HOME MORTGAGE BANK

Annual Report 2007

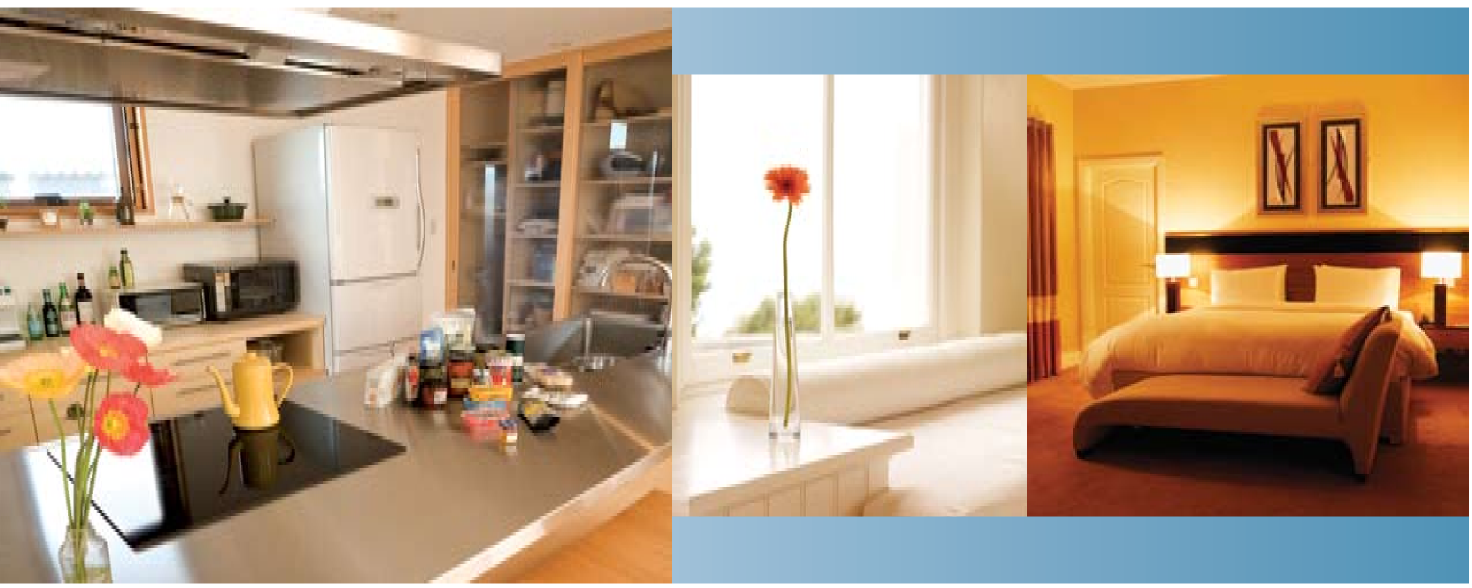
Home Mortgage Bank was created through legislation and enacted by the Parliament of the Republic of Trinidad and Tobago by way of the Home Mortgage Bank Act, Chap. 79:08.

MISSION
STATEMENT

The purposes of the Bank are as follows:

- To develop a mortgage market and maintain a secondary mortgage market in Trinidad and Tobago;
- To contribute to the mobilisation of long-term savings for investment in housing;
- To support the development of a system of real property and housing finance and provide leadership in the housing and home finance industry;
- To promote the growth of the capital market.

Table of Contents



Annual Report 2007

HOME MORTGAGE BANK

CHAIRMAN'S REVIEW

Providing shelter and homeownership for our citizens is essential in contributing to the developed status of the country.

This year 2007, has been yet another profitable year for Home Mortgage Bank with Net Profit After Tax increasing by $7.6 million (20%) to $45.2 million. When adjusted for the profit of $4.7 million on the sale of the shares in the associated bank, the Eastern Caribbean Home Mortgage Bank, the profit increased by 8% over the previous year. These results were achieved in spite of a sluggish mortgage market.

The Shareholders' Equity reached the $200 million mark, with cash and cash equivalents at approximately $1,062.4 million. The Bank is therefore well poised to service the mortgage market and to take advantage of short term investment opportunities as they arise.

In last year's review I had reported that in several residential areas property prices were beyond the reach of the average citizen. This has contributed to a deceleration in mortgage activity in 2007, and with several new developments coming into the market within the next year to two years, I expect that there will be an over-saturation of residential units at the upper end of the market which will inevitably impact property prices. We are already seeing signs of this. While this is occurring in the upper end of the market, it will also impact on the lower levels as well. This may happen in spite of an anticipated strong economy for the year 2008. Supply is exceeding demand thereby creating a buyer's market. Corrective adjustment to prices is something that is required in order to bring some sanity back to property prices and the expectations of developers and homeowners placing their properties on the market.

Records indicate that properties listed for sale remained on the market for longer periods. On the other hand, there was an increase in the refinancing of existing mortgage loans as homeowners continue to take advantage of the substantial equity in their properties in order to access financing for renovations, educational, medical and other expenses. This trend is expected to continue into the new year. Home Mortgage Bank continues to offer all these facilities at its existing rate of 8% without any hidden costs and penalties. Homeowners, however, should be cautioned that the valuable equity in their homes is not eroded by frivolous

L. ANDRÉ MONTEIL ■ Chairman

spending. This is also the responsibility of lenders as it can impact on the quality of their portfolio.

The Central Bank of Trinidad and Tobago must also be commended for its National Financial Literacy Programme which is geared to educate the population in their financial planning and awareness. With regard to mortgage lending, the Central Bank of Trinidad and Tobago has published a *Public Educational Pamphlet – Series 3*, whereby prospective homeowners are guided step-by-step in acquiring financing to purchase their home. Together with this pamphlet, a series of articles was also published in all the daily newspapers to further educate the population in acquiring their home.

The Government's housing thrust continues rapidly with residential units in excess of 26,000 being completed and made available to citizens who were not previously able to acquire their own homes. It is expected that another 8,000 – 10,000 units per year will be delivered to the market place thus enabling more of our citizens to provide proper and permanent shelter for their families.

Providing shelter and homeownership to our citizens is essential in contributing to the developed status of the country as it promotes a feeling of self-worth and confidence in citizens. There are also educational benefits and stability which assist in alleviating some of the social ills afflicting the country. Homeownership will empower citizens to save and invest, thereby making them a stakeholder in the growth of the country. Government must be commended and encouraged to continue with this programme as the benefits will be seen in the years ahead.

During the year we sold our 20% shareholding in the Eastern Caribbean Home Mortgage Bank at a profit of $4.7 million. The Home Mortgage Bank in Trinidad has played its role in assisting the Eastern Caribbean Home Mortgage Bank to establish itself and develop. We played a major part in setting up the Bank and were always represented on the Board. However, having played our role, we felt it was time to sell our shareholding to a regional stakeholder in the Eastern Caribbean. We still maintain a close relationship with the Bank and will continue to support them with advice and/or technical support when requested and wish them every success in the future.

In 2007 the Bank fell under the regulatory authority of the Central Bank of Trinidad and Tobago with its own specific regulations developed for an institution of this type. We have also established our various Corporate Governance Committees as follows:

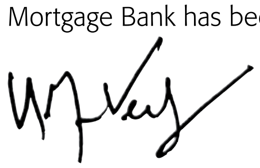
- Audit Committee
- Conduct Review Committee
- Nominations & Remuneration/Compensation Committee
- Risk Management Committee

These Committees are fully functional and have held meetings during the year.

The construction of twenty villas for sale in Tobago Plantations is on-stream. It is expected that the project will be completed during 2008. We will soon start our sales thrust for these villas with the production of brochures, website and other promotional activities.

Mr. Hollis De Four, the Central Bank of Trinidad and Tobago representative on the Board, retired from the Central Bank of Trinidad and Tobago in December 2007 and, accordingly, he has resigned from the Board of Home Mortgage Bank effective December 31, 2007. As Deputy Chairman, Mr. De Four has made a substantial contribution at Board level and he will be missed. I would like to take this opportunity to wish him all the best in his retirement.

In closing, I want to thank my fellow Directors for their continued support and assistance. Our management and staff are to be commended for the effective and professional manner in which the business of Home Mortgage Bank has been carried out.

