HOME MORTGAGE BANK

Mortgages | Investments

ANNUAL REPORT 2015

Mission Statement

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

The Purpose of the Bank is 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

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CHAIRMAN'S REPORT 2015

Mr. Joshey Mahabir
Chairman

Performance of the Group

I am pleased to report Home Mortgage Bank had another successful year in 2015. Profit after taxes grew by 5.8% from $75.6 million to $80.0 million based on a 4.7% increase in revenues. Our mortgage portfolio grew by $41.2 million to $1.058 billion in a very competitive mortgage market environment. Our investment portfolio rose moderately by 1.1% to $1.7 billion and total liabilities fell by 1.8% to $1.3 billion.

Overall, the Bank continues on a strong and positive growth path in all areas of business. Our newly opened office in Chaguanas confirms the growth potential in this rapidly expanding geographic cluster and brings the Bank closer to its east, central and south customers.

As Home Mortgage Bank celebrates its 30th anniversary this year, I am confident about its future prospects.

The Domestic Economy

The Central Bank of Trinidad and Tobago confirmed Trinidad and Tobago entered into a recession in 2015. Real gross domestic product (GDP) contracted by just over 2.0% primarily due to a sharp fall in oil and gas prices and a steady decline in natural gas production. The non-energy sector lost its growth momentum with weakness emerging in key areas such as manufacturing, distribution and construction.

The energy sector continued to be challenged by on-going infrastructural upgrade and safety works by the major upstream energy companies. According to the Central Bank, the energy sector contracted by over 4.5% (year-on-year) in 2015, much faster than the decline of 2.5% in 2014. Natural gas production fell in October 2015 to its lowest level in two years. Low output levels from BGTT as well as several production stoppages on BPTT platforms led to a decline of 7.0% (year-on-year) in natural gas production.

After fifteen (15) consecutive quarters of fairly respectable performance, activity in the non-energy sector was muted in 2015. Limited growth was seen in the real estate and construction sectors. This led to some cooling of the mortgage market. Mortgage loan disbursement slowed to a single digit pace for the first time in three years, even though mortgage interest rates remained at historic lows.

Further softening is expected in the mortgage market. The key benchmark rate, the Mortgage Market Reference Rate (MMRR), is anticipated to increase further as yields rise on Trinidad and Tobago sovereign bonds and commercial banks cost of funds go upwards. Rising mortgage interest rates are expected to dampen demand for homes and mortgages.

Overall, the outlook for the domestic economy is negative with risks tilted to the downside. Energy prices are expected to remain low and challenges persist with respect to stabilizing the secular decline in natural gas output. The consequent reduction in energy revenue has limited the capacity of fiscal policy to stimulate the economy. On the monetary policy front, the Central Bank continues to thread a balance between raising domestic interest rates to help protect the weakened external position and lowering interest rates to support non-energy activity.

On a more positive note, the diversification thrust continues to be welcomed and initiatives like the public private partnership within the housing / construction sector should boost economic activity in 2016.

The International and Regional Economies

The International Monetary Fund estimates global output to have grown modestly by 3.1% in 2015. Global growth is projected at 3.2% in 2016, before picking up to 3.5% in 2017. Emerging markets and developing countries continue to account for the lion's share of world growth. Economic activity within the advanced economies was mixed. Improved growth performances in the United States and United Kingdom were overshadowed by malaise in Japan and the Euro Area.

The United States economy grew by 2.4% in 2015 driven by consumption, manufacturing and construction. This along with improvements in the labor market encouraged the US Federal Reserve (Federal Reserve) to begin its much anticipated interest rate tightening cycle. The Federal Reserve increased its policy interest rate by 0.25% at its December 2015 monetary policy meeting. Key benchmark US interest rates are expected to increase but at a measured pace in 2016, as the Federal Reserve seeks to nurture the economic recovery.

Within the Euro area, economic growth was projected at 1.6% for 2015 driven by Germany and France. Geopolitical tensions continue to weigh on growth prospects for some countries at the periphery of the Euro zone which are grappling with an influx of migrants fleeing Syria and other conflict affected Middle-Eastern states.

Within the Caribbean, improving conditions in the United States benefitted a number of islands. Major tourist destinations (Barbados and Jamaica) reported increased visitor arrivals and vacation spend. The energy importing countries also benefitted from lower energy prices. Jamaica was able to fully repay its PetroCaribe debt, securing a deep discount from the Venezuelan Government.
Several headwinds to global growth are likely to persist in 2016. These include:-

- **Slowdown and rebalancing of the Chinese economy**
- **Lower energy and commodity prices**
- **Tightening monetary policy in the US**

All three headwinds noted above could have a negative impact on the Trinidad and Tobago economy. A slowdown in China will keep commodity prices depressed whilst tighter US monetary policy is expected to increase the cost of funds across all major markets.

Capital Markets

Bond Market

In 2015, the primary bond market saw nine (9) bond issues raising a total of just under $5.1 billion. The market had a wide cross-section of issuers ranging from the Government of Trinidad and Tobago, a local finance house and a regionally based insurer. On a comparative basis, the primary bond market was quiet in 2015 when measured against the $7 billion in bond issues raised in 2014.

Trading on the secondary government bond market also decreased when compared to 2014. Year on year there was an 80.0% fall in the number of trades (2015:31; 2014:150) and a 92% decline in the value of bonds traded (2015: $71.7M; 2014: $969.4M), signaling investors' preference to retain fixed income securities.

Chairman's Report 2015

Stock Market

The Trinidad and Tobago stock market increased by 1% in 2015 compared to a decline of 2.9% in 2014. Market gains were attributable to cross-listed equities gaining 19% whilst the All T&T Index decreased by 2%.

Following the successful listing of Trinidad and Tobago NGL Limited in September 2015, total stock market capitalization grew by 2.1% to $112.3 billion.

Changes on the Board of Directors

There were no changes to the Board of Directors during the year.

Restructuring of the Bank

This matter is currently under review by our majority shareholder, The National Insurance Board of Trinidad and Tobago. However, the Bank continues to focus on its core business operations of growing its mortgage and investment portfolios to provide value added benefits to our shareholders.

Regulation by the Central Bank of Trinidad and Tobago

The Central Bank of Trinidad and Tobago ("the Central Bank") is responsible for the supervision of the financial activities of the Bank under the provisions of the Home Mortgage Bank Act Ch. 79:08, as amended. The classes of financial activity for which the Bank is supervised by the Central Bank include Merchant Bank, Mortgage Institution, Trust Company and Collective Investment Schemes.

The regulatory perimeter of the Central Bank of Trinidad and Tobago was broadened to include regulatory oversight of financial institutions that are deemed to be systemically important (SIFIs). On the basis of criteria of systemic importance, such as size and non-substitutability, the Home Mortgage Bank was deemed a SIFI along with the National Insurance Board of Trinidad and Tobago, Trinidad and Tobago Unit Trust Corporation, Trinidad and Tobago Mortgage Finance Company Limited and the Agricultural Development Bank. The Central Bank will be developing the appropriate legislative, supervisory and regulatory architecture for SIFIs.

The Bank is also registered as a Broker-Dealer with the Trinidad and Tobago Securities and Exchange Commission ("the Commission"). The Commission is the regulator for the Bank's activities as a Broker-Dealer as defined by the Securities Act 2012. The Commission is also the supervisory authority responsible for ensuring that Broker-Dealers comply with laws in relation to Anti-Money Laundering and the Combating of Terrorist Financing ("AML/CTF").

2015 and Beyond

The proposed restructuring of the operations of Home Mortgage Bank and the Trinidad and Tobago Mortgage Finance Company Limited (TTMF) continues to engage our attention. Until a final decision is made on the way forward, we remain focused on the Bank's current mandate.

The Board remains committed to ensuring the continued sustainability and profitability of the Bank and growth in shareholders' value through its strategic guidance and leadership. Our second office in Chaguanas, which was opened in October 2015, is part of the Bank's plan to target more of the middle to upper income clientele and provide more value added benefits to our stakeholders. With the relocation of some functional operations to this office, we can expand the operations at our Port of Spain office to better service our customers and expand our customer service capacity. The Bank's income mutual funds continue to provide investors with one of the highest returns on short-term funds, and we will continue to expand this portfolio and seek to introduce other attractive investment options on the local capital market.

In closing, I take the opportunity to thank all my fellow directors for their support and guidance, the management and staff for their strong commitment and dedication, and our customers for their continued loyalty to and support of the Home Mortgage Bank, as we continue to grow and expand the Bank.

Joshey Mahabir
Chairman

BOARD OF DIRECTORS

Mr. Ruthven A. Boyer Jaggassar
Deputy Chairman

Mr. Joshey Mahabir
Chairman

Mrs. Ermine De Bique Meade
Director

Mr. Sylvan N. Wilson
Director

Joshey Mahabir - Chairman

Mr. Mahabir has over twenty (20) years of management experience in the areas of Aviation, Finance, Management, and Corporate Governance. He is the holder of a BSc. in Business Management (Industrial) from the University of the West Indies and an Executive MBA (with Distinction) from the Arthur Lok Jack Graduate School of Business (ALJGSB). Mr. Mahabir has held several positions in the private and public sectors over the years. He has eighteen (18) years of Aviation experience and has held various positions at the Airports Authority of Trinidad and Tobago (AATT) including being a former General Manager at that institution. He was the former General Manager, Corporate Services at the Tourism Development Company (TDC) and a former Financial Controller at Caribbean Chemicals Limited.
Mr. Mahabir is currently the Chief Executive Officer of National Helicopter Services Limited and he was appointed to the Board of Home Mortgage Bank as a member in 2011, and subsequently in 2014, he was elected Chairman.

Ruthven A. Boyer Jaggassar- Deputy Chairman

Mr. Jaggassar is a career banker of 33 years with the RBTT Group where he held several senior positions including General Manager-Corporate and International Banking, Executive Director- Corporate Banking and Executive Director Retail and Commercial Banking Group until his retirement. He is the holder of an Intermediate Certificate from the ACCA, London and has Management Diplomas and Leadership Certificates from the American Management Association among others, and has received extensive training in Banking and Finance both locally and internationally. Mr. Jaggassar was a former Director of several companies within the RBTT Group including RBTT Merchant and Finance Ltd., Roytec and RBTT Insurance Services Ltd. He has also served on several Boards among them, The Trinidad & Tobago Manufacturers Association, National Enterprises Ltd., Development Finance Ltd., Caribbean Microfinance Ltd (Chairman), Caribbean Micro Finance Holdings Ltd., West Indies Stock Brokers Ltd (Chairman) and is currently Chairman of EximBank T&T Ltd., Chairman of HMB Asset Management Company and Director of a private enterprise. Mr. Jaggassar is also a former President of St. Andrews Golf Club.

Ermine De Bique Meade — Director

With her industrial relations experience, Mrs. De Bique Meade serves as General Secretary of the Contractors and General Workers Trade Union, and Trustee of the National Trade Union Centre (NATUC). She was President of the Pleasantville Community Council. Mrs. De Bique Meade currently serves as a member of the Board of Directors of the National Insurance Board and a member of the Board of the San Fernando Corporation Employees Credit Union.

Sylvan N. Wilson – Director

Mr.Wilson's professional life is a combination of active trade union activism and industrial plant operations. In his 28 years of plant operations, he progressed through the ranks from trainee operator to that of Shift Supervisor. His trade union activities extend well over 35 years. His career began in the Education and Research Committee in the then Federation Chemicals Branch and he moved through the ranks of the Oilfield Workers' Trade Union (OWTU) to the position of Executive Vice President. He headed the Union's Labour Relations Department and led many negotiations though-out the various units of the OWTU. Mr. Wilson represented the Union at numerous Conferences, Seminars and Committees. He attended many training programmes in pension plans, health and safety, employee assistance programmes and industrial relations. Mr. Wilson worked closely with others in developing and negotiating the union's social wage programme particularly in pensions, employee home ownership programmes (utilizing pension funds), medical plans. He retired from Yara Trinidad Limited (formerly Hydro Agri and Federation Chemicals) at the end of December 2011. Mr. Wilson was appointed Honorary General Council member of the OWTU and continues to serve the general trade union movement.

BOARD OF DIRECTORS

Mr. Walton Hilton-Clarke
Director

Mrs. Joanne Milford-Walcott
Director

Mr. Keston Nancoo
Director

Walton Hilton-Clarke
Director

Mr. Hilton-Clarke was the Vice President - Government Affairs and consultant to the President at Amoco Trinidad Oil Company (now bpTT). He was a member of the governing body of the International Labour Organization (ILO), Vice President for many years of the Caribbean Employers' Confederation and a member of the Police Service Commission of Trinidad and Tobago. He is also a past President of the Employers'Consultative Association, a former Vice President of the Trinidad and Tobago Chamber of Industry and Commerce and a past Director of the Unit Trust Corporation of Trinidad and Tobago. Presently, Mr. Hilton-Clarke is a Director of the National Insurance Board.

Joanne Milford-Walcott
Director

Mrs. Milford-Walcott has 22 years experience in management and is a former Regional Manager of Republic Bank Limited. She joined the Board of Directors of Home Mortgage Bank in August 2011. She is also a Director of The President Award of Trinidad & Tobago.

Keston Nancoo
Director

Mr. Nancoo is currently the Group Vice President – Human Resource and Corporate Services at Guardian Holdings Limited and has 30 years experience within the manufacturing sector locally and regionally, in such areas as Employee Relations, Industrial Relations, Marketing and Communications. He served for some 10 years as the Branch Secretary of NUGFW, and is currently a Director of the Employer's Consultative Association. Mr. Nancoo has a B.Sc. (cum laude) in Business Administration and an MBA in Marketing from Andrews University in Michigan, USA. He has gained additional training at The Chicago Business School- Leading Change and Innovation; Harvard Business School- Strategic Human Resource Management; London Business School- Talent Management; Cornell University- HR Strategy: Creating Competitive Advantage through People; and Arthur Lok Jack Business School- Building and Implementing Balanced Scorecard.

Directors' Report

The Directors have pleasure in submitting their Report and the Audited Consolidated Financial Statements for the year ended 31st December, 2015

FINANCIAL RESULTS

	$ 000's
Net Profit before taxation	86,119
Taxation	(6,099)
Net Profit for the year	80,020
Retained earnings at the beginning of the year	458,093
	538,113
Add :	
Transfer from mortgage risk reserve	(250)
Less :	
Dividends paid	(10,720)
Retained earnings at the end of the year	527,143

Liquidity

The Bank continues to maintain a positive liquidity position to meet its current and future business needs, with a Cash & Cash equivalent figure of $22.7 million representing 1% of total assets at the end of financial year.

Dividends

Dividends of 67 cents per share was paid during the year (2014 – 61 cents).

Directors' Interest

None of the 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 KPMG retired, and being eligible, offered themselves for re- appointment.

BY ORDER OF THE BOARD

Patricia Ilkhtchoui
Corporate Secretary

Joshey Mahabir
Chairman

Ruthven A. Boyer Jaggassar
Deputy Chairman

Walton Hilton-Clarke
Director

Joanne Milford-Walcott
Director

Ermine De Bique Meade
Director

Keston Nancoo
Director

Sylvan Wilson
Director

MANAGEMENT DISCUSSION AND ANALYSIS

Mr. Rawle Ramlogan
Chief Executive Officer

Financial Performance

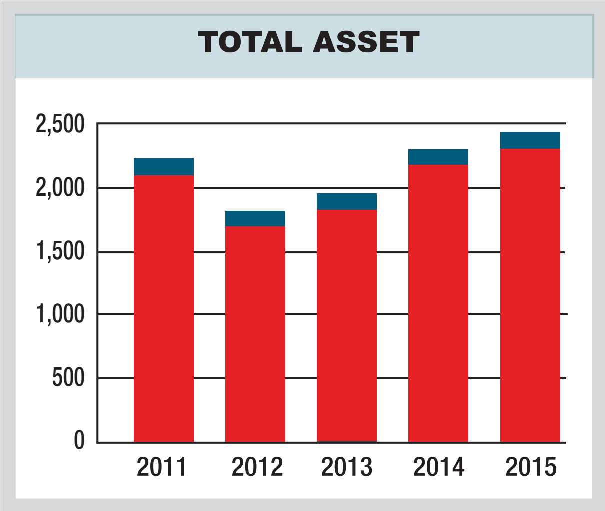
Home Mortgage Bank recorded profits after tax of $80 million for the year ending December 31, 2015. The increase of 6% or $4.3 million in profits compared to 2014 can be directly aligned to the bank's increased income from its mortgage portfolio and its strong investment portfolio, the Bank was also able to benefit from its tax planning initiative, therefore, reducing its Tax liabilities for 2015 over 2014.

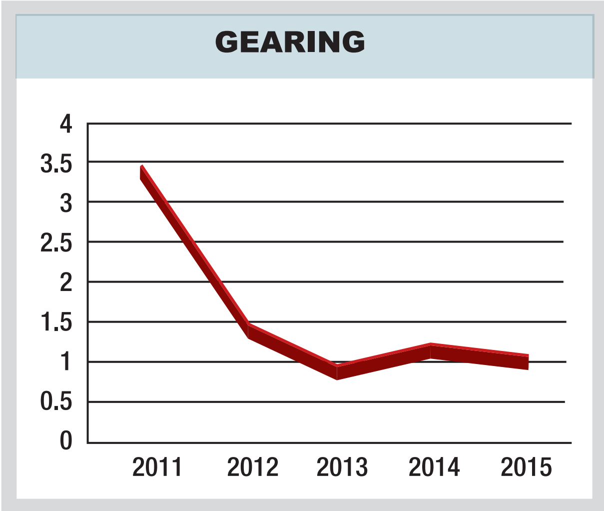
The Bank's total asset base increased by 3%, from $2.289 billion to $2.355 billion and shareholders' equity increased by 9% from $990 million to $1.081 billion.

Overall, revenues increased over prior year by 5% to $125 million from $119 million due to an increase in mortgage interest income. The Bank was also able to maintain its Investment Income and received an increase in its dividend income by 8% or $3.4 million.

The funding liabilities declined slightly to $1.078 billion from $1.114 billion in 2014. Operating Expense increased from $16.338 million to $19.034 million.

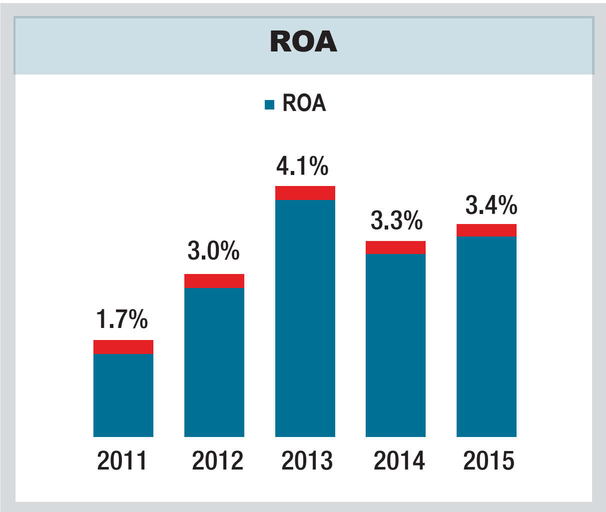
The dividends paid in 2015 for the financial year 2014 was $0.67 per share ($0.61 – 2013); this was consistent with the strategy of increasing dividends by 10% per year.

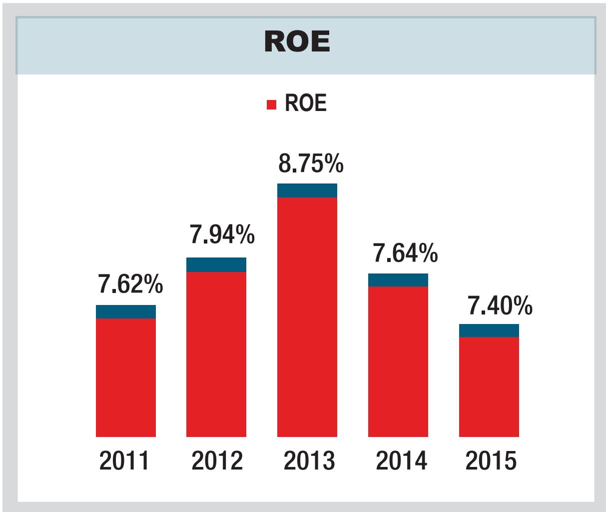


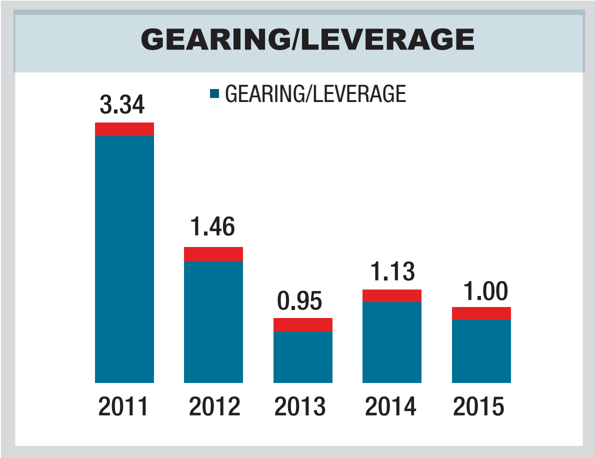


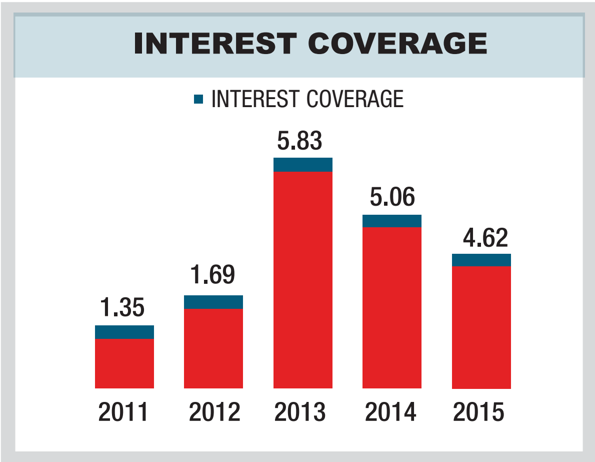
The Bank, yet again, manages to show its ability to fund its activities utilizing its internal strength, by growing its balance sheet yet improving on its gearing position, which stands at a 1:1 for 2015. The main focus of the Bank continues to be an increase in the shareholders' value and achieving an increased EPS of $5.00 for the year 2015.

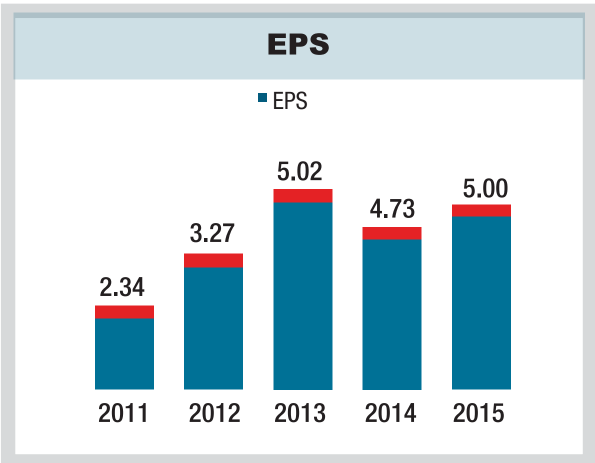
Some key financial ratios highlighting the strength of the Bank are as follows:-











Residential Real Estate Mortgage Market

2015 was an election year and this coloured the economic activity for most of the period under review. There was a push by the government to complete projects during the early part of the year, and this had a spin-off effect mainly in the construction sector with significant resources being dedicated to public sector projects.

The latter part of 2015 saw a change in the leadership at the Housing Development Corporation (HDC), the largest supplier of housing units in Trinidad & Tobago and a realignment of the objectives of the HDC in terms of the sector to be serviced. The end of the year also brought an official announcement of a recession by the Central Bank of Trinidad & Tobago. This came on the heels of layoffs at major corporations like ArcelorMittal, BPTT and BG to name a few which brought into sharp focus the possibility of loan payment defaults, and the need to be prepared for further layoffs in the coming months.

2015 also saw two (2) increases in the Mortgage Market Reference Rate (MMRR) in June and December, after stability at 2.25% for more than 2 years. The rate closed at 2.75% in December 2015

Despite the challenges facing the economy, the residential real estate market continued to be very competitive in 2015 fuelled by the high liquidity in the financial system and low interest rates. Demand for housing is still outstripping supply even in these challenging times with the middle income sector being particularly under-serviced.

There is still significant unsatisfied demand in the market for residential properties in the $1-1.5 million range which is the sector targeted at the middle income bracket, and which is experiencing the heaviest demand. Developers claim that the high cost of land and labour coupled with the long wait time for approvals are among the main contributors to the escalating cost of the finished product, oftentimes pushing it outside of the reach of the middle income earner.

Despite these challenges, the bank demonstrated its confidence in the long term viability of the local economy and mortgage market by opening a second branch in Chaguanas in October 2015. The Bank originated $157 million in new residential mortgages in 2015 an increase of 27% over the previous year and $14 million in commercial mortgages which is a new line of business introduced in 2015.

Management Discussion and Analysis

The Bank's interest rate for new residential mortgage business is very competitive; the Bank also offers fixed rate options to borrowers looking to lock in their monthly payments for a given period. A special rate of 4.95% fixed for two (2) years was offered to celebrate the opening of the Chaguanas Branch and this generated significant interest and business for the Bank.

Mortgage Loan products offered by the Bank include:

- **Home Acquisition Mortgages** to facilitate purchase of owner-occupied properties or investment properties.

- **Land Acquisition Mortgages** for the purchase of residential land that will ultimately be used for the construction of a primary residence. The term of the loan for this product can be extended up to 20 years.

- **Construction Mortgages includes** Bridging Finance and is geared towards providing financing for the construction of a residence either on lands owned by the applicant or to be purchased as part of the construction process. The rate for this type of mortgage during the construction period is the same as the rate on the long term amortized mortgage loan.

- **Equity Mortgages** which allow homeowners to access financing through the equity or value that they have built up in their homes over the years. This financing could be used for various purposes including home renovations, education expenses, medical expenses or even debt consolidation.

- **Multi-family Units Mortgage** facility is for the acquisition or construction of multi-family residences up to six (6) units which is geared to the domestic rental market.

- **Reverse Mortgages** which are ideal for retired persons who can readily access the equity in their homes, either via lump sum cash payments, or regular monthly payments or a line of credit to be drawn as needed, or a combination of the aforementioned various facilities.

- **Commercial Mortgages** which are offered to Corporate & Commercial clients to assist with financing of commercial activity.

Investments and Funding

Funding Activities

As noted in the Chairman's review, activity on both the primary and secondary bond market declined for the year 2015. However, despite the testing conditions HMB successfully issued its 81st bond in December 2015. The bond carries a face value of $250 million and has a maturity in three (3) years. HMB has always prided itself on bringing to market innovative structures that meet investors' needs.

As at December 31, 2015, the Bank's bonds in issue stood at $1 billion up from $939 million as at December 31, 2014, an increase of 7%.

Asset backed Securities

The listing of Trinidad and Tobago NGL Limited (TTNGL) to the local stock exchange significantly challenged growth in the local mutual funds market for 2015. As at September, the market reported $10.66 billion in new investments and $9.9 billion in redemptions.

The Bank under its Mortgage Participation Fund (MPF), which is registered with the Trinidad and Tobago Securities and Exchange Commission as a collective investment scheme, had funds under management as at December 31, 2015 at $492.6 million a 0.5% decline from its December 2014 close of $494.9 million. The rate offered to investors as at the end of 2015 was 1.35%.

Fixed Income Investment Securities

The Bank held a portfolio of high grade fixed income securities totaling $634.6 million a 1.7% decrease from the prior year's balance of $645.3 million. This decrease was reflected of a market with limited issues whilst sections of the portfolio continued to amortise. These securities are used in part to secure the short term facilities.

Equity Portfolio

The Trinidad and Tobago stock market increased by 1% for 2015 buoyed by gains in cross-listed entities. Following the listing of TTNGL market capitalization on the Trinidad and Tobago Stock Exchange (TTSE) was approximately $112.3 billion.

The Bank's portfolio outperformed the market gaining 2.7% via capital appreciation for 2015. As at December 2015 the portfolio was valued at $1.065 billion. This portfolio contributed to over $45 million in dividends during the year.

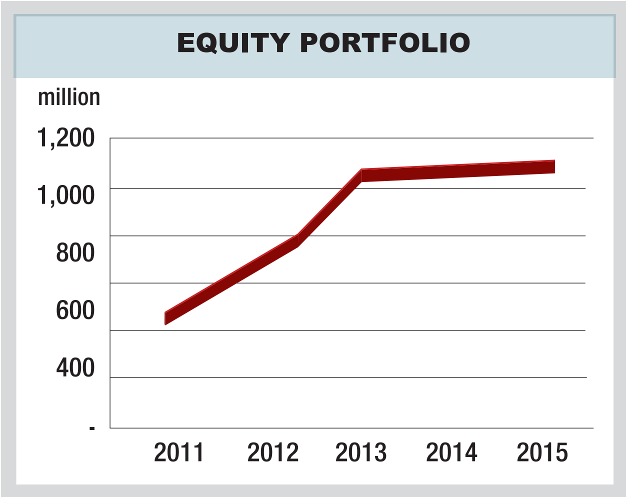
Outlook

Our major shareholder has indicated that a decision has been taken at the parent company level to merge the operations of the Bank with TTMF which is 51% owned by The National Insurance Board of Trinidad and Tobago. At this time the specifics of neither the process nor the timeline has been finalized. While this will eventually affect the operations of the Bank, our products and services will continue to be delivered with the same level of efficiency. The proposed merger will not affect the Bank's obligations to its customers and more specifically our investors.

In the interim, the Bank will continue to grow its residential mortgage portfolio by building on the systems and processes introduced over the prior years. To support this growth, the Bank has expanded its footprint with a new office in Chaguanas which was opened on October 14th, 2015. We see this strategic location as a base for continued growth in the mortgage portfolio as well as being able to offer our attractive investment product to investors. We expect the residential mortgage market to remain very competitive and price sensitive going forward. The Bank will be reviewing its reverse mortgage product during the year and looking at expanding the scope of the mortgage product. On the investment side, we will be looking at introducing new investment products and expand our channels of funding including bonds at the retail level.

I wish to express my appreciation to the Directors for their guidance and counsel, the management team and staff for their commitment and contributions. Our valued investors, customers and shareholders for their support and confidence in the Bank.

Rawle Ramlogan
Chief Executive Officer



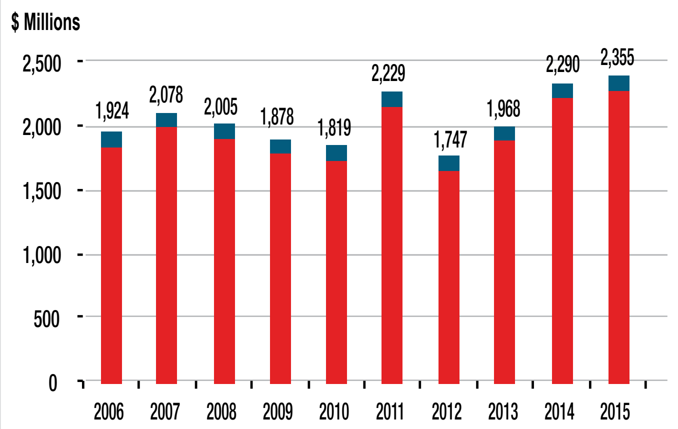
FIVE YEAR REVIEW

December 31st,	2015 $'000	2014 $'000	2013 $'000	2012 $'000	2011 $'000
BALANCE SHEET					
Loans & Advances	560,402	514,051	248,488	447,940	598,963
Investment Securities	1,700,059	1,681,974	1,609,555	1,140,763	1,127,872
Total Assets	2,354,783	2,289,641	1,967,587	1,747,167	2,229,003
Funding Liabilities	1,077,973	1,114,317	870,511	964,814	1,638,003
Total Liabilities	1,273,524	1,299,296	1,049,182	1,087,095	1,738,120
Share Capital	16,000	16,000	16,000	16,000	16,000
Retained Earnings	527,142	458,093	393,494	315,964	271,196
INCOME STATEMENT					
Income	125,041	119,377	128,432	149,036	147,817
Profit before Taxation	86,119	83,257	90,695	52,548	33,002
Net Income	80,020	75,650	80,335	52,388	37,428
Operating Expenses	19,034	16,338	14,586	14,671	15,578
Earnings per share	$5.00	$4.73	$5.02	$3.27	$2.34

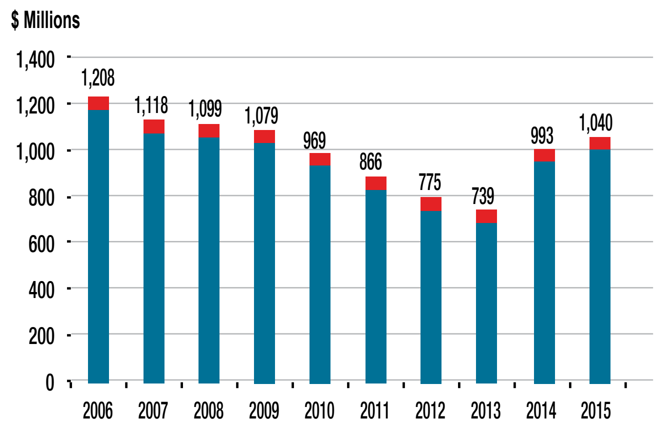
	2011	2012	2013	2014	2015
Debt	1,638,003	964,814	870,511	1,114,317	1,077,973
Equity	490,883	660,072	918,405	990,345	1,081,259
Total Assets	2,229	1,747	1,968	2,290	2,355
Gearing	3.3	1.5	0.9	1.1	1

HOME MORTGAGE BANK
Mortgages | Investments

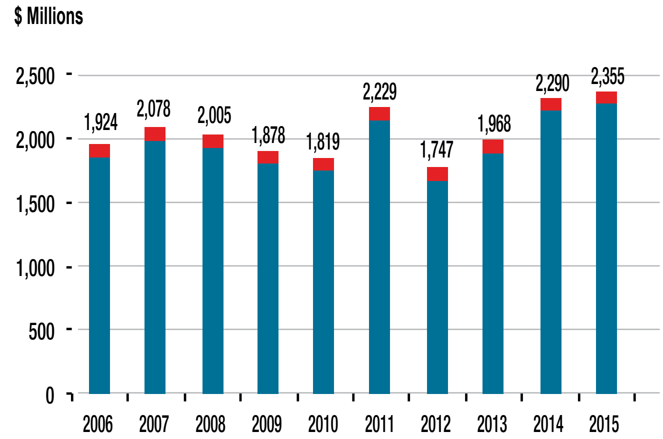
TOTAL ASSETS



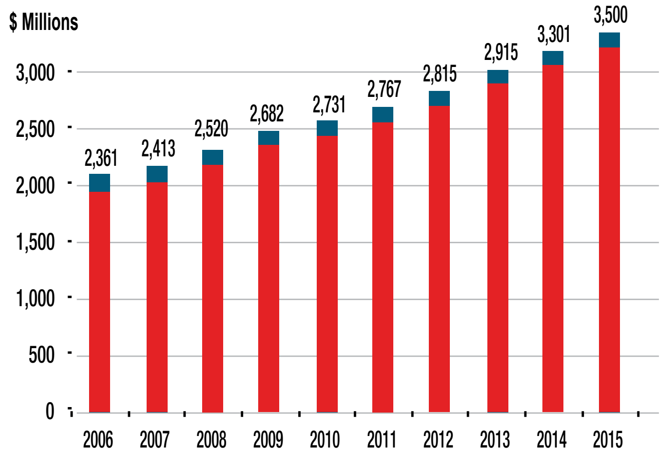
MORTGAGE PORTFOLIO SERVICED



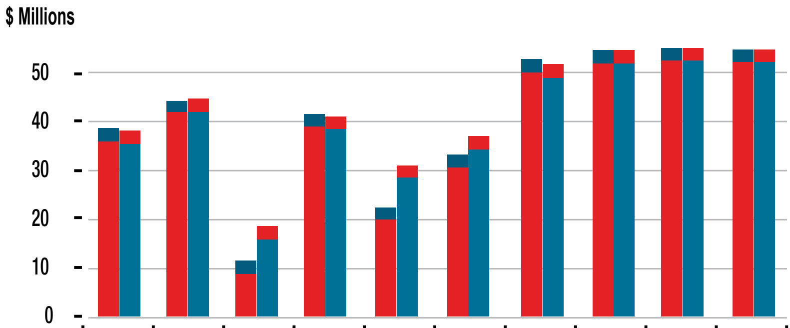
TOTAL ASSETS



ACCUMULATED VALUE OF MORTGAGES PURCHASED



COMPARATIVE NET INCOME



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Profit before Taxation	39	44	11	42	22	33	53	91	83	86
Profit after Taxation	38	45	18	41	31	37	52	80	76	80

CHANGES ON THE BOARD OF DIRECTORS

There were no changes to the Board of Directors.

Management

The Bank's management structure comprises:

- **Rawle Ramlogan - Chief Executive Officer**
- **Mark Wight - Manager, Finance and Administration**
- **Osmond Prevatt - Manager, Treasury and Investment**
- **Sita Mangal - Manager, Mortgage Sales and Operations**
- **Indira Geeban - Manager, Risk Management**
- **Patricia Ilkhtchoui - Corporate Secretary.**

Home Mortgage Bank is committed to its continued growth and profitability and to the strengthening and enhancement of its corporate governance programme. The Bank has maintained its engagement of internal auditors and external auditors.

BOARD-APPOINTED COMMITTEES

There are two (2) Board-appointed Committees, namely, the Audit, Risk and Investment Committee and the Human Resources and Remuneration Committee:

Audit, Risk and Investment Committee

This Committee meets monthly, to review the financial reporting process, the system of internal control, management of financial risks, the audit process, the Bank's process for monitoring compliance with laws and regulations, the investment process and its own code of business. There was no change in the Committee membership from 2014, which comprised:

- **Ruthven A Boyer Jaggassar – Chairman**
- **Joanne Milford-Walcott**
- **Walton Hilton-Clarke**

Human Resources and Remuneration Committee

The Committee meets as required, to review human resource matters affecting management and staff, including remuneration of senior management and other key personnel, and to ensure consistency with the culture, objectives, strategy and control environment of the Bank. Subsequent to May, 2014 the Committee met as necessary. There was no change in the composition of the Committee from 2014, which comprised:

- **Joanne Milford-Walcott - Chairman**
- **Keston Nancoo**
- **Ermine De Bique-Meade**
- **Sylvan Wilson**

Management Risk Committee

The establishment of the Management Risk Committee was approved by the Board, comprising all managers of the Bank, and chaired by the Chief Executive Officer. The Committee meets monthly, and is responsible for the establishment of an appropriate risk management framework for the effective identification, assessment and management of risk. The primary objective is to assist the Board in discharging its responsibilities to exercise due care, diligence and skill in relation to business operations, and to advise on any matter of financial or regulatory significance. This Management Committee reports to the Audit, Risk and Investment Committee through the Manager, Risk Management.

L-R:
Mr. Rawle Ramlogan
Ms. Indira Geeban
Ms. Patricia Ilkhtchoui

L-R:
Mr. Osmond Prevatt
Ms. Sita Mangal
Mr. Mark Wight

TEAM Port of Spain

Brent Bhagaloo | Keishelle Strachan | Charlene Savary | Vicki Bruce | Nicholas Mohammed | C. Allison John-Baptiste

Natalie Hector | Amichai Drayton | Debbie Aguillera-Sammy | Gillian Torries | Avian Harris-Khan | Anna Gonzales | Parbatie Chin Cheong

Padma Bhual-Ali	Vishwadai Moonsammy	Sunil Teeluck	Marc Trestrail *(front)*	Nigel Gibson *(back)*	Davina Jagmohan	Terry Budansingh	Usha Gajadhar

FINANCIAL STATEMENTS

Independent Auditors' Report to the Shareholders of Home Mortgage Bank

We have audited the accompanying financial statements of Home Mortgage Bank and its subsidiaries (the Group) which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statements of Profit or Loss and other Comprehensive Income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial position of the Bank as at December 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Chartered Accountants

February 25, 2016
Port of Spain , Trinidad and Tobago

Consolidated Statement of Financial Position

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

	Notes		2015	2014
			$'000	$'000
ASSETS				
Cash and cash equivalents	8		22,667	15,978
Investment securities	9		1,700,059	1,681,974
Loans and advances to customers	10		560,402	514,051
Total loans administered - 2015		1,058,027		
Mortgages held in trust - 2015		(497,625)		
Other assets	11		21,252	8,191
Capitalised bond issue costs	12		210	231
Property development costs	13		37,346	55,881
Property and equipment	14		3,650	2,658
Taxation recoverable			3,061	3,061
Deferred tax asset	15		6,137	7,616
Total assets			2,354,784	2,289,641
EQUITY AND LIABILITIES				
EQUITY				
Stated capital	16		16,000	16,000
Retained earnings			527,142	458,093
Revaluation reserve	17		533,296	511,680
Mortgage risk reserve	18		4,822	4,572
Total equity			1,081,260	990,345
LIABILITIES				
Other liabilities	19		17,545	14,135
Short-term borrowings	20		76,700	175,700
Debt securities	21		1,001,273	938,617
Deferred tax liability	15		178,006	170,844
Total liabilities			1,273,524	1,299,296
Total equity and liabilities			2,354,784	2,289,641

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

These consolidated financial statements have been approved for issue by the Board of Directors on February 25, 2016 and signed on its behalf by:

Director ______________________ Director ______________________

Consolidated Statement of Profit or Loss and other Comprehensive Income

Year ended December 31, 2015
(Expressed in Trinidad and Tobago Dollars)

	Notes	2015	2014
		$'000	$'000
Income			
Interest income	23	98,756	88,372
Interest expense	23	(12,965)	(10,556)
Net interest income	23	85,791	77,816
Dividend income		45,015	41,541
Other income (net)		148	20
Loss on sales of Tobago Fairways Villa Units	25	(5,913)	-
		125,041	119,377
Expenditure			
Finance costs		23,819	18,615
General and administrative expenses	24	19,034	16,338
Provision for loan losses	10	1,973	752
Provisions reversed during the year	13	(5,913)	-
Impairment loss on available-for-sale securities		9	415
		38,922	36,120
Profit before taxation		86,119	83,257
Taxation	26	(6,099)	(7,607)
Profit for the year		80,020	75,650
Other comprehensive income for the year			
Items that are or may be reclassified to profit or loss			
Revaluation of available-for-sale investments		28,820	8,066
Related tax	15	(7,205)	(2,016)
Other comprehensive income for the year, net of tax		21,615	6,050
Total comprehensive income for the year		101,635	81,700
Basic and diluted earnings per share ($)		5.00	4.73
Number of shares ('000)	16	16,000	16,000

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

Consolidated Statement of Changes in Equity

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

	Note	Stated Capital	Retained Earnings	Revaluation Reserve	Mortgage Risk Reserve	Total Shareholders' Equity
		$'000	$'000	$'000	$'000	$'000
Balance at December 31, 2014						
Balance at January 1, 2014		16,000	393,494	505,630	3,281	918,405
Transfer from mortgage risk reserve	18	-	(1,291)	-	1,291	-
		16,000	392,203	505,630	4,572	918,405
Total comprehensive income						
Profit for the year		-	75,650	-	-	75,650
Other comprehensive income for the year		-	-	6,050	-	6,050
Total comprehensive income for the year		-	75,650	6,050	-	81,700
Transaction with owners of the Company, recognised directly in equity						
Dividends		-	(9,760)	-	-	(9,760)
Balance at December 31, 2014		16,000	458,093	511,680	4,572	990,345
Balance at December 31, 2015						
Balance at January 1, 2015		16,000	458,093	511,680	4,572	990,345
Transfer to mortgage risk reserve	18	-	(250)	-	250	-
		16,000	457,842	511,680	4,822	990,345
Total comprehensive income						
Profit for the year		-	80,020	-	-	80,020
Other comprehensive income for the year		-	-	21,615	-	21,615
Total comprehensive income for the year		-	80,020	21,615	-	101,635
Transaction with owners of the Company, recognised directly in equity						
Dividends		-	(10,720)	-	-	(10,720)
Balance at December 31, 2015		16,000	527,142	533,296	4,822	1,081,260

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

Consolidated Statement of Cash Flows

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

	2015	2014
	$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	86,119	83,257
Adjustments for:		
Provision for loan losses	1,972	752
Impairment loss on available for sale equities	9	415
Impairment on property and equipment	25	-
Gain on property and equipment	(29)	-
Depreciation	793	458
Capitalised interest on managed funds	6,710	5,819
Net Premium recognized on investments	(9,645)	(9,600)
Bond issue costs amortised	28	17
Operating profit before working capital change	85,982	81,118
Change in other assets	(13,061)	3,427
Change in other liabilities	2,152	2,364
Corporation taxes paid	(3,405)	(261)
Tax refund received	-	20
Net cash from operating activities	71,668	96,268
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Issuance of new mortgages and loans	(199,027)	(407,092)
Proceeds from repayment on mortgages and loans	155,865	159,886
Purchase of property and equipment	(1,810)	(1,298)
Proceeds from sale of property plant and equipment	29	-
Proceeds from sale of maturity investments	42,871	126,359
Purchase of investments	(22,501)	(181,541)
Proceeds from sale of Tobago Villas units	18,535	-
Proceeds from managed funds	241,566	103,124
Repayment of managed funds	(253,437)	(128,052)
Net cash used in investing activities	(17,908)	(328,614)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	243,000	496,000
Repayment of short-term borrowings	(342,000)	(445,300)
Proceeds from bonds issued	119,550	250,000
Redemption of bonds	(56,894)	(56,894)
Dividends paid	(10,720)	(9,760)
Bond issue costs incurred	(7)	(113)
Net cash (used in) from financing activities	(47,071)	233,933

Consolidated Statement of Cash Flows (continued)

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

	2015	2014
	$'000	$'000
Net (increase) in cash and cash equivalents	6,689	(8,013)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,978	23,991
CASH AND CASH EQUIVALENTS AT END OF YEAR	22,667	15,978
Represented by:		
Cash at bank and on hand	22,420	15,732
Short-term deposits	247	246
	22,667	15,978
Supplemental information:		
Income received during the year	55,452	46,167
Interest paid during the year	24,388	17,585
Dividend received	45,015	41,541
Dividend paid	(10,720)	9,760

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

Notes to Consolidated Financial Statement

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

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.

The Bank has two subsidiary companies which are listed below and collectively are referred to as 'the Group':

Company	Country of Incorporation	Percentage Owned
Tobago Fairways Villas Limited	Trinidad and Tobago	100%
Tobago Plantation House Limited	Trinidad and Tobago	100%

The principal activity of these subsidiaries is real estate development.

The registered office of the parent and its subsidiaries is located at Prince's Court, Corner Keate and Pembroke Streets, Port of Spain. The Bank's ultimate parent entity is The National Insurance Board of Trinidad and Tobago, a company incorporated in Trinidad and Tobago under Act No. 35 of 1971.

These consolidated financial statements were approved for issue by the Board of Directors on February 25, 2015.

2. Basis of Preparation

(a) Basis of accounting

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

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Available-for-sale financial assets are measured at fair value.

2. **Basis of Preparation** (continued)

(c) ***Functional and presentation currency***

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Trinidad and Tobago dollars, which is the Bank's functional and presentation currency. Except as otherwise indicated, financial information presented has been rounded to the nearest thousand.

(d) ***Use of critical estimates and judgements***

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in Note 6.

3. **Significant Accounting Policies**

The Group has consistently applied the accounting policies as set out below to all periods presented in these consolidated financial statements.

a) ***Basis of consolidation***

The consolidated financial statements of the Group include the assets and liabilities and results of operations of the Bank and those of the subsidiaries after the elimination of inter-company transactions and balances.

(i) *Subsidiaries*

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

3. Significant Accounting Policies (continued)

a) Basis of consolidation (continued)

(ii) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Foreign currency

Transactions denominated in foreign currencies are translated into the respective functional currencies at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the spot exchange rate at the date that the fair value was determined.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

c) Financial instruments

Financial instruments comprise, cash and cash equivalents, investment securities, loans and advances to customers, short-term borrowings and debt securities.

(i) Recognition and initial measurement

The Group initially recognises loans and advances to customers, short-term borrowings and debt securities issued on the date at which they are originated.

3. **Significant Accounting Policies** (continued)

c) ***Financial instruments*** (continued)

(i) ***Recognition and initial measurement*** (continued)

All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the settlement date at which the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) ***Classification***

Financial assets

- ***Loans and receivables***

Loans and receivables include mortgages which are primarily personal residential mortgages. These are carried at principal outstanding net of adjustments for premiums and discounts on purchase. Premiums and discounts on the purchase of these 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 represent advances made by the Group 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.

Other loan advances represent secured short term loan facilities, which are measured at amortised cost using the effective interest rate method, calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in 'interest income' in profit or loss. The losses arising from impairment are recognised in profit and loss in 'provision for loan losses'.

Notes to Consolidated Financial Statement

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

3. **Significant Accounting Policies** (continued)

c) ***Financial instruments*** (continued)

(ii) ***Classification*** (continued)

Financial assets (continued)

- ***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 to be impaired at which time the cumulative gain or loss previously reported in equity is included in profit or loss.

- ***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

A financial instrument is classified as a financial liability if it is (1) a contractual obligation to deliver cash or another asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the reporting entity; or (2) a contract that will or may be settled in the reporting entity's own equity instruments under certain circumstances.

(iii) ***Derecognition***

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset.

Notes to Consolidated Financial Statement

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

3. **Significant Accounting Policies** (continued)

c) ***Financial instruments*** (continued)

(iii) Derecognition (continued)

Financial assets (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of:

(i) the consideration received (including any new asset obtained less any new liability assumed); and

(ii) any cumulative gain or loss that had been recognized in other comprehensive income (OCI).

is recognised in profit or loss.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a consolidated asset or liability in the statement of financial position.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, or cancelled, or expired.

(iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

(v) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3. Significant Accounting Policies (continued)

c) Financial instruments (continued)

(vi) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Notes to Consolidated Financial Statement

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

3. Significant Accounting Policies (continued)

c) Financial instruments (continued)

(vii) Identification and measurement of impairment

The carrying value of all financial assets not carried at fair value through profit or loss is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The identification of impairment and the determination of recoverable amounts is an inherently uncertain process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices.

In order to determine whether negative revaluations on investment securities correctly represent impairment, all investment securities for which the market value has been significantly below cost price for a considerable period of time, are individually reviewed. A distinction is made between negative revaluations due to general market fluctuations and due to issuer specific developments. The impairment review focuses on issuer specific developments regarding financial condition and future prospects, taking into account the intent and ability to hold the securities under the Group's long-term investment strategy.

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

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

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

Notes to Consolidated Financial Statement

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

3. **Significant Accounting Policies** (continued)

c) ***Financial instruments*** (continued)

(*viii)* ***Designation at fair value through profit or loss***

The Group has designated financial assets and financial liabilities at fair value through profit or loss in either of the following circumstances.

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.

- The designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Note 7 sets out the amount of each class of financial asset or financial liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

d) ***Guaranteed Mortgage Investment Certificates (Gareemics) and Mortgage Participation Fund (MPF)***

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

For Gareemics, the Group 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 10 and 22).

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 10 and 22).

e) ***Cash and cash equivalents***

Cash and cash equivalents include cash in hand, deposits held at banks and other short-term highly liquid investments with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

3. Significant Accounting Policies (continued)

f) Property development costs

Property development costs are accounted for at the lower of cost (plus other direct expenses incurred in the acquisition and the development of these properties) and net realisable value. (Refer to Note 13).

g) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

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 and office machinery	7½% to 12½% on reducing balance
Computer equipment	25% on reducing balance
Motor vehicles	25% on cost/straight-line.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

h) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. The loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i) Debt securities

Debt securities are the Group's source of debt funding. Debt securities are initially measured at fair value minus incremental direct transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Notes to Consolidated Financial Statement

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

3. Significant Accounting Policies (continued)

i) Debt securities (continued)

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Any difference between proceeds net of transaction costs and the redemption value is recognised in profit or loss.

j) 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 12).

k) Employee benefits

The Group operates a defined contribution pension plan, which covers all of its eligible employees. The Group's contribution expense in relation to this plan for the year amounts to $594,917.20 (2014: $1,837,639).

l) Other assets and liabilities

Other assets and liabilities, not classified as financial instruments, are initially recognised and subsequently measured at amortised cost in the statement of financial position with relevant costs recognised in profit or loss.

m) Revenue recognition

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability and is not revised subsequently. When calculating the effective interest rate, the Group estimates the future cash flows considering all contractual terms of the financial instrument, but not the future credit losses.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Interest income is recognised on an accrual basis in the period in which it is due and in accordance with the underlying loan contract terms and conditions except for loans classified as impaired or for loans classified as non-accrual when in management's judgment there was a deterioration in credit quality that if continued would lead to impairment.

3. Significant Accounting Policies (continued)

m) Revenue recognition (continued)

Interest income is shown net of the interest expense incurred on managed funds.

Other income is accounted for on the accruals basis.

n) Taxation

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

o) 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.

3. **Significant Accounting Policies** (continued)

p) Dividends

Dividends are recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Board of Directors.

q) New, revised and amended standards and interpretations that became effective during the year

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2015, and have not been applied in preparing these consolidated financial statements. Those that may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *Improvements to* IFRS *2010-2012 and 2011-2013* cycles contain amendments to certain standards and interpretations, the main amendments applicable to the Group are as follows:

  - IFRS 3, *Business Combinations* is amended to clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to IAS 32, *Financial Instruments: Presentation*, rather than to any other IFRSs. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in profit or loss. Consequential amendments are also made to IAS 39, *Financial Instruments: Recognition and Measurement* and IFRS 9, *Financial Instruments* to prohibit contingent consideration from subsequently being measured at amortised cost. In addition, IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* is amended to exclude provisions related to contingent consideration of an acquirer. IFRS 3, has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in IFRS 11, *Joint Arrangements* i.e. including joint operations in the financial statements of the joint arrangements themselves.

  - IFRS 13*, Fair Value Measurement* is amended to clarify that issuing of the standard and consequential amendments to IAS 39 and IFRS 9 did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial.

3. **Significant Accounting Policies** (continued)

q) ***New, revised and amended standards and interpretations that became effective during the year*** (continued)

- *Improvements to* IFRS *2010-2012 and 2011-2013* cycles contain amendments to certain standards and interpretations, the main amendments applicable to the Group are as follows: (continued)

  - IAS 16, *Property, Plant and Equipment* and IAS 38*, Intangible Assets.* The standards have been amended to clarify that, at the date of revaluation:

    (i) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation (amortization) is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking account of accumulated impairment losses or;

    (ii) the accumulated depreciation (amortisation) is eliminated against the gross carrying amount of the asset.

  - IAS 24*, Related Party Disclosures* has been amended to extend the definition of 'related party' to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity. For related party transactions that arise when key management personnel services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the key management personnel services.

  - Amendments to IAS 19, *Defined Benefit Plans*: *Employee Contributions,* clarify the requirements that relate to how contributions from employees or third parties that are linked to services should be attributed to periods of services. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of services.

3. **Significant Accounting Policies** (continued)

r) ***New revised and amended standards and interpretations not yet effective***

Certain new, revised and amended standards and interpretations have been issued which are not yet effective for the current year and which the Group has not early-adopted. The Group has assessed the relevance of all such new standards, amendments and interpretations with respect to the Group's operations and has determined that the following are likely to have an effect on the financial statements.

- IAS 1, *Presentation of Financial Statements*, effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:

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

  The Group is assessing the impact that this amendment will have on its 2016 financial statements.

- *Improvements to* IFRS *2012-2014* cycle, contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2016. The main amendments applicable to the Group are as follows:

  - IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* has been amended to clarify that if an entity changes the method of disposal of an asset or disposal group - i.e. reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale or vice versa without any time lag, then the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting.

3. **Significant Accounting Policies** (continued)

r) New revised and amended standards and interpretations not yet effective (continued)

- IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* (continued)

  At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognizes any write-down (impairment loss) or subsequent increase in the fair value less costs to sell/distribute the asset or disposal group. If an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting.

- IFRS 7, *Financial Instruments: Disclosures,* has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognized in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

- IFRS 7 has also been amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets* and *Financial Liabilities (Amendment to IFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, *Interim Financial Reporting*, require their inclusion.

- IAS 19, *Employee Benefits,* has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not the country level.

  The Group is assessing the impact that this amendment will have on its 2016 consolidated financial statements.

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

3. Significant Accounting Policies (continued)

r) New revised and amended standards and interpretations not yet effective (continued)

- IFRS 15, *Revenue From Contracts With Customers* (continued)

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

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

  The Group is assessing the impact that this amendment will have on its 2018 consolidated financial statements.

- IFRS 9*, Financial Instruments,* which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

  Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value though profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

  The Group is assessing the impact that this amendment will have on its 2018 consolidated financial statements.

Notes to Consolidated Financial Statement

Year ended December 31, 2015
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3. **Significant Accounting Policies** (continued)

r) New revised and amended standards and interpretations not yet effective (continued)

- IFRS 16*, Leases,* which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

  Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

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

s) Contingency for mortgage risks reserve

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. This reserve is not available for distribution to shareholders.

t) Comparative information

Certain changes in presentation have been made in these consolidated financial statements. These changes had no effect in the operating results or profit after tax on the Group for the previous year.

Notes to Consolidated Financial Statement

Year ended December 31, 2015

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4. Risk Management

The Group's activities are primarily related to the purchase of mortgages from primary mortgage lenders and direct mortgage lending. The Group accesses the capital market to raise funding by the issuance of securities 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 Group's activities but it is managed through a process of ongoing identification, measurement and monitoring. This process of risk management is critical to the Group's continuing profitability. The Group is exposed to credit risk, liquidity risk, market risk, interest rate risk and operational risk.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks.

Board of Directors

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

The Board is responsible for overseeing the Group's risk management, including overseeing the management of credit risk, market risk, liquidity risk and operational risk.

The Board 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, counterparty and operational risk; and

  (b) Establish and communicate risk management controls throughout the Group.

- Ensuring that the Group 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.

4. Risk Management (continued)

Board of Directors (continued)

- 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.

Treasury

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

Risk measurement and reporting systems

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group 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 Group reviews its residential mortgage concentration to prevent over exposure in any area or any residential housing development.

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

Identified concentrations of credit risks are controlled and managed accordingly.

4. **Risk Management** (continued)

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 Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. The credit quality review process allows the Group 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 asset 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 statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements.

	Gross Maximum Exposure	
	2015	2014
	$'000	$'000
Gross mortgage portfolio	1,040,591	993,405
Construction advances	21,142	25,164
Investment securities	1,700,059	1,681,974
Cash and cash equivalents	22,667	15,978
Other assets	21,252	8,191
Total gross financial assets	2,805,711	2,724,712
Mortgage commitments	101,345	23,808
Total credit risk exposure	2,907,056	2,748,520

Notes to Consolidated Financial Statement

Year ended December 31, 2015

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4. **Risk Management** (continued)

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 type of collateral obtained is 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 Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. The Group does not occupy repossessed properties.

Credit quality per class of financial assets

The Group has determined that credit risk exposure arises from the following items in the statement of financial position:

- Loans and advances to customers
- Investment securities.

Loans and advances to customers

Loans and advances to customers are 'classified' according to the arrears position as at the end of the financial year in addition to other risk factors. Neither past due nor impaired are where loan payments are up to date. Past due but not impaired advances are no more than six months in arrears and are very well secured based on Management's review of the collateral values. Individually impaired advances are advances that are also greater than six months in arrears and specific provisions have been established for these loans. Management closely monitors and follow up all loans in arrears.

Investment securities

Individually impaired investment securities are securities that are not operating in accordance with the agreed upon terms and conditions. These are being closely monitored and specific provision has been established for the impaired portion.

4. Risk Management (continued)

Credit quality per class of financial assets (continued)

Investment securities (continued)

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 to customers' portfolio and investment securities based on the following:

- 98.3% of the loans and advances to customers' portfolio is categorized in the top two grades of the grading system (2014: 98.8%);
- Loans and advances to customers, which represent 38% (2014: 37%) of financial assets, are backed by collateral.

Credit quality analysis

	Loans and Advances to Customers		Investment Securities	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Carrying amount	1,058,027	1,016,837	1,700,059	1,681,974
Individually impaired				
Gross amount	11,764	7,468	48,638	48,638
Allowance for impairment	(3,706)	(1,732)	(48,638)	(48,638)
Carrying amount	8,058	5,735	-	-
Past due but not impaired				
Carrying amount	234,987	161,786	-	-
Past due comprises:				
30-60 days	193,385	132,416	-	-
60-90 days	34,797	18,902	-	-
90-180 days	4,479	6,158	-	-
180 days +	2,325	4,319	-	-
Carrying amount	234,987	161,794	-	-
Neither past due nor impaired				
Carrying amount	814,982	849,316	1,700,059	1,681,974

Notes to Consolidated Financial Statement

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4. **Risk Management** (continued)

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of mortgagors or infringement of the original terms of the contract.

The Group 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 realisation 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.

Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk arises from fluctuations of cash flows. The liquidity risk management process ensures that the Group 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 Group 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 Group also has committed lines of credit that it can access to meet liquidity needs.

The table below summaries the maturity profile of the Group's financial assets and liabilities at December 31, 2015 based on contractual undiscounted repayment obligations, over the remaining life of those assets and liabilities. These balances include interest to be paid over the remaining life of the instruments and will therefore be greater than the carrying amounts on the consolidated statement of financial position.

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Year ended December 31, 2015
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4. Risk Management (continued)

Liquidity risk and funding management (continued)

2015	Within 1 Year $'000	2-5 Years $'000	Over 5 Years $'000	Total $'000
Financial Assets				
Cash and cash equivalents	22,667	-	-	22,667
Investments securities	3,712	1,086,217	610,131	1,700,059
Other assets	21,252	-	-	21,252
Loans and advances to customers	86,837	343,455	627,735	1,058,027
Interest receivable on loans and advances to customers	56,540	202,498	495,084	754,122
Total financial assets	191,008	1,632,170	1,732,949	3,556,127
Financial Liabilities				
Mortgage participation fund	492,573	-	-	492,573
Collaterised mortgage obligation	5,052	-	-	5,052
Short-term borrowings	76,700	-	-	76,700
Debt securities	56,894	597,125	347,255	1,001,274
Interest payable on debt securities	22,349	70,408	12,290	105,047
Total undiscounted financial liabilities	653,568	667,533	359,545	1,680,646
Net gap	(462,560)	964,637	1,373,404	1,875,481
Cumulative gap	(462,560)	502,077	1,875,481	-

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Year ended December 31, 2015

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4. Risk Management (continued)

Liquidity risk and funding management (continued)

	Within 1 Year $'000	2-5 Years $'000	Over 5 Years $'000	Total $'000
2014				
Financial Assets				
Cash and cash equivalents	15,978	-	-	15,978
Investments securities	33,226	1,055,044	593,705	1,681,974
Other assets	8,191	-	-	8,191
Loans and advances to customers	88,459	343,867	584,511	1,016,837
Interest receivable on loans and advances to customers	45,337	190,916	367,392	603,644
Total financial assets	191,191	1,589,826	1,545,607	3,326,624
Financial Liabilities				
Mortgage participation fund	494,991	-	-	494,991
Collaterised mortgage obligation	7,795	-	-	7,795
Short-term borrowings	175,700	-	-	175,700
Debt securities	56,894	227,575	654,148	938,617
Interest payable on debt securities	19,615	67,310	26,364	113,290
Total undiscounted financial liabilities	754,995	294,885	680,513	1,730,393
Net gap	(563,804)	1,294,941	865,094	1,596,231
Cumulative gap	(563,804)	731,137	1,596,231	-

4. Risk Management (continued)

Liquidity risk and funding management (continued)

	On Demand $'000	Less Than 3 Months $'000	3-12 Months $'000	1-5 Years $'000	Over 5 Years $'000	Total $'000
2015						
Commitments	-	101,345	-	-	-	101,345
2014						
Commitments	-	23,808	-	-	-	23,808

The Group 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.

Equity price risk

Equity price risk is the risk that the fair values of equities will decrease as the result of decrease in equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on equity will arise as a result of changes in the fair value of equity instruments categorised as available-for-sale.

The effect on equity and income at December 31, 2015 due to a reasonably possible change in equity indices of +/- 5% with all other variables held constant will have an impact on equity of +/- $53.3million (2014: $51.8 million).

4. Risk Management (continued)

Interest rate risk

The Group 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 customers

The Group 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 95.4% of the total gross mortgage portfolio as at December 31, 2015 (2014: 95%).

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.

b) Financial liabilities

Bonds in issue

The Group has the ability to reset rates on a quarterly basis. The rate is calculated on a spread ranging between 1.35% to 1.75% over the current 90 day GOTT treasury bill.

Mortgage participation fund

The Group 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 mortgage 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.

4. Risk Management (continued)

Interest rate risk (continued)

b) Financial liabilities (continued)

Collateralised mortgage obligations (continued)

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

	Variable Rate 2015 $'000	Fixed Rate 2015 $'000	Total 2015 $'000	Variable Rate 2014 $'000	Fixed Rate 2014 $'000	Total 2014 $'000
Loans and advances to customers	1,013,448	48,355	1,061,803	970,173	48,527	1,018,700
Percentage of total loans and advances to customers	95.4%	4.6%	100%	95%	5%	100%
Bonds in issue	631,724	369,550	1,001,274	938,617	-	938,617
Percentage of total bonds in issue	63.1%	36.9%	100%	100%	0%	100%

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

	Within 1 Year $'000	1-3 Years $'000	3-5 Years $'000	5-7 Years $'000	7-10 Years $'000	Total $'000
2015						
Loans and advances to customers	18,778	26,401	-	634	2,542	48,355
Percentage of total fixed loans and advances to customers	38.8%	54.6%	0%	1.3%	5.3%	100%

4. **Risk Management** (continued)

Interest rate risk (continued)

b) Financial liabilities (continued)

Collateralised mortgage obligations (continued)

	Within 1 Year $'000	1-3 Years $'000	3-5 Years $'000	5-7 Years $'000	7-10 Years $'000	Total $'000
2014						
Loans and advances to customers	8,284	27,434	3,012	5,412	4,385	48,527
Percentage of total fixed loans and advances to customers	17%	57%	6%	11%	9%	100%

Sensitivity analysis

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

However it should be noted that the majority of the Group's financial assets are held in loans and advances to mortgagors. Variable rate mortgages account for 95.4% (2014: 95%) of the mortgage pool which gives the Group the ability to change interest rates if needed, within a short time frame.

Therefore the Group 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 Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

Notes to Consolidated Financial Statement

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

5. Capital

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, 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.

6. Use of Critical Estimates and Judgements

Management discusses with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and their application and assumptions made relating to major estimation uncertainties.

(a) Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in accounting policy 3(c)(v).

The specific counterparty component of the total allowances for impairment applies to financial assets evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the credit risk function.

(b) Critical accounting judgments made in applying the Group's accounting policies

1) Impairment of financial assets

Management makes judgements at each reporting period 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.

Notes to Consolidated Financial Statement

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

6. Use of Critical Estimates and Judgements

(b) ***Critical accounting judgments made in applying the Group's accounting policies*** (continued)

2) Lands for development

An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. T he fair value less cost to sell calculation is based on Management's estimates in an arm's length transaction of similar assets or observable market prices less incremental costs for completing and disposing of the asset.

3) 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 judgment 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.

4) Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3(c)(vi). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on expected cash flows based on recent history, uncertainty of market factors and other risks affecting the specific instrument.

7. Fair Value of Financial Instruments

The fair value of financial assets and liabilities that are traded in active markets are based on quoted market prices or dealer quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

a) Determination of fair value and fair value hierarchies

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

Level 1

Included in the Level 1 category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market.

Notes to Consolidated Financial Statement

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

7. Fair Value of Financial Instruments (continued)

a) Determination of fair value and fair value hierarchies (continued)

Level 1 (continued)

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in the Level 2 category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where prices have not been determined in an active market.

This includes financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Level 3

Included in the Level 3 category are financial assets and liabilities that are not quoted as there are no active markets to determine a price. These financial instruments are held at cost, being the fair value of the consideration paid for the acquisition of the investment, and are regularly assessed for impairment.

b) Financial instruments measured at fair value

	2015			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial assets				
Equity securities	1,065,489	-	-	1,065,489

7. **Fair Value of Financial Instruments** (continued)

b) *Financial instruments measured at fair value*

	2014			
	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Financial assets				
Equity securities	1,036,678	-	-	1,036,678

Transfers between and movement in Levels

For the year ended December 31, 2015 there were no transfers of assets between and movement in Levels.

c) *Financial instruments not measured at fair value*

The table below shows the financial assets and liabilities not measured at fair value and seeks to analyse them by the level in the fair value hierarchy into which they would be allocated had they been measured at fair value. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Level 1	Level 2	Level 3	Fair Value	Total Carrying Amount
	$'000	$'000	$'000	$'000	$'000
As at December 31, 2015					
Assets					
Investment securities	548,336	77,000	-	625,336	634,570
Loans and advances to customers	-	-	1,058,027	1,058,027	1,058,027
Liabilities					
Debt securities	479,760	498,717	-	978,477	1,001,274
Short-term borrowings	-	76,700	-	76,700	76,700
Mortgage Participation Fund	492,573	-	-	492,573	492,573
Collateral mortgage obligation	-	5,052	-	5,052	5,052

Notes to Consolidated Financial Statement
Year ended December 31, 2015
(Expressed in Trinidad and Tobago Dollars)

7. Fair Value of Financial Instruments (continued)

c) Financial instruments not measured at fair value (continued)

	Level 1	Level 2	Level 3	Fair Value	Total Carrying Amount
	$'000	$'000	$'000	$'000	$'000
As at December 31, 2014					
Assets					
Investment securities	603,598	77,000	-	680,598	645,296
Loans and advances to customers	-	-	1,016,837	1,016,837	1,016,837
Liabilities					
Debt securities	338,929	601,914	-	940,842	938,617
Short-term borrowings	-	175,700	-	175,700	175,700
Mortgage Participation Fund	494,991	-	-	494,991	494,991
Collateral mortgage obligation	-	7,795	-	7,795	7,795

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes interest rates and prepayment rates. For collateral-dependent impaired loans, the fair value is measured based on the value of the underlying collateral. Input into the models may include information obtained from other market participants, which includes observed primary and secondary transactions.

The fair value of debt securities is estimated using discounted cash flow techniques, applying the rates that are offered for debt securities of similar maturities and terms.

The fair value of cash and cash equivalents is the amount payable at the reporting date.

Notes to Consolidated Financial Statement

Year ended December 31, 2015
(Expressed in Trinidad and Tobago Dollars)

8. Cash and Cash Equivalents

	2015 $'000	2014 $'000
Cash and cash equivalents comprise:		
Cash at bank and on hand	22,420	15,732
Short-term deposits	247	246
Total cash and cash equivalents	22,667	15,978

The average effective interest rate on cash and short-term funds is 0.01% (2014: 0.02%).

9. Investment Securities

	2015 $'000	2014 $'000
Investment securities comprise:		
Held-to-maturity (a)	634,570	645,296
Available-for-sale (b)	1,065,489	1,036,678
Other securities (c)	-	-
	1,700,059	1,681,974
(a) Held-to-maturity		
- State-owned company securities	403,335	419,242
- Government securities	231,235	226,054
	634,570	645,296
(b) Available-for-sale		
- Local equities	1,065,489	1,036,678
(c) Other securities		
- Matured investment securities	48,638	48,638
- Provision for impairment	(48,638)	(48,638)
	-	-

The average effective interest rate on investment securities for the year is 4.29% (2014: 4.65%).

Notes to Consolidated Financial Statement

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

9. Investment Securities (continued)

	2015 $'000	2014 $'000
Provision for impairment on other securities	48,638	48,638

On January 30, 2009, the Central Bank of Trinidad and Tobago ('CBTT') intervened in the operations of Clico Investment Bank Limited ('CIB') and took control of that entity under Section 44D of Central Bank Act Chap. 72:02. The Group held funds totalling $48.6 million with CIB as at the date of the intervention. These facilities matured in the first quarter of 2009 and have not yet been repaid. These funds represent $36.0 million Investment Note Certificates and $12.6 million Certificate of Deposit. The Government has stated that it will guarantee to honour all third party deposits of CIB. The Group is of the opinion that these investments will be covered under the Government's guarantee and it will continue to pursue the recovery thereof. The Group has taken a decision to make a full provision for these investments on the basis of prudence and the uncertainty of timing of recovery.

		2015 $'000	2014 $'000
10. Loans and Advances to Customers			
Total loans administered		1,058,027	1,016,837
Mortgages held in trust (Note 22)		(497,625)	(502,786)
Net loans retained		560,402	514,051
The composition of loans and advances to customers is as follows:			
Retained mortgages loans	(a)	539,260	488,887
Construction loan advances	(b)	21,142	25,164
		560,402	514,051

Notes to Consolidated Financial Statement

Year ended December 31, 2015
(Expressed in Trinidad and Tobago Dollars)

10. Loans and Advances to Customers (continued)

	2015 $'000	2014 $'000
(a) Retained mortgage loans		
Principal balances and unamortised discounts:		
Total loans administered at January 1	993,405	739,103
New mortgage/transfers from construction loan advances	199,480	388,692
Principal repayments	(152,295)	(134,390)
	1,040,590	993,405
Specific provision for doubtful mortgages	(3,705)	(1,732)
	1,036,885	991,673
Mortgages held in trust (Note 22)		
- Guaranteed Mortgage Investment Certificates	(5,052)	(7,795)
- Mortgage Participation Fund	(492,573)	(494,991)
	(497,625)	(502,786)
Retained mortgage loans	539,260	488,887
Represented by:		
Mortgages with recourse	7,098	5,706
Mortgages without recourse	532,163	483,181
Balance at December 31	539,260	488,887
Specific provision for loan losses:		
Balance at January 1	1,732	980
Charge for the year	1,973	752
Balance at December 31	3,705	1,732

The average effective interest rate on the retained mortgage portfolio is 7.51% (2014: 7.43%).

Notes to Consolidated Financial Statement

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

	2015 $'000	2014 $'000
10. Loans and Advances to Customers (continued)		
(b) Construction loan advances		
Balance at January 1	25,164	27,592
New advances	10,456	18,400
Repaid	(3,570)	(6,725)
Advances converted to mortgages	(10,908)	(14,103)
Balance at December 31	21,142	25,164

The average effective interest rate on Construction loan advances is 5.97% (2014: 6.10%).

	2015 $'000	2014 $'000
11. Other Assets		
Interest receivable	5,248	5,648
Bond repayments due	7,900	-
Sundry debtors	8,104	2,543
	21,252	8,191

	2015 $'000	2014 $'000
12. Capitalised Bond Issue Costs		
Balance at January 1	231	135
Costs incurred during the year	7	113
	238	248
Costs amortised during the year	(28)	(17)
Balance at December 31	210	231

13. Property Development Costs

	2015 $'000	2014 $'000
Balance at January 1	81,215	81,215
Cost of Units sold (Note 25)	(24,448)	-
Provision for impairment in value	(19,421)	(25,334)
Balance at December 31	37,346	55,881
Provision for Impairment:		
Balance at January 1	25,334	25,334
Provisions reversed during the year	(5,913)	-
Balance at December 31	19,421	25,334

After considering the results of the valuation of lands for development, which was carried out in October 2015 and based on the acceptance of the sales price offered, management concluded that no additional provisions would be necessary. Seven Villa Units were sold in 2015 and management estimates that the remaining units would be sold by the end of 2016 at market value.

14. Property and Equipment

	Furniture Fixtures, Office Machinery and Equipment $'000	Motor Vehicles $'000	Total 2015 $'000	Total 2014 $'000
Cost				
Balance at January 1	4,023	2,134	6,157	4,845
Additions	1,569	241	1,810	1,298
Revaluations	-	-	-	14
Disposals	(63)	(73)	(136)	-
Balance at December 31	5,528	2,302	7,831	6,157
Depreciation				
Balance at January 1	2,765	734	3,499	3,041
Charge for the year	233	560	793	458
Disposals	(38)	(73)	(111)	-
Balance at December 31	2,960	1,221	4,181	3,499
Net book value	2,569	1,081	3,650	2,658

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15. Deferred Tax Asset (Liability)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The Group does not offset deferred tax assets and deferred tax liabilities.

i. The movement in deferred tax assets and liabilities during the year is as follows:

	2014 $'000	(Charged) credited to Profit or loss or OCI $'000	2015 $'000
Deferred tax assets			
Impairment provision of lands for development	6,334	(1,479)	4,855
Impairment provision on available-for-sale investments	1,282	-	1,282
	7,616	(1,479)	6,137
Deferred tax liabilities			
Discount on purchase of Mortgage Pools	(50)	15	(35)
Revaluation of available-for-sale investments	(170,559)	(7,205)	(177,764)
Bond issue costs	(58)	5	(53)
Property and equipment	(177)	23	(154)
	(170,844)	(7,162)	(178,006)
Net deferred tax liability	(163,228)	(8,641)	(171,869)

15. Deferred Tax Asset (Liability) (continued)

i. The movement in deferred tax assets and liabilities during the year is as follows: (continued)

	2013 $'000	(Charged) credited to Profit or loss or OCI $'000	2014 $'000
Deferred tax assets			
Tax losses	5,531	(5,531)	-
Impairment provision of lands for development	6,334	-	6,334
Impairment provision on available-for-sale investments	1,179	103	1,282
	13,044	(5,428)	7,616
Deferred tax liabilities			
Discount on purchase of Mortgage Pools	(80)	30	(50)
Revaluation of available-for-sale investments	(168,543)	(2,016)	(170,559)
Bond issue costs	(35)	(23)	(58)
Property and equipment	(198)	21	(177)
	(168,856)	(1,988)	(170,844)
Net deferred tax liability	(155,812)	(7,416)	(163,228)

Notes to Consolidated Financial Statement

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

15. Deferred Tax Asset (Liability) (continued)

ii. The movement on the deferred tax account is as follows:

	2015 $'000	2014 $'000
Balance at January 1	(163,228)	(155,812)
Charge to profit or loss (Note 26)	(1,436)	(5,400)
Charge to other comprehensive income	(7,205)	(2,016)
Balance at December 31	(171,869)	(163,228)

16. 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

17. Revaluