY

Laurentide Insurance and Mortgage Company Limited ("the Company"), is a wholly-owned subsidiary of Commonwealth Bank Limited (the "Parent").

The Company is incorporated under the laws of the Commonwealth of The Bahamas and is a Registered Life Assurance Company. The principal business of the Company is to provide credit life assurance in respect of borrowers from its Parent.

The registered office is located at GTC Corporate Services Limited, P.O. Box SS-5383, Nassau, The Bahamas.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

In the current year, the Company adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on January 1, 2016.

New standards	
IFRS 14	Regulatory Deferral Accounts
	Amended standards
IFRS 5	Amendments resulting from September 2014 annual improvements to IFRSs
IFRS 7	Amendments resulting from September 2014 annual improvements to IFRSs
IFRS 10 & IAS 28	Amendments to clarify the accounting for the loss of control of a subsidiary when the subsidiary does not constitute a business
IFRS 11	Amendments to clarify the accounting for the acquisition of an interest in a joint operations when the activity constitute a business
IAS 16 & IAS 38	Amendments to clarify acceptable methods of depreciation and amortisation
IAS 27	Amendments to allow the application of the equity method in separate Financial Statements

IFRS 10, IFRS 12 and IAS 28	Amendments to clarify the application of the Consolidation exception for Investment Entities
IAS 1	Amendments to IAS 1 - Disclosure Initiative
IAS 19, IAS 34	Amendments resulting from September 2014 Annual improvements to IFRSs

NEW ACCOUNTING STANDARDS AND IFRS INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date indicated.

New and amended Standards		**Effective for annual periods beginning on or after**
IFRS 2	Amendments to clarify the classification and measurement of share-based payment transactions	1 January 2018
IFRS 4 and IFRS 9	Amendments regarding the interaction of IFRS 4 and IFRS 9	1 January 2018
IFRS 7	Additional disclosures (and consequential amendments) resulting from IFRS 9	Concurrent with adoption of IFRS 9
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(*)
IFRS 16	Leases	1 January 2019
IAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 7	Disclosure initiative	1 January 2017
IFRS 15	Clarification to IFRS 15	1 January 2018

(*) In December 2015, the IASB deferred the effective date indefinitely; nevertheless, the amendments are available for earlier adoption.

The Directors anticipate that the adoption of these standards, with the exception of IFRS 9, will have no material impact on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance - These financial statements have been prepared in accordance with International Financial Reporting Standards.

Basis of preparation - These financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. The principal policies are set out below:

a. ***Recognition of income***

   i. ***Interest revenue*** is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

   ii. ***Premium income*** is recognized at the time a policy becomes in force. Each policy is paid in full for the term of contract. The maximum term of any contract is 72 months.

   iii. ***Refunds*** on unexpired insurance contracts are allowed on early withdrawal using the "Rule of 78" method.

   iv. ***Commission expenses*** incurred on premium income are recognized at the time a policy becomes in force.

b. ***Death claims*** - Death claims are charged to income after the claims are verified by the Company. Claims that are incurred but not yet reported are included in the life assurance fund liability and charged to income.

c. ***Related parties*** - Related parties include:

   i. Key Management Personnel, close family members of Key Management Personnel, and entities which are controlled individually and/or jointly, or significantly influenced, or for which significant voting power is held, by Key Management Personnel or their close family members; or

   ii. Non Key Management Personnel who have significant influence over the Company or its Parent and their close family members. Non Key Management Personnel who control in excess of 5% of the outstanding common shares of the Company or its Parent are considered to have significant influence over the Company.

   Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company or its Parent, being the Officers and Directors of both companies.

   Close family members include the spouse of Key and Non Key Management Personnel and the children and dependents of Key and Non Key Management personnel or their spouse.

d. ***Deposits*** - For the purposes of the Statement of Cash Flows, deposits comprise cash on hand and unrestricted deposits with banks that have original maturities of three months or less.

e. ***Financial assets*** - Financial assets are:

i. Cash;

ii. An equity instrument of another entity;

iii. A contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions favourable to the Company;

iv. A contract that will or may be settled in the Company's own equity instrument and is either a non derivative for which the Company is or may be obliged to receive a variable number of the Company's own equity instruments, or a derivative that will or may be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

Financial assets are classified into the following categories: 'Fair Value Through Profit or Loss' (FVTPL), 'Held-To-Maturity', 'Available-For-Sale' (AFS) and 'Loans and Receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are classified as at FVTPL where the financial asset is either held for trading or is designated as at FVTPL. Financial assets at FVTPL are stated at fair value, with any resulting gain or loss recognized in the statement profit or loss and comprehensive income.

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments.

Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis. Investment income is recorded in interest income in the statement of profit or loss and comprehensive income.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

AFS financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as a) FVTPL, b) held-to-maturity or c) loans and receivables. AFS assets are stated at fair value. Cost is used to approximate Fair Value of AFS assets.

The Company considers that the carrying amounts of financial assets recorded at amortised cost, less any impairment allowance, in the financial statements approximate their fair values.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially, all the risks and rewards of ownership.

f. ***Financial liabilities*** - Financial liabilities are any liabilities that are:

i. Contractual obligations to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company;

ii. A contract that will or may be settled in the Company's own equity instruments and is either a non-derivative for which the Company is or may be obliged to deliver a variable number of its own equity instruments, or a derivative that will or may be settled either than by exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments.

Financial liabilities are classified as either (a) FVTPL or (b) other financial liabilities.

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL. Financial liabilities at FVTPL are stated at fair value with any resulting gain or loss recognized in the statement of profit or loss and comprehensive income.

Other financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method with interest expense recognized on an effective yield basis.

The Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

g. ***Taxation*** - Life assurance premium tax is incurred at the rate of 3% of premiums written.

The Company is required to pay value added tax (VAT) at a rate of 7.5% on goods and services as prescribed by the Value Added Tax Act.

Under the laws of The Bahamas, there are no income taxes, capital gains or other corporate taxes imposed.

h. ***Life assurance fund liability*** - The provisions for actuarial liabilities for individual life insurance policies are determined using accepted actuarial practices established by the Canadian Institute of Actuaries (CIA) and are determined by the Company's Appointed Actuary. The Company calculates its liabilities for individual life assurance policies using the Canadian Policy Premium Method (PPM). The calculation of these policy reserves are based on assumptions as to future rates for mortality and morbidity, investment yields, policy lapse and expenses, which contain margins for adverse deviations. Any changes in the 'life assurance fund liability' are recognized in the Statement of Profit or Loss and Comprehensive Income.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if 4, e revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the judgments and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

a. ***Life assurance fund liability*** - The Company calculates its liabilities for individual life insurance policies using the Canadian Policy Premium Method ("PPM"). The calculation of these policy reserves is based on assumptions as to future rates for mortality and morbidity, investment yields, policy lapse and expenses, which contain margins for adverse deviations.

b. ***Fair value of financial instruments*** - Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The best evidence of fair value is quoted price in an active market. In most cases, however, the financial instruments are not typically exchangeable or exchanged and therefore it is difficult to determine their fair value. In these cases, the Company considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

   IFRS 7 requires that the classification of financial instruments at fair value be determined by reference to the source of inputs used to derive the fair value. This classification uses the following three- level hierarchy:

   Level 1 Quoted Prices (unadjusted) in active markets for identical assets or liabilities.

   Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from the prices).

   Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

   Since the calculation of fair value is based on management's estimates, which involve uncertainties, the actual fair value realised in a sale or immediate settlement of the instruments may differ from the estimated amount. The use of the above hierarchy acts as an indicator of the potential variance of the actual amount realized to the estimated amount in each group of financial instruments.

5. FINANCIAL INSTRUMENTS

The following table analyses the carrying amounts of financial assets and financial liabilities as defined by IAS 39 Financial Instruments: Recognition and Measurement:

	2016			
	Held-To-Maturity	Loans and Receivables	Other Financial Liabilities	Total
FINANCIAL ASSETS				
Deposit - Parent (Note 9)	$ -	$ 5,770,509	$ -	$ 5,770,509
Investments (Note 6)	$40,055,034	$ -	$ -	$ 40,055,034
Due from Parent (Note 9)	$ -	$ 6,487,835	$ -	$ 6,487,835
FINANCIAL LIABILITIES				
Life assurance fund liability (Note 7)	$ -	$ -	$ 13,267,872	$ 13,267,872

	2015			
	Held-To-Maturity	Loans and Receivables	Other Financial Liabilities	Total
FINANCIAL ASSETS				
Deposit - Parent (Note 9)	$ -	$ 5,081,739	$ -	$ 5,081,739
Investments (Note 6)	$40,055,312	$ -	$ -	$ 40,055,312
Due from Parent (Note 9)	$ -	$ 4,472,030	$ -	$ 4,472,030
FINANCIAL LIABILITIES				
Life assurance fund liability (Note 7)	$ -	$ -	$ 12,814,160	$ 12,814,160

At December 31, 2016 there were no assets classified as available for sale nor any assets or liabilities that were classified at FVTPL (2015: $0).

The following table shows income statement information on financial instruments:

	2016	2015
Income		
Loans and receivables	$ 616,335	$ 443,944
Held-to-Maturity	1,945,164	1,939,849
	$ 2,561,499	$ 2,383,793

6. INVESTMENTS

Investments are as follows:

	Maturity	2016	2015
Bahamas Government Registered Stock			
Prime + 5/32 %	2019	$ 175,500	$ 175,500
Prime + 1/24 %	2019	5,000,000	5,000,000
4.125% Fixed	2022	1,500,000	1,500,000
Prime + 1/4 %	2022	85,500	85,500
Prime + 3/16 %	2022	21,400	21,400
Prime + 13/32 %	2022	21,400	21,400
Prime + 7/32 %	2023	537,800	537,800
Prime + 3/8 %	2023	104,200	104,200
Prime + 11/32 %	2023	94,000	94,000
Prime + 9/32 %	2023	72,700	72,700
Prime + 5/16 %	2024	25,700	25,700
Prime + 9/32 %	2025	306,100	306,100
Prime + 5/16 %	2026	1,246,700	1,246,700
Prime + 5/16 %	2027	651,000	651,000
Prime + 9/64 %	2029	27,400	27,400
Prime + 5/32 %	2030	4,497,200	4,497,200
Prime + 11/32 %	2031	673,800	673,800
Prime + 11/64 %	2031	72,600	72,600
Prime + 3/8 %	2032	1,414,600	1,414,600
Prime + 13/32 %	2032	109,300	109,300
Prime + 3/16 %	2032	228,700	228,700
Prime + 1/8 %	2032	505,400	505,400
Prime + 3/32 %	2032	1,349,900	1,349,900
Prime + 13/32 %	2033	1,073,900	1,073,900
Prime + 7/16 %	2033	173,500	173,500
Prime + 13/64 %	2033	700,300	700,300
Prime + 7/32 %	2034	2,289,300	2,289,300
Prime + 7/48 %	2034	9,263,300	9,263,300
Prime + 15/64 %	2035	1,931,000	1,931,000
Prime + 19/32 %	2036	428,700	428,700
Prime + 1/4 %	2036	1,196,300	1,196,300
Prime + 5/8 %	2037	890,900	890,900
Prime + 17/96%	2037	736,700	736,700
		37,404,800	37,404,800

(Continued)

The Mortgage Corporation Bonds			
Prime	2024	$ 500,000	$ 500,000
Prime + 1/4%	2029	500,000	500,000
Prime + 1/2%	2034	1,000,000	1,000,000
		2,000,000	2,000,000
Accrued interest receivable		650,234	650,512
Total investments		$40,055,034	$40,055,312

Investments include $2,289,300 in Bahamas Government Registered Stock held in trust by The Insurance Commission of The Bahamas pursuant to Section 43(2) of The Insurance Act 2005 and paragraph 62 of the Insurance (General) Regulations, 2010.

(Concluded)

7. LIFE ASSURANCE FUND LIABILITY

An actuarial valuation of the life assurance fund liability was conducted as at December 31, 2016 by Oliver Wyman of Toronto, Canada. The valuation included a provision of $103,749 (2015: $173,017) for claims incurred but not yet reported. The Company's experience is that death claims are normally settled within one year of the reporting period.

	2016	**2015**
Life assurance fund liability, beginning of year	$12,814,160	$12,408,561
Net change during the year	453,712	405,599
Life assurance fund liability, end of year	$13,267,872	$12,814,160

Actuarial Assumption Sensitivities:

The table below provides the impact of a 10% change in assumptions on mortality rates, policy lapse rates, loan interest rates, expenses and inflation