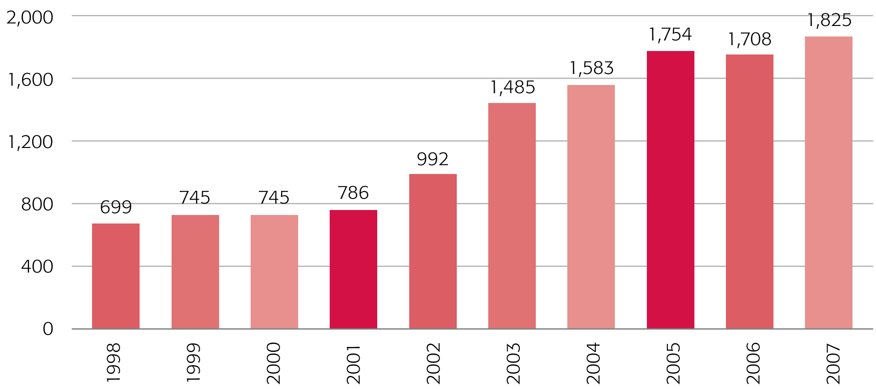


L. André Monteil
Chairman

FIVE YEAR REVIEW

December 31st	2007 $'000	2006 $'000	2005 $'000	2004 $'000	2003 $'000
Balance Sheet					
Retained Mortgage Portfolio	818,355	857,351	746,799	802,322	881,498
Construction Loan Advances	114,277	84,444	31,650	25,486	28,939
Investment Securities	276,018	394,781	306,475	480,899	260,000
Total Assets	2,077,555	1,924,470	1,944,428	1,748,960	1,630,643
Bonds in Issue	1,825,005	1,708,129	1,754,495	1,583,054	1,484,584
Total Liabilities	1,866,344	1,745,410	1,790,949	1,616,755	1,516,056
Share Capital	16,000	16,000	16,000	16,000	16,000
Retained Earnings	183,919	151,399	126,882	106,891	90,069
Income Statement					
Income	165,287	165,556	154,481	143,159	111,468
Profit before Taxation	44,118	38,842	34,933	30,341	24,013
Net Income	45,151	37,581	33,274	29,618	23,122
Operating Expenses	14,453	16,305	12,239	11,913	8,549
Earnings per share	$2.83	$2.34	$2.08	$1.85	$1.45

TEN YEAR OVERVIEW

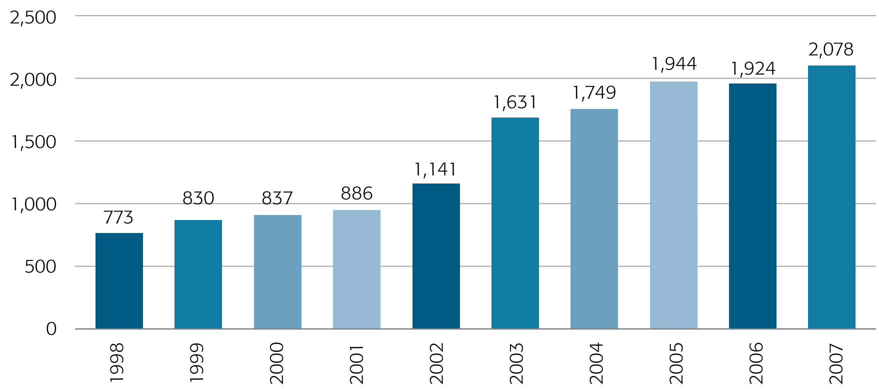


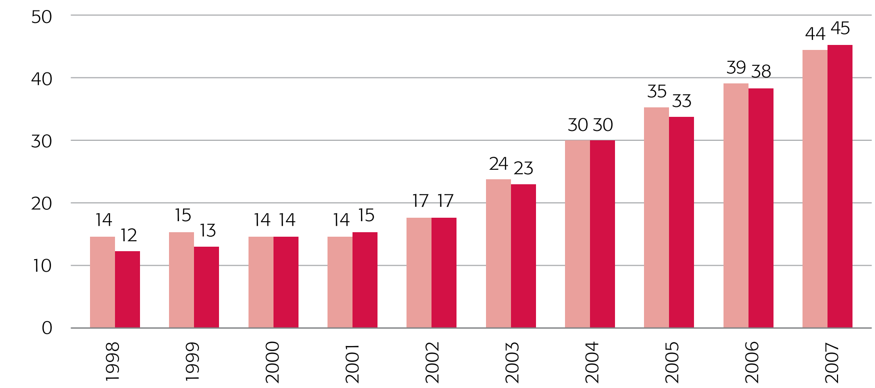
TOTAL BONDS IN ISSUE

$ Millions

TOTAL ASSETS

$ Millions





COMPARATIVE NET INCOME

$ Millions

BOARD OF DIRECTORS

L. ANDRÉ MONTEIL
Chairman

HOLLIS DE FOUR
Deputy Chairman

PETER JOHNSON
Director/CEO

CHERYL F. GREAVES
Director

Mr. Louis André Monteil is no stranger to serving on company boards and his repertoire is an impressive one.

In addition to holding the position of Chairman of Home Mortgage Bank, Mr. Monteil is presently a Director of several group related companies of CL Financial Limited and Caribbean Communications Network.

During the year Mr. Monteil resigned as Chairman of several Boards including the Housing Development Corporation, the Education Facilities Limited and Deputy Chairman of Trinidad & Tobago Mortgage Finance Company Limited.

Mr. Hollis De Four brought to Home Mortgage Bank a wealth of financial, banking and management experience having been employed with the Central Bank of Trinidad and Tobago for over 36 years.

Mr. De Four held the position of Senior Manager, Corporate Services in the Central Bank of Trinidad and Tobago with responsibility for Finance & Accounting, General & Facilities Services and Security.

Mr. De Four retired from the Central Bank of Trinidad and Tobago in December 2007 and accordingly, he has resigned from the Board of Home Mortgage Bank effective December 31, 2007.

Mr. Peter Johnson was recruited to the Bank in March 1987, and was appointed Chief Executive Officer in August 2006. He has considerable experience in the capital and mortgage markets in Trinidad & Tobago.

As a result of HMB selling its shareholding in Eastern Caribbean Home Mortgage Bank (ECHMB), Mr. Johnson resigned as a Director of ECHMB during 2007.

Mrs. Cheryl F. Greaves brings to the Board over 21 years experience in banking, finance and public sector development.

Mrs. Greaves is the Managing Director and Corporate Secretary of Republic Finance and Merchant Bank Limited and is the Deputy Chairman of the National Library and Information System Authority.

Mrs. Greaves also serves on the Board of Directors of Republic Bank (Grenada) Limited, Republic Securities Limited, Republic Investments Limited, Barbados National Bank Finance and Trust Corporation, Barbados National Bank Mortgage Finance Company Limited and London Street Project Company Limited.

CALDER HART
Director

WALTON ALLISON HILTON-CLARKE
Director

GREGORY I. THOMSON
Director

LUCILLE MAIR
Director/Corporate Secretary

Mr. Calder Hart served the Bank for 20 years, then resigned from his position as Chief Executive Officer of the Bank in July 2006.

Mr. Hart is currently the Chairman of the Urban Development Corporation of Trinidad & Tobago Limited, Trinidad & Tobago Mortgage Finance Company Limited, The National Insurance Board and National Insurance Properties Development Company Limited.

Mr. Walton A. Hilton-Clarke is the first Vice President of the Caribbean Employers Confederation and Vice Chairman of the Employers Consultative Association of Trinidad and Tobago.

Mr. Hilton-Clarke is also a Director of the National Insurance Board and Trinidad and Tobago Unit Trust Corporation.

Mr. Gregory I. Thomson is the Deputy Managing Director of Republic Bank Limited with over 31 years experience in banking and finance.

Mr. Thomson is also a member of the board of directors of Republic Finance and Merchant Bank Limited, Republic Bank (Grenada) Limited and several other Republic Bank subsidiaries.

Mrs. Lucille Mair is an Attorney-at-Law and a Partner in the firm Mair and Company, specializing in company, commercial and banking law. Mrs. Mair has vast experience in the regulation and development of the financial and securities sectors and has worked on projects for regional central banks and on various financial legislative matters.

Prior to joining Mair & Co., Mrs. Mair held the positions of Corporate Secretary and Senior Manager at the Central Bank of Trinidad and Tobago. Mrs. Mair was closely involved in the establishment of Home Mortgage Bank and has been Corporate Secretary since inception.

Home Mortgage Bank has formally documented its Code of Conduct and Ethics which has been distributed to all members of the Board and staff.

CORPORATE GOVERNANCE

As a result of the recent amendments to the Home Mortgage Bank Act, the Bank will now be under the supervision and regulation of the Central Bank of Trinidad and Tobago with its own customized regulations.

In accordance with Section 5A of the Home Mortgage Bank Act (Amendment) 2007, the Financial Institutions Supervision Department of Central Bank of Trinidad and Tobago performed its first on-site examination of Home Mortgage Bank in November 2007.

During the last quarter of the 2007 financial year, the following committees were established and approved by the Board of Directors:

(1) Audit Committee

(2) Risk Management Committee

(3) Conduct Review Committee

(4) Nominations Committee

(5) Remuneration/Compensation Committee

Corporate governance guidelines were formulated for each of these committees, circulated for comments and approved by the Board.

The Bank has also formally documented its Code of Conduct and Ethics which has been distributed to all members of the Board and staff of Home Mortgage Bank.

The purpose of each Committee is as follows:

Audit Committee

To assist in monitoring the integrity of the Financial Statements of the Bank and overseeing of the Bank's financial reporting process and systems of internal controls regarding finance, accounting, legal and regulatory compliance.

Risk Management Committee

To assist the Board in overseeing the Bank's risk management, including overseeing the management of credit risk, market risk, liquidity risk and operational risk.

Conduct Review Committee

To assist the Board in its oversight role with respect to:

- conflicts of interest and the use and disclosure of confidential information, including customer and employee information;
- transactions involving related parties;
- standards of business conduct and ethics for Directors, senior management and employees.

Nominations Committee

- Identify individuals qualified to become members of the Board, consistent with criteria approved by the Board.
- Recommend to the Board the slate of Director nominees to be elected by shareholders.
- Recommend directors to be elected by the Board to fill any vacancies.

Remuneration/Compensation Committee

To oversee the Bank's compensation and employee benefit plans and practices, including its executive compensation and incentive-compensation plans.

We are focused on expanding the homeownership base in the country.

RESIDENTIAL MORTGAGE PROGRAMMES

Home Mortgage Bank (HMB) views homeownership as essential to the social fabric of any society, and the home as the most important asset that the majority of our citizens would own. We are focused on expanding the homeownership base in the country. HMB offers a variety of mortgage products to meet the country's growing home financing needs with products ranging from first time homeowner's facilities to Reverse Mortgages for the elderly.

HMB's mortgage facilities are offered at a competitive rate currently 8% while rates existing in the market place now start at 8.75%.

The main features of the Bank's mortgage facilities are:

- 8% mortgage interest rate
- 8% interest rate on bridging finance
- Up to 95% financing
- No origination fee
- No penalties for early prepayment of loans
- Lump sum payments allowed without penalty
- No maximum loan amount
- No upper limits on income

The mortgage products offered by HMB include:

Home Acquisition Mortgages

The Bank's Home Acquisition facility is the standard product that is offered for the purchase of a home. HMB also offers, to those eligible, the Government's legislated First Time Homeowners' facility (Approved Mortgage Company Mortgages) that allows borrowing at preferential rates. This facility however has restrictions including limits on the price/value of the property.

Land Acquisition Mortgages

Apart from providing for home acquisition mortgages, the Bank also offers Land Acquisition loans to facilitate the purchase of land which would ultimately be used for the construction of a home. This facility is suited to those who wish to purchase land and build at a later date.

Construction Mortgages

HMB's construction loan facility, including Bridging Finance, is geared to assist with the construction of a home. The Bank has always offered this facility at the mortgage takeout rate as opposed to a higher bridging rate on construction which is offered by other lenders. This facility is also extended to residential developers.

Equity Mortgages

Over the years, homeowners would have built up substantial equity in their homes. To assist these homeowners to access this equity, the Bank offers a facility which allows homeowners to raise funds for a number of purposes including home improvement, education expenses, medical expenses, debt consolidation and refinancing.

Reverse Mortgages

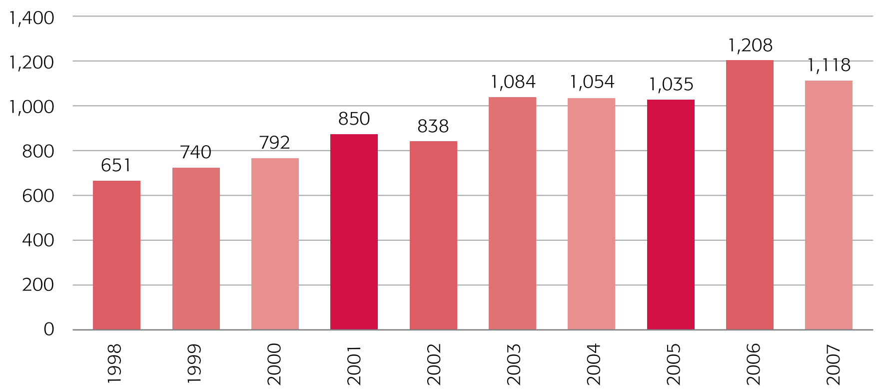
As a hybrid to equity mortgages, HMB offers a Reverse Mortgage facility whereby qualifying individuals can convert the equity in their homes into a source of income for renovations, medical expenses, supplemental income and so on. HMB is the only mortgage institution in the region to offer this mortgage facility to individuals 62 years and over.

The Future Outlook

Home Mortgage Bank will continue to offer the most competitive mortgage rates and terms in the mortgage market as a means of ensuring that the Bank's mandate for the provision of affordable mortgage financing to the citizens of Trinidad and Tobago is fulfilled.

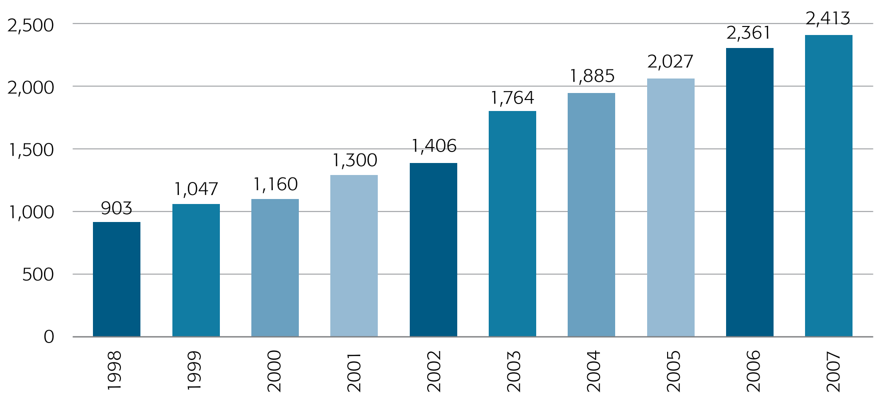
In the coming year the Bank plans to increase its advertising not only in the print media, but also in the electronic media, in an attempt to brand ourselves and grow the mortgage and investor base.

The following graphs show a ten year overview of the Mortgage Portfolio under Administration and Mortgage Purchases for the period 1998 to 2007.



MORTGAGE PORTFOLIO SERVICED

$ Millions



ACCUMULATED VALUE OF MORTGAGES PURCHASED

$ Millions

As HMB looks to the future, it will continue to expand its investor base and enhance its Fundraising Instruments.

FUNDRAISING PROGRAMMES

Liquidity Analysis and Investor Base

Intensified open market operations led the Central Bank of Trinidad and Tobago to the withdrawal, on a net basis, of $6.6 billion in 2007 compared with $626 million in 2006, while an additional $1.7 billion was removed from the system through the auction of long-term government bonds, the proceeds of which were sterilized at the Central Bank of Trinidad and Tobago.

The sale of foreign exchange also assisted with liquidity absorption. These actions resulted in a decline in the average level of excess reserves to $256 million in 2007 from $406 million in 2006. This tightening was reflected in increased activity in the interbank market.

Commercial banks also accessed the "Repo" window at the Central Bank of Trinidad and Tobago more frequently to meet their financial needs. The relatively tight monetary policy stance has impacted short-term interest rates, which trended upwards in 2007.

The discount rate on the three-month treasury bills increased to 7% in December 2007 from 6.74% in December 2006, while the interbank rate rose from an average of 6.19% in 2006 to 7.23% in 2007.

During the year, HMB would continue the strategy of diversifying the funding base to include more individuals in the Mortgage Participation Fund. This strategy was started in 1999 with the introduction of the Collateralized Mortgage Obligation (CMO) product and continues with the Mortgage Participation Fund (MPF) product. The interest rate on the Fund has increased from 6.5% to 7% per annum effective January 1, 2008 to remain attractive to investors.

The MPF continues to attract the individual investor because of the rate offered and the attractive terms of the product.

HMB has a range of Fundraising Instruments which are developed to meet the varying demands of the market place. These Instruments are registered with the Securities and Exchange Commission, the Inspector of Financial Institutions/Supervisor of Insurance and the Commissioner of Co-operatives.

These Instruments are categorized as follows:

Tax Free Bonds

HMB has the ability to issue up to $600 million in tax free bonds whereby the interest paid on these bonds is tax free to investors. The bonds comprise of a series of short and medium term issues and are attractive to the corporate community including commercial banks and general insurance companies. The Bonds are registered with the Securities and Exchange Commission and also qualify as a suitable asset for both the Statutory Deposit and Statutory Fund of Insurance Companies.

Taxable Bonds

HMB can issue an unlimited amount of taxable bonds. The interest paid on these bonds is taxable in the hands of the investors. They are generally long term in nature and Pension Fund Plans have found them very attractive as they offer a competitive rate of return and fit the investment profile of Pension Plans.

Again, these bonds are all registered with the Securities and Exchange Commission and also qualify as a suitable asset for both the Statutory Deposit and Statutory Fund of Insurance Companies.

Guaranteed Mortgage Investment Certificate – GareeMICs

This programme was first introduced in 1999 as the first truly structured mortgage-backed security available in the local capital market. GareeMICs, as they are commonly called, are secured/collateralized by a specific pool of mortgages and are referred to as Collateralised Mortgage Obligations – CMOs.

These securities are structured to meet a wide array of investors' needs by offering investments with different principal repayment and interest terms. The GareeMIC programme is very flexible and can be used to satisfy varying investor needs and portfolio objectives. They provide the investing public the opportunity to diversify into mortgage-backed assets without having to commit to long term individual mortgages.

These investments are registered with the Securities and Exchange Commission and approved by the Supervisor of Insurance as a suitable asset in the context of Section 46 and 186(1) of the Insurance Act, 1980.

Mortgage Partifipation Fund – MPF

This fund was launch in December 2001 following the successful acceptance of the GareeMIC Programme.

The MPF is a mutual fund backed by mortgages and is structured along the lines of a money market fund. Interest accrues daily and investors can access their money without penalty. Investors have the choice of reinvesting their interest or receiving the monthly income via cheque or direct deposit to their bank account.

The fund is registered with the Securities and Exchange Commission. The Inspector of Financial Institutions has confirmed that the fund satisfies the requirements of the Insurance Act, 1980, as a suitable asset in which funds of Insurance Companies and Pension Fund Plans may be invested.

The Future Outlook

As HMB looks to the future, it will continue to expand its investor base and enhance its Fundraising Instruments.

CORPORATE INFORMATION

Management

Peter Johnson
Director/Chief Executive Officer

Rawle Ramlogan
Manager, Securities and Investments

Sharmila Mahase
Manager, Mortgage Operations

Laurette Kam Hong
Manager, Accounting and Administration

Company Secretary/Director

Lucille Mair

Registered Office

Home Mortgage Bank
14th Floor, Central Bank Tower,
Eric Williams Plaza, Port of Spain
Trinidad, W.I.

Auditors

Ernst & Young
5 – 7 Sweet Briar Road, Port of Spain

Attorneys–At–Law

Pollonais, Blanc, de la Bastide and Jacelon
17 – 19 Pembroke Street, Port of Spain

Bankers

Republic Bank Limited
Independence Square, Port of Spain

Trustee, Registrar and Paying Agents for Bond Issues

Republic Bank Limited
Trust and Asset Management Division (Trustee)

Republic Finance and Merchant Bank Limited
(Registrar and Paying Agents)

Republic House
9 – 17 Park Street, Port of Spain

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and the Audited Consolidated Financial Statements for the year ended 31st December, 2007

FINANCIAL RESULTS	$ 000's
Net Profit before taxation	44,118
Taxation	1,033
Net Profit for the year	45,151
Retained earnings at the beginning of the year	151,399
	196,550
Less/Add:	
Transfer from mortgage risk reserve	369
Dividends – Final (2006) 45%	(7,200)
Dividends – Interim (2007) 36%	(5,800)
Retained earnings at the end of the year	183,919

Dividends

An interim dividend of $0.36 per share was paid on August 13, 2007 and the Directors have declared a final dividend of $0.65 per share making a total distribution of $1.01 per share for the financial year. The final dividend has not been booked in these Consolidated Financial Statements as they were declared at a Directors' meeting held on March 4, 2008.

Directors' Interest

Colonial Life Insurance Company (Trinidad) Limited sold its 43.75% shareholding in Home Mortgage Bank to Stone Street Capital Limited. Mr. André Monteil, Chairman of Home Mortgage Bank, is a shareholder of Stone Street Capital Limited.

No other Directors holds shares in the Bank.

No Director had, during the year, or at the end of the year, any interest in any contract pertaining to the Bank's business.

Auditors

The auditors, Ernst & Young, retire, and being eligible, offer themselves for re-appointment.

BY ORDER OF THE BOARD

Lucille Mair
Company Secretary

April 15, 2008

SHAREHOLDERS

The stated capital is 16,000,000 ordinary shares to a value of $16,000,000, subscribed as follows at 31st December, 2007:

Institution	Amount	
	$	%
Stone Street Capital Limited	7,000,000	43.8
Republic Bank Limited	3,840,000	24.0
Central Bank of Trinidad and Tobago	2,400,000	15.0
The National Insurance Board	1,200,000	7.5
The Bank of Nova Scotia Trinidad and Tobago Limited	960,000	6.0
TATIL Life Assurance Limited	500,000	3.1
British American Insurance Company (Trinidad) Limited	100,000	0.6
	$16,000,000	100.0

AUDITORS' REPORT

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
HOME MORTGAGE BANK

We have audited the consolidated financial statements of Home Mortgage Bank and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31st December, 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31st December, 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Port of Spain,
TRINIDAD:
January 31, 2008

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000)

Assets	Notes	2007 $'000	2006 $'000
Cash and short term funds	4	786,410	527,611
Investment securities	5	276,018	394,781
Interest receivable and sundry debtors		35,072	23,374
Lands for development	6	42,537	26,456
Construction loan advances	7	114,277	84,444
Retained mortgage portfolio	8	818,355	857,351
Investment in associated bank	9	–	7,739
Property and equipment	10	1,630	1,844
Capitalised bond issue costs	11	807	870
Deferred tax asset	12	2,119	–
Taxation recoverable		330	–
Total assets		2,077,555	1,924,470
Liabilities			
Taxation payable		–	97
Other liabilities	13	39,978	36,915
Bonds in issue	14	1,825,005	1,708,129
Deferred income tax liability	12	1,361	269
		1,866,344	1,745,410
Shareholders' equity			
Stated capital	15	16,000	16,000
Retained earnings		183,919	151,399
		199,919	167,399
Mortgage risk reserves	16	11,292	11,661
		211,211	179,060
Total liabilities and shareholders' equity		2,077,555	1,924,470

The accompanying notes on pages 23 to 47 form an integral part of these consolidated financial statements.

These consolidated financial statements were approved by the Board of Directors on January 31, 2008 and signed on its behalf by:

Director

Director

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000)

Income	Notes	2007 $'000	2006 $'000
Mortgage interest (net)		76,894	69,277
Interest income		87,393	94,247
Sundry income		1,000	2,032
		165,287	165,556
Expenditure			
Bond expenses and other costs		114,055	115,137
General and administrative expenses	17	14,453	16,305
Write back of provision for loan losses	8	(2,440)	(3,864)
		126,068	127,578
Operating profit		39,219	37,978
Share of profits from associated bank		180	864
Profit on sale of shares in associated bank		4,719	–
Net profit before taxation		44,118	38,842
Taxation	18	1,033	(1,261)
Profit attributable to equity holders of the Parent		45,151	37,581
Earnings per share ($)		2.83	2.34
Number of shares ('000)		16,000	16,000

The accompanying notes on pages 23 to 47 form an integral part of these consolidated financial statements.

CONSOLIDATED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000)

	Stated capital $'000	Retained earnings $'000	Mortgage risk reserves $'000	Shareholders' equity $'000
Balance at 31st December, 2005	16,000	126,882	10,597	153,479
Net profit for the year	–	37,581	–	37,581
Transfer to mortgage risk reserve	–	(1,064)	1,064	–
Dividends – Final (2005) $0.45	–	(7,200)	–	(7,200)
Dividends – Interim (2006) $0.30	–	(4,800)	–	(4,800)
Balance at 31st December, 2006	16,000	151,399	11,661	179,060
Net profit for the year	–	45,151	–	45,151
Transfer from mortgage risk reserve	–	369	(369)	–
Dividends – Final (2006) $0.45	–	(7,200)	–	(7,200)
Dividends – Interim (2007) $0.36	–	(5,800)	–	(5,800)
Balance at 31st December, 2007	16,000	183,919	11,292	211,211

The accompanying notes on pages 23 to 47 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000)

Cash flows from operating activities	2007 $'000	2006 $'000
Net profit before taxation	44,118	38,842
Adjustments for:		
Depreciation (net)	560	579
Bond issue costs amortised	136	134
(Gain)/loss on sale of fixed assets	(2)	18
Profit on sale of shares in associated bank	(4,719)	–
Share of profits from associated bank	(180)	(864)
Operating profit before working capital changes	39,913	38,709
(Increase)/decrease in interest receivable and sundry debtors	(11,698)	1,264
Increase in other liabilities	2,530	1,046
Corporation taxes paid	(421)	(1,533)
Net cash generated from operating activities	30,324	39,486
Cash flows from investment activities		
Net decrease in short term funds	161,363	550
Sale of investments securities – available for sale	75,664	64,467
Decrease/(increase) in investment securities – held to maturity	43,099	(152,773)
Net decrease in guaranteed mortgage securities	(12,542)	(13,050)
Net (decrease)/increase in mortgage participation fund	(33,673)	82,032
Purchase of mortgages	(56,614)	(334,165)
Proceeds from repayment on mortgages	141,825	154,631
Purchase of fixed assets	(536)	(630)
Proceeds from sale of fixed assets	192	255
Development costs on land	(16,081)	(6,064)
Increase in construction loan advances	(29,833)	(52,794)
Net cash generated from/(used in) investing activities	272,864	(257,541)

The accompanying notes on pages 23 to 47 form an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000)

Cash flows from financing activities	2007 $'000	2006 $'000
Proceeds from bonds issued	234,357	37,060
Redemption of bonds	(117,481)	(83,426)
Bond issue costs incurred	(73)	(39)
Proceeds from sale of shares in associated bank	12,638	–
Dividends received from associate	–	450
Dividends paid on share capital	(13,000)	(12,000)
Net cash generated from/(used in) financing activities	116,441	(57,955)
Net increase /(decrease) in cash and cash equivalents	419,629	(276,010)
Cash and cash equivalents		
- at the beginning of the year	127,761	403,771
- at the end of the year	547,390	127,761
Represented by:		
Cash and cash equivalents	547,976	127,814
Bank overdraft	(586)	(53)
	547,390	127,761
Supplemental information:		
Interest received during the year	119,612	127,609
Interest paid during the year	113,125	115,316
Dividends received	–	450

The accompanying notes on pages 23 to 47 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000)

1. General information

Home Mortgage Bank (the Bank or Parent) is incorporated in the Republic of Trinidad and Tobago under the Home Mortgage Bank Act 1985 and the subsequent amendments made to the Act through Act No. 17 of 2005 (the Amended Act). Its principal activities are the trading of mortgages made by primary mortgage lenders and the issue of bonds for investment in housing.

Additional legislative changes were made during the year which included the removal of Home Mortgage Bank from the purview of the Financial Institutions Act, 1993. Home Mortgage Bank will be regulated by the Central Bank of Trinidad and Tobago under its own legislation. This legislative change has been passed in both the Upper and Lower Houses of Parliament and received Presidential Assent in February 2007.

The Bank has two subsidiary companies, Tobago Fairways Villas Limited and Tobago Plantation House Limited. These subsidiaries are 100% owned and are incorporated in Trinidad and Tobago under the Companies Act, 1995. The principal activity of these subsidiaries is real estate development.

The registered office of the parent and its subsidiaries is located at 14th Floor, Central Bank Tower, Eric Williams Plaza, Port of Spain.

2. Significant accounting policies

a) Basis of preparation

These consolidated financial statements are expressed in thousands of Trinidad and Tobago dollars and are prepared on a historical cost basis, except for available for sale investments that have been measured at fair value. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions. Actual results can differ from those estimates. Significant accounting judgements and estimates in applying the Group's accounting policies have been described in Note 3.

b) Adoption of IFRS during the year

The accounting policies used are consistent with those of the previous financial years. The Group has applied the IFRS 7: Financial Instruments: Disclosures and IAS 1 – Amendment – Capital Disclosures, which became effective on or after January 1, 2007 (refer to Notes 21 and 22).

The Group has not early adopted IAS 23: Borrowing Costs which becomes effective on or after January 1, 2009. The quantitative impact of the adoption of this standard is currently being evaluated.

The Group has not applied the following IFRS and IFRIC interpretations that have become effective on or after March 1, 2007 as these standards/ interpretations do not apply to the activities of the Group.

- IFRS 8: Operating Segments
- IFRIC 11: IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12: Service Concession Arrangements
- IFRIC 13: Customer Loyalty Programmes
- IFRIC 14/ IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

2. Significant accounting policies (continued)

c) Basis of consolidation

Group

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

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

Subsidiary companies

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

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

Associated company

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group's investment in the associated company is accounted for under the equity method of accounting. This investment is carried in the balance sheet at cost plus post acquisition changes in the Group's share of the associate's net assets, less any impairment in value. The consolidated income statement reflects the share of the results of operations of the associate.

d) Revenue recognition

Income and expenditure are accounted for on the accruals basis with the exception of impaired mortgages.

Accrual of mortgage income ceases when recoverability is doubtful. In these circumstances income is recognised on a cash receipts basis.

e) Financial instruments

The Group's financial assets and financial liabilities are recognised in the balance sheet when it becomes party to the contractual obligation of the instrument. A financial asset is derecognised when the rights to receive the cash flows from the asset have expired or where the group has transferred all the risks and rewards of ownership of the asset. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. All 'regular way' purchases and sales are recognised at settlement date.

Mortgages

These mortgages are primarily personal residential mortgages and are carried at principal outstanding net of adjustments for premiums and discounts on purchase. Premiums and discounts on the purchase of these

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

2. Significant accounting policies (continued)

e) Financial instruments (continued)

Mortgages (continued)

mortgages are amortised over the remaining life of the related pool of mortgages using an amortisation method that in the aggregate, approximates a constant yield over the remaining life of the mortgages.

Construction loan advances

Construction loan advances represent advances made by the Bank or through the Bank's approved lenders to mortgagors on new residential construction and/or to project developers. These advances are stated at the principal balances outstanding and are secured by a first mortgage over real property. On completion of construction these advances are converted to mortgages.

Investment securities

The Group classifies its investment securities into the following categories:

i) Available-for-sale
ii) Held-to-maturity

i) Available-for-sale

Available-for-sale investments are securities which are intended to be held for an indefinite period of time, but may be sold in response to needs for liquidity or changes in interest rates. These investments are initially recognised at cost. After initial recognition, available-for-sale investments are measured at fair value. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is derecognised or until the investment is determined impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement.

ii) Held-to-maturity

Held-to-maturity investments are financial assets with fixed or determined payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortised cost less any provision for impairment.

Financial liabilities

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

f) Guaranteed Mortgage Investment Certificates (GareeMICs) and Mortgage Participation Fund (MPF)

These represent beneficial interests in pools of mortgages held in trust by the Bank. The pools of mortgages are not assets of the Bank, except when reacquired in the event of default.

For GareeMICs, the Bank guarantees the timely payment of principal and interest on the underlying mortgages, whether or not received, together with the full principal balance of any foreclosed mortgages (refer to Notes 8 and 24).

For MPF, the investors earn a stated rate of return (variable) and there are no repayments of capital until investors elect to redeem their investments in part or in full (refer to Notes 8 and 25).

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

2. Significant accounting policies (continued)

g) Lands for development

Lands for development are accounted for at cost plus other direct expenses incurred in the acquisition and the development of these properties (refer to Note 6).

h) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Depreciation is provided at various rates which are estimated to write off the cost of the assets over their useful lives.

The rates used are as follows:

Furniture, fixtures, office machinery and equipment	7½% to 25% on reducing balance
Motor vehicles	25% on (cost)/straight line

i) Capitalised bond issue costs

The costs incurred in the issue of bonds for investment in housing are amortised over the duration of the respective bond issues (Note 11).

j) Pension benefits

The Bank operates a defined contribution pension plan which covers all of its eligible employees. The Bank's contribution expense in relation to this plan for the year amounts to $3,068,559 (2006: $1,825,725).

k) Taxation

Taxes are accounted for on the basis of deferred tax accounting using the liability method. The amount of taxation deferred on account of all material temporary differences is reflected in the taxation expense for the year.

Deferred tax assets related to the carry forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

l) Earnings per share

Earnings per share for each year are computed by relating profit after taxation accruing to shareholders to the weighted average number of shares in issue during the year.

m) Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less and are carried at cost, which approximates market value.

n) Impairment of financial assets

Financial assets are impaired when the carrying value is greater than the recoverable amount and there is objective evidence of impairment. The recoverable amount is the present value of the future cash flows.

All non-performing and individually significant advances are individually reviewed and specific provisions made

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

2. Significant accounting policies (continued)

n) Impairment of financial assets (continued)

for the impaired portion based on the realisable value of the loan collateral and discounted by the original effective interest rate of the loan. The provision made is the difference between the loan balance and the discounted value of the collateral.

Other loan loss requirements that exceed these amounts are dealt with in the mortgage risk reserve as an appropriation of retained earnings.

When all efforts have been exhausted to recover a non-performing loan, that loan is deemed uncollectible and written off against the related provision for loan losses.

3. Significant accounting judgements and estimates in applying the Group's accounting policies

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

Impairment of financial assets

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

Valuation of investments

The Group has applied IAS 39 in its classification of investment securities which requires measurement of securities at fair value. For unquoted instruments and unlisted securities, fair values are estimated using price/ earnings or price/cash flow ratios which have been refined to accommodate the specific circumstances of the issuer.

Deferred tax assets

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

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

4. Cash and short term funds	2007 $'000	2006 $'000
Cash and cash equivalents	547,976	127,814
Fixed deposits with original maturities greater than three months	238,434	399,797
	786,410	527,611

The average effective interest rate on Cash and short term funds for the current year is 8.35% (2006: 9.00%).

5. Investment securities		
a) Held to maturity		
Corporate bonds	246,018	319,117
Government bonds	30,000	–
	276,018	319,117
b) Available for sale		
State owned company securities (at fair value)	–	75,664
Total investment securities	276,018	394,781

The average effective interest rate on Investment securities for the current year is 8.59% (2006: 8.99%).

6. Lands for development		
Balance brought forward	26,456	20,392
Costs incurred for the year	16,081	6,064
Balance carried forward	42,537	26,456

The Bank entered into a fixed price contract for the construction of 20 villas at Petit Trou, Tobago. The Bank has outstanding commitments amounting to $22,797,020 at 31st December, 2007 (2006: $42,151,222).

7. Construction loan advances

These represent advances made through the Bank's approved lenders to mortgagors on new residential construction and/or to project developers. These advances are secured by a first mortgage over real property.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

7. Construction loan advances (continued)	2007 $'000	2006 $'000
Balance brought forward	84,444	31,650
New advances	87,559	396,921
Advances converted to mortgages	(57,726)	(344,127)
Balance carried forward	114,277	84,444

The average effective interest rate on Construction loan advances for the current year is 7.95% (2006: 8.00%).

8. Retained mortgage portfolio		
Principal balances and unamortised discounts:		
Balance at the beginning of the year	1,206,807	1,031,434
Purchases/ transfers from construction loan advances	53,062	330,004
Less: Principal repayments	(141,825)	(154,631)
	1,118,044	1,206,807
Less: Specific provision for doubtful mortgages	(608)	(4,160)
Less: Guaranteed Mortgage Investment Certificates (GareeMICs)	(38,870)	(51,412)
Less: Mortgage Participation Fund	(260,211)	(293,884)
Balance at the end of the year	818,355	857,351
Specific provision for loan losses		
Provision brought forward	4,160	8,321
Write offs	(1,112)	(297)
Net write back to income	(2,440)	(3,864)
Provision carried forward	608	4,160
Represented by:		
Mortgages with recourse	39,987	57,087
Mortgages without recourse	778,368	800,264
Balance at the end of the year	818,355	857,351

The average effective interest rate on the Retained mortgage portfolio for the current year is 8.86% (2006: 8.32%).

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

9. Investment in associated bank	2007 $'000	2006 $'000
Balance at beginning of year	7,739	7,325
Share of current year profit	180	864
Dividends received	–	(450)
Disposal of shares	(7,919)	–
Balance at end of year	–	7,739

Eastern Caribbean Home Mortgage Bank (ECHMB) was formally established in August 1994, in accordance with the ECHMB Act.

In March 2007, the Bank sold its 20% shareholding of twenty thousand F Class shares in the Eastern Caribbean Home Mortgage Bank to CLICO International Life Insurance Limited for a consideration of $12.6 million.

10. Property and equipment	Furniture, fixtures, office machinery & equipment	Motor vehicles	Total 2007 $'000	2006 $'000
Cost				
Balance brought forward	3,159	1,648	4,807	5,244
Additions	132	404	536	630
Disposals	(9)	(766)	(775)	(1,067)
Cost carried forward	3,282	1,286	4,568	4,807
Depreciation				
Balance brought forward	2,340	623	2,963	3,178
Charge for the year	146	414	560	579
Disposals	(8)	(577)	(585)	(794)
Depreciation carried forward	2,478	460	2,938	2,963
Net book value	804	826	1,630	1,844

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

11. Capitalised bond issue costs	2007 $'000	2006 $'000
Balance at the beginning of the year	870	965
Add: Costs incurred during the year	73	39
	943	1,004
Less: Costs amortised during the year	(136)	(134)
Balance at the end of the year	807	870

12. Components of deferred tax asset and deferred tax liability

Deferred income tax asset:		
Tax losses	2,119	–

At December 31, 2007, the Bank had unutilised tax losses amounting to $8,478,059 (2006: nil). These losses have not yet been agreed by the Board of Inland Revenue.

Deferred income tax liability:		
Discount on purchase of Mortgage Pools	1,086	–
Bond issue costs	202	218
Property and equipment	73	51
	1,361	269

Note:

The Bank has adopted the policy of writing off costs incurred in the issue of bonds over the duration of the respective bonds. However, for taxation purposes, these expenses are allowed in the year they are incurred.

13. Other liabilities		
Interest payable on bonds	28,444	25,344
Sundry creditors and accruals	10,084	10,359
GareeMIC holders payable	864	1,159
Bank overdraft	586	53
	39,978	36,915

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

14. Bonds in issue	2007 $'000	2006 $'000
Balance at the beginning of the year	1,708,129	1,754,495
Add: Issues during the year	234,357	37,060
Less: Redemptions during the year	(117,481)	(83,426)
Balance at the end of the year	1,825,005	1,708,129

Notes:

(a) These bonds are secured by debentures created at the time of issue and rank pari-passu over the fixed and floating assets of the Bank. The average effective interest rate on bonds in issue for the current year is 6.64% (2006: 6.60%).

(b) The amounts outstanding on bonds issued are redeemable as follows:

Within 1 year	201,744	117,481
1 to 2 years	232,230	201,744
2 to 3 years	447,060	172,375
3 to 4 years	160,515	337,165
4 to 5 years	180,617	160,515
Over 5 years	602,839	718,849
	1,825,005	1,708,129
(c) Tax free bonds	600,000	600,000
Other bonds	1,225,005	1,108,129
	1,825,005	1,708,129

Under the Home Mortgage Bank Act 1985, the Bank has been authorised to issue tax-free bonds up to $600 million.

15. Stated capital

Authorised

An unlimited number of ordinary shares of no par value.

Issued and fully paid		
16,000,000 ordinary shares of no par value	16,000	16,000

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

16. Mortgage risk reserves

This represents amounts set aside as general provisions based on an evaluation of the portfolio in respect of losses which, although not specifically identified, are known from experience to be present in any such portfolio. These loan loss requirements are dealt with as appropriations of equity.

17. General and administrative expenses	2007 $'000	2006 $'000
Staff costs	8,672	10,448
Accommodation expenses	1,190	911
Other operating expenses	4,591	4,946
	14,453	16,305

Included within general and administrative expenses are the following charges:

Depreciation (net)	560	579
Directors' fees	851	846

18. Taxation charge for the year		
Reconciliation between tax expense and the product of accounting profits multiplied by applicable tax rate:		
Accounting profit	44,118	38,842
Tax at the statutory rate of 25% (2006: 25%)	(11,029)	(9,711)
Tax effect of items that are adjustable in determining taxable profit:		
Tax exempt income	13,008	8,364
Other permanent differences	(946)	86
	1,033	(1,261)
Current year's tax provision:		
Business levy/corporation tax	(253)	(1,114)
Green fund levy	(174)	(173)
Deferred income tax	1,027	26
Prior year over-provision	433	–
Taxation charge for the year	1,033	(1,261)

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

19. Related party transactions and balances

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. 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. For the year ended 31st December, 2007 the bank has not made any provision for doubtful debts relating to amounts owed by related parties.

Outstanding balances	2007 $'000	2006 $'000
Loans, investments and other assets		
CL Financial Group	373,409	298,200
Associates	–	7,739
Directors and key management personnel	14,544	6,451
Provisions for amounts due from related parties	–	–
Bonds in issue and other liabilities		
CL Financial Group	296,060	290,560
Directors and key management personnel	2,553	2,195
Interest and other income		
CL Financial Group	39,534	52,867
Associates	180	864
Directors and key management personnel	1,022	433
Bond Interest and other expense		
CL Financial Group	18,868	19,950
Directors and key management personnel	153	116
Key management compensation		
Short term benefits	2,699	6,885
Post employment benefits	1,937	1,514
Termination payments	–	–

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

20. Mortgage commitments

The Bank has issued standby commitments to purchase mortgages, of which undrawn balances amount to $99,715,582 at 31st December, 2007 (2006: $132,984,738).

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

21. Risk management

The Group's activities are primarily related to the purchase of mortgages from primary mortgage lenders and the sale of mortgages under various investment programmes. The Group accesses the capital market to raise funding to on-lend in the longer term mortgage market. The capital market activity allows the Group to access funding for shorter tenors at lower cost and thereby earning a positive spread in its mortgage activity.

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring. This process of risk management is critical to the Bank's continuing profitability. The Bank is exposed to credit risk, liquidity risk, market risk, interest rate risk and operating risk.

Risk management structure

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

Board of Directors

The Board of directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Risk management committee

The purpose of the committee is to assist the Board in overseeing the bank's risk management, including overseeing the management of credit risk, market risk, liquidity risk and operational risk.

The committee carries out its risk management oversight function by:

- Reviewing and assessing the quality, integrity and effectiveness of the risk management systems.
- Overseeing the development of policies and procedures designed to:
  (a) Define, measure, identify and report on credit, market, liquidity, counter-party and operational risk; and
  (b) Establish and communicate risk management controls throughout the bank.

- Ensuring that the bank has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to pro-actively manage these risks, and to decide the bank's appetite or tolerance for risks.

- Reviewing management reports detailing the adequacy and overall effectiveness of risk management, its implementation by management, reports on internal control and any recommendations and confirm that appropriate action has been taken.

- Providing an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risk.

- Keep the board informed on risk exposures and risk management activities through the submission of periodic reports from management.

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

21. Risk management (continued)

Bank treasury

Bank Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept.

Information compiled is examined in order to analyse, control and identify early risks. Management assesses the appropriateness of the allowance for credit losses on a semi-annual basis. The Board of Directors receives a report of arrears by portfolio on a monthly basis.

Excessive risk concentration

The Bank reviews its residential mortgage concentration to prevent over exposure in any area or any residential housing development.

The Bank manages its investment portfolio by focusing on maintaining a diversified portfolio and concentration percentages.

Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk

Credit risk is the potential for loss due to the failure of a counter-party or borrower to meet its financial obligations. Credit risk arises in the Group's normal trading activity in mortgages. The Group's credit control processes emphasize early detection of deterioration and prompt implementation of remedial action. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counter-parties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counter-parties. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Where the recovery of the outstanding liability may be doubtful or unduly delayed, such accounts are transferred from performing to non-performing status. Loan loss provisions are set aside to cover any potential loss in respect of non-performing mortgages. These provisions are reviewed semi-annually.

The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements.

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

21. Risk management (continued)

Credit risk (continued)

	Gross maximum exposure 2007 $'000	Gross maximum exposure 2006 $'000
Gross mortgage portfolio	1,117,857	1,208,465
Construction advances	114,277	84,444
Investment securities – available for sale	–	75,664
Investment securities – held to maturity	276,018	319,117
Cash and short term funds	786,410	527,611
Total gross financial assets	2,294,562	2,215,301
Mortgage commitments	99,716	132,985
Total	99,716	132,985
Total credit risk exposure	2,394,278	2,348,286

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities,
- For residential lending, mortgages over residential properties.

Management monitors the market value of collateral at the point of granting the mortgage commitment and during its review of the adequacy of the allowance for impairment losses.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

21. Risk management (continued)

Credit quality per class of financial assets

The following tables show the credit quality by the classes of financial assets.

Loans and advances to mortgagors	High grade $000	Standard grade $000	Sub-standard grade $000	Individually impaired $000	Total $000
December 31, 2007					
Balance	1,048,912	61,850	5,496	1,599	1,117,857
	93.8 %	5.5%	0.5%	0.2%	100.%
December 31, 2006					
Balance	1,161,887	38,819	3,274	4,485	1,208,465
	96.1 %	3.2%	0.3%	0.4%	100%

Loans and advances to mortgagors are 'classified' according to the arrears position as at the end of the financial year in addition to other risk factors. High grade advances are where loan payments are up to date. Standard grade advances are no more than six months in arrears and sub-standard advances over six months in arrears. Individually impaired are advances that are being closely monitored and specific provisions made for the impaired portion.

Investment securities	High grade $000	Standard grade $000	Sub-standard grade $000	Individually impaired $000	Total $000
December 31, 2007					
Available for sale	–	–	–	–	–
Held to maturity	276,018	–	–	–	276,018
Total investment securities	276,018	–	–	–	276,018
	100%	–	–	–	100%
December 31, 2006					
Available for sale	75,664	–	–	–	75,664
Held to maturity	319,117	–	–	–	319,117
Total investment securities	394,781	–	–	–	394,781
	100%	–	–	–	100%

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

21. Risk management (continued)

Credit quality per class of financial assets (continued)

Cash and short term funds	High grade $000	Standard grade $000	Sub-standard grade $000	Individually impaired $000	Total $000
December 31, 2007					
Balance	121,420	664,990	–	–	786,410
	15.4%	84.6%	–	–	100.%
December 31, 2006					
Balance	–	527,611	–	–	527,611
	–	100%	–	–	100%

Investment securities and cash and short term funds are graded as 'high grade' where the instruments were issued by Government and government related organisations. Standard grade assets comprise of instruments issued by other reputable financial institutions.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Group from both its loans and advances portfolio and investment securities based on the following:

- 99.3% of the loans and advances portfolio is categorized in the top two grades of the grading system (2006: 99.3%)
- Mortgage loans and advances, which represents 53.6% (2006: 58.4%) of financial assets, are backed by collateral
- 0.1% of the loans and advances portfolio is impaired (2006: 0.4%)
- The fair value of collateral backing the individually impaired loans and advances as at December 31, 2007 was $1,124,000 (2006:$5,168,102)
- An improvement in the credit quality of loans and advances has resulted in favourable write backs of allowances for loan losses in 2007 of $2.4M (2006: $3.9M)

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 180 days or there are any known difficulties in the cash flows of mortgagors or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

21. Risk management (continued)

Credit quality per class of financial assets (continued)

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the availability of other financial support and the realization value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans and advances that are not individually significant and for individually significant loans and advances where there is not yet objective evidence of individual impairment.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: current economic conditions, the approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired.

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk arises from fluctuations of cash flows. The liquidity risk management process ensures that the bank is able to honour all of its financial commitments as they fall due. To limit this risk, management has arranged diversified funding sources in addition to its core investment base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs.

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

21. Risk management (continued)

Liquidity risk and funding management (continued)

The following table summaries the maturity profile of the Bank's financial liabilities at 31 December 2007 based on contractual undiscounted repayment obligations.

Financial liabilities	Within 1 year $000	1 - 2 years $000	2 – 3 years $000	3 - 4 years $000	4 – 5 years $000	Over 5 years $000	Total $000
As at 31 December 2007							
Mortgage participation fund	260,211	–	–	–	–	–	260,211
Collaterised mortgage obligation	38,870	–	–	–	–	–	38,870
Bonds in issue	201,744	232,230	447,060	160,515	180,617	602,839	1,825,005
Total undiscounted financial liabilities	500,825	232,230	447,060	160,515	180,617	602,839	2,124,086
As at 31 December 2006							
Mortgage participation fund	293,884	–	–	–	–	–	293,884
Collaterised mortgage obligation	51,412	–	–	–	–	–	51,412
Bonds in issue	117,481	201,744	172,375	337,165	160,515	718,849	1,708,129
Total undiscounted financial liabilities	462,777	201,744	172,375	337,165	160,515	718,849	2,053,425

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

21. Risk management (continued)

Liquidity risk and funding management (continued)

The table below summaries the maturity profile of the Bank's financial assets at 31 December 2007.

Financial assets	Within 1 year $000	1 - 2 years $000	2 – 3 years $000	3 - 4 years $000	4 – 5 years $000	Over 5 years $000	Total $000
As at 31 December 2007							
Cash and short term funds	682,410	–	104,000	–	–	–	786,410
Investments securities	246,018	–	–	–	–	30,000	276,018
Interest receivables and sundry debtors	35,072	–	–	–	–	–	35,072
Retained mortgage portfolio	50,836	57,383	43,138	50,069	55,864	561,065	818,355
Construction loan advances	21,147	93,130	–	–	–	–	114,277
Total financial assets	1,035,483	150,513	147,138	50,069	55,864	591,065	2,030,132
As at 31 December 2006							
Cash and short term funds	527,611	–	–	–	–	–	527,611
Investments securities	75,664	319,117	–	–	–	–	394,781
Interest receivable and sundry debtors	23,374	–	–	–	–	–	23,374
Retained mortgage portfolio	56,240	71,029	77,400	83,543	77,691	491,448	857,351
Construction loan advances	27,444	–	57,000	–	–	–	84,444
Total financial assets	710,333	390,146	134,400	83,543	77,691	491,448	1,887,561

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

21. Risk management (continued)

Liquidity risk and funding management (continued)

The table below shows the contractual expiry by maturity of the Bank's commitments.

Commitments	On demand $000	Less than 3 months $000	3 to 12 months $000	1 to 5 years $000	Over 5 years $000	Total $000
2007	–	–	38,149	61,567	–	99,716
2006	–	–	50,895	82,090	–	132,985

The Bank expects that not all of its commitments will be drawn before expiry of the commitments.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices such as interest rate risk and other price risk trading portfolios. The Bank has no significant concentration of market risk.

Interest rate risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. It manages this risk by maintaining a positive interest rate gap between its major financial assets and liabilities as follows:

a) **Financial assets**

Loans and advances to mortgagors

The Bank has the ability to vary interest rates on its variable rate portfolios by giving three to six months notice to mortgagors. The variable rate portfolios account for 89.8% of the total gross mortgage portfolio as at December 31st 2007 (2006: 89.8%).

In addition, the rates on the fixed rate portfolios are only fixed for periods ranging between three to ten years, after which the mortgages convert to variable rate mortgages.

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

21. Risk management (continued)

b) **Financial liabilities**

Bonds in issue

The Bank has the ability to reset rates on its floating rate bonds on any semi-annual interest payment date. This rate is calculated at 50% of the average prime residential mortgage rates plus a spread ranging between 1.00% and 3.25%.

Additionally, all bonds are callable at par on any semi-annual interest payment date.

Mortgage participation fund

The Bank has the ability to vary this rate at any time.

Collateralised mortgage obligations

The rates paid on Collateralised Mortgage Obligations (CMO) are linked to the rates on the mortgages pools which back this financial liability. The mortgages backing this fundraising instrument are all variable rate mortgages. Therefore, upward or downward movements in the variable interest rate will be matched by upward or downward movements in interest paid to CMO investors.

The table below shows the Bank's financial assets and liabilities categorized by type of interest rate.

	Variable rate 2007 $000	Fixed rate 2007 $000	Total 2007 $000	Variable rate 2006 $000	Fixed rate 2006 $000	Total 2006 $000
Loans and advances to mortgagors						
Balance	1,003,731	114,126	1,117,857	1,085,767	122,698	1,208,465
	89.8 %	10.2%	100%	89.8 %	10.2%	100%
Bonds in issue						
Balance	146,410	1,678,595	1,825,005	195,325	1,512,804	1,708,129
	8.0%	92.0%	100%	11.4%	88.6%	100%

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

21. Risk management (continued)

b) Financial liabilities (continued)

The table below shows the maturity profiles for the Bank's fixed rate mortgages to revert to variable rate mortgages.

Fixed rate loans and advances	Within 1 year $000	1 - 3 years $000	3 - 5 years $000	5 - 7 years $000	7 - 10 years $000	Total $000
2007	9,083	12,413	607	17,251	74,772	114,126
	8.0%	10.9%	0.5%	15.1%	65.5%	100%
2006	10,548	19,633	1,827	1,307	89,383	122,698
	8.6%	16.0%	1.5%	1.1%	72.8%	100%

Sensitivity analysis

The Bank has been a market-maker in terms of mortgage rates and therefore it is not the policy of the Bank to follow the market in terms of average mortgage rates.

However it should be noted that the majority of the Bank's financial assets are held in loans and advances to mortgagors. Variable rate mortgages account for 89.8% of the mortgage pool which gives the Bank the ability to change interest rates if needed, within a short time frame. Also, a significant amount of the Bank's liabilities are held in Bonds which are callable at par on any semi-annual interest payment date.

Therefore the Bank can quickly respond to any changes in interest rates, driven by the Financial Services Sector or Government, if needed and re-price its assets and liabilities.

Because of the above, management does not believe that any changes in interest rates would have a significant impact on net income or equity.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

22. Capital

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the balance sheet, are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Group maintains mortgage risk reserves as part of its capital structure. This represents amounts set aside as collectively assessed allowances for losses on loans and advances; based on an evaluation of the portfolio in respect of losses which, although not specifically identified, are known from experience to be present in any such portfolio. These loan loss requirements are dealt with as appropriations of equity.

23. Financial instruments

The Group calculates the estimated fair value of all financial instruments at the balance sheet date and separately discloses this information where these fair values are different from the net book values.

Financial instruments where carrying value is assumed to approximate their fair values, due to their short-term to maturity, include cash and short term funds, interest receivable, construction loan advances, other assets and other liabilities.

The carrying value of bonds in issue approximates their fair values as all bonds are callable at par on any of their semi-annual interest payment dates.

Retained mortgage portfolio is net of specific provisions for impairment. The fair value of performing mortgages is assumed to be equal to the present value of estimated future cash flows discounted at the current market rate of return.

The following table summarises the carrying amounts and the fair values of the Group's financial assets and liabilities:

	2007 $'000	
	Carrying value	Fair value
Financial assets		
Cash and short term funds	786,410	786,410
Investments securities	276,018	275,859
Interest receivable	20,641	20,641
Construction loan advances	114,277	114,277
Retained mortgage portfolio	818,355	823,496
Financial liabilities		
Bonds in issue	1,825,005	1,825,005
Bond interest payable	28,444	28,444

FOR THE YEAR ENDED 31ST DECEMBER, 2007
Expressed in thousands of Trinidad & Tobago dollars ($'000) continued

23. Financial instruments (continued)

	2006 $'000 Carrying value	2006 $'000 Fair value
Financial assets		
Cash and short term funds	527,611	527,611
Investments securities	394,781	394,930
Interest receivable	16,226	16,226
Construction loan advances	84,444	84,444
Retained mortgage portfolio	857,351	857,173
Financial liabilities		
Bonds in issue	1,708,129	1,708,129
Bond interest payable	25,344	25,344

24. Guaranteed Mortgage Investment Certificates (GareeMICs)

As issuer and guarantor of GareeMICs, the Bank is obligated to disburse scheduled monthly instalments of principal and interest (at the coupon rate) and the full unpaid principal balance of any foreclosed mortgage to GareeMICs investors, whether or not any such amounts have been received. The Bank is also obligated to disburse unscheduled principal payments received from borrowers. At 31st December, 2007 the outstanding balances of securitised mortgages and the related GareeMICs issued amounts to $38,870,188 (2006: $51,411,743).

The Bank's credit risk is mitigated to the extent that sellers of pools of mortgages elect to remain at risk for the loans sold to the bank or other credit enhancement was provided to protect against the risk of loss from borrower default. Lenders have the option to retain the primary default risk, in whole or in part, in exchange for a lower guarantee fee. Home Mortgage Bank however, bears the ultimate risk of default.

25. Mortgage Participation Fund (MPF)

This fund is backed by mortgage and/or other securities. At 31st December, 2007 the outstanding balance of securitized mortgages and related MPF outstanding amounts to $260,211,183 (2006: $293,883,664).

26. Employees

At 31st December, 2007 the Bank had in its employ a staff complement of 17 employees (2006: 15).

NOTICE OF ANNUAL GENERAL MEETING

To all Shareholders of Home Mortgage Bank

TWENTY-SECOND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Second Annual General Meeting of Home Mortgage Bank will be held in the Board Room of Home Mortgage Bank, 14th Floor, Central Bank Tower, on the 15th day of April, 2008 at 10:30 a.m. when the following business will be transacted:

1. To receive and consider the Report of the Directors and the Audited Consolidated Financial Statements including the Report of the Auditors for the year ended 31st December, 2007.

2. To receive notice of the payment of a Final Dividend for the year 2007.

3. To elect directors, Mr. Calder Hart and Mr. Gregory Thomson, retiring by rotation and who have offered themselves for re-election.

4. To re-appoint the Auditors for the ensuing year and to authorise the Directors to fix their remuneration.

5. Any other business.

Dated the 21st March, 2008.

By Order of the Board

Lucille Mair
Company Secretary

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MORTGAGE
BANK

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