Scenario	Mortality per $1,000	Lapse Rate	Loan Interest Rate	Expense per Policy	Inflation Rate	Initial Interest Rate	Ultimate Interest Rate	Total Reserve (B$000)	B$ Increase over Base	% Increase over Base
Base 2015	4.5	54%	16.20%	13.86	3.30%	3.90%	3.25%	13,164		
Lower Interest Rate	4.5	54%	16.20%	13.86	3.30%	3.51%	2.93%	13,204	41	0.3%
Mortality = 4.95	5.0	54%	16.20%	13.86	3.30%	3.90%	3.75%	13,380	216	1.6%
Lapse = 59.40%	4.5	59%	16.20%	13.86	3.30%	3.90%	3.75%	13,537	313	2.8%
Loan Interest = 17.82%	4.5	54%	17.82%	13.86	3.30%	3.90%	3.75%	13,175	10	0.1%
Expenses = 15.25	4.5	54%	16.20%	15.25	3.30%	3.90%	3.75%	13,217	53	0.4%
Inflation = 3.63%	4.5	54%	16.20%	16.86	3.63%	3.90%	3.75%	13,167	3	0.0%

8. RELATED PARTY TRANSACTIONS AND BALANCES

During the year the Company paid commissions of $1,672,161 (2015: $1,871,750) to its sister company for selling credit life assurance on behalf of the Company to borrowers from the Parent.

The deposit with Parent and due from Parent balances earn interest at the Bahamian prime rate of 4.75% (2015: 4.75%). The due from Parent balance has no fixed terms of repayment.

The Company pays an annual management fee of $300,000 (2015: $300,000) to its Parent for undertaking its administrative activities.

9. RISK MANAGEMENT

Capital risk management - The Company manages its capital to ensure that it exceeds regulatory capital requirements and will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's risk management structure promotes making sound business decisions by balancing risk and reward. It promotes revenue generating activities that are consistent with the risk appetite of the Company, the Company's policies and the maximization of shareholders' return.

The capital structure of the Company consists of equity attributable to the common equity holders of the Company, comprising issued capital and retained earnings. The Company's Board reviews the capital structure at least annually. The Company manages its capital structure through the payment of dividends, new share issues and capital contributions.

The Company is licensed to conduct long term insurance business under The Insurance Act 2005 (the "Act").

Under paragraph 60(1)a of The Insurance (General) Regulations, 2010 (the "Regulations") an insurance company is required to have a minimum paid-up and unencumbered share capital of not less than three million dollars. As at December 31, 2016 the Company has $300,000 (2015: $300,300) in share capital and $2,750,000 (2015: $2,750,000) in contributed surplus. The Company's board passed a resolution on December 6, 2011 making the contributed surplus non-distributable.

The Company is required to establish and maintain a minimum statutory deposit of $2 million, such deposit to be held in trust pursuant to section 43(2) of the Act and paragraph 62 of the Regulations. The LIM Statutory Reserve Trust was established on December 20, 2011 with assets valued at $2,289,300 as at December 31, 2016 (2015: $2,289,300).

The Company is required to maintain a solvency margin pursuant to paragraph 90 of the Regulations. For the purposes of the Regulations, margin of solvency means the excess of the value of its admissible assets over the amount of its liabilities. The required margin of solvency is the greater of (a) twenty per cent of the premium income, including annuity premiums, in its last financial year; or (b) five hundred thousand dollars, plus the minimum amount of capital required. As at December 31, 2016, the minimum margin of solvency was $6,344,321 (2015: $6,743,500). The Company's solvency margin at December 31, 2016 was $26,642,022 (2015: $26,907,294) resulting in a surplus of $20,297,701 (2015: $20,163,794).

Paragraph 68 of the Regulations stipulates that of the value of the admissible assets which the Company must at any time have in order to maintain the minimum margin of solvency required by the Act, at least sixty per cent shall be in the form of qualifying assets. As at December 31, 2016, the Company had $40,066,034 (2015: $40,055,312) in qualifying assets and $40,055,034 (2015: $40,055,312) in admissible assets as defined under paragraphs 70 and 72 of the Regulations, respectively.

The Company's strategy is unchanged from 2015.

Operational risk - Operational risk is the potential for loss resulting from inadequate or failed internal processes or systems, human error or external events not related to credit, market or liquidity risks. The Company manages this risk by maintaining a comprehensive system of internal control and internal audit, including organizational and procedural controls. The system of internal control includes written communication of the Company's policies and procedures governing corporate conduct and risk management; comprehensive business planning; effective segregation of duties; delegation of authority and personal accountability; careful selection and training of personnel and sound and conservative accounting policies, which are regularly updated. These controls and audits are designed to provide the Company with reasonable assurance that assets are safeguarded against unauthorized use or disposition, liabilities are recognized, and the Company is in compliance with all regulatory requirements.

Liquidity risk - Liquidity risk is the potential for loss if the Company is unable to meet financial commitments in a timely manner at reasonable prices as they fall due. Financial commitments include liabilities to policy holders, suppliers and investment commitments. All 'other liabilities' are due on demand and claims are payable on the occurrence of the claims, which principally results in short-term cash outflows. The remaining 'life assurance fund liability' could result in cash outflows within one year.

The Company manages liquidity and funding risk by ensuring that sufficient liquid assets and funding capacity are available to meet regulatory requirements and financial commitments, even in times of stress. The Board of Directors oversees the Company's liquidity and funding risk management framework. Except for certain investments (Note 6), all assets could result in cash inflows within one year.

Interest rate risk - Interest rate risk is the potential for a negative impact on the Statement of Financial Position and/or Statement of Comprehensive Income arising from adverse changes in the value of financial instruments as a result of changes in interest rates.

Interest rate risk or interest rate sensitivity results primarily from differences in the maturities or repricing dates of assets and liabilities. Interest rate risk exposures, or "gaps" may produce favourable or unfavourable effects on interest margins depending on the nature of the gap and the direction of interest rate movement and/or the expected volatility of those interest rates. When assets have a shorter average maturity than liabilities, an increase in interest rates would have a positive impact on net interest margins, and conversely, if more liabilities than assets mature or are repriced in a particular time interval then a negative impact on net interest margin would result. The gap position shows more assets than liabilities repriced in periods equal to or greater than within three months. The table on page 20 sets out the Company's interest rate risk exposure as at December 31, 2016, and represents the Company's risk exposure at this point in time only.

Insurance risk - Insurance risk is the risk of loss resulting from the occurrence of an insured event. The Company issues contracts for credit life insurance only on loans written by its Parent. All lives insured are debtors under closed-end consumer credit transactions that arise from direct loans with the Parent. No insurance contract is issued on lives over age 59. The amount of life insurance at risk on any one individual is as follows:

Auto loans - Maximum of $10,000 or net indebtedness to Parent
All other loans - Maximum of $20,000 or net indebtedness to Parent

Interest rate sensitivity:

If interest rates increase by 50 basis points and all other variables remain constant, the Company's profit over the next 12 months is estimated to increase by $217 thousand.

If interest rates decrease by 50 basis points and all other variables remain constant, the Company's profit over the next 12 months is estimated to decrease by $217 thousand.

As of December 31, 2015	Repricing date of interest sensitive instruments: Within 3 Months	3 - 6 months	6-12 months	1 - 5 Years	Over 5 years	Non interest rate sensitive	Total
Assets							
Cash equivalents	$ 5,770,509	$ -	$ -	$ -	$ -	$ -	$ 5,770,509
	4.75%	-	-	-	-	-	*4.75%*
Investments	38,526,385	-	-	-	1,528,649	-	40,055,034
	4.87%	*0.00%*	*0.00%*	*0.00%*	*4.13%*	-	*9.00%*
Due from Parent	6,487,835	-	-	-	-	-	6,487,835
	4.75%	0.00%	*0.00%*	*0.00%*	*0.00%*		*4.75%*
Other assets	-	-	-	-	-	3,083	3,083
TOTAL	$ 50,784,729	$ -	$ -	$ -	$ 1,528,649	$ 3,083	$ 52,316,461
Liabilities and equity							
Unearned life assurance	$ -	$ -	$ -	$ -	$ -	$ 13,267,872	$ 13,267,872
Other liabilities	-	-	-	-	-	145,140	145,140
Equity	-	-	-	-	-	38,903,449	38,903,449
TOTAL	$ -	$ -	$ -	$ -	$ -	$ 52,316,461	$ 52,316,461
INTEREST RATE SENSITIVITY GAP	50,784,729	-	-	-	1,528,649	(52,313,378)	-
CUMULATIVE INTEREST RATE SENSITIVITY GAP	**$ 50,784,729**	**$ 50,784,729**	**$ 50,784,729**	**$ 50,784,729**	**$ 52,313,378**	**$ -**	**$ -**
COMPARATIVE 2015	**$ 49,609,081**	**$ 49,609,081**	**$ 49,609,081**	**$ 49,609,081**	**$ 49,609,081**	**$ 1**	**$ 2**
Average Yield - Earning Assets	4.84%	0.00%	0.00%	0.00%	4.13%		**8.00%**
Average Yield - Paying Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%		**0.00%**
Average Margin 2015	4.84%	0.00%	0.00%	0.00%	4.13%		**8.00%**
Average Margin 2015	0.00%	0.00%	0.00%	0.00%	0.00%		**0.00%**

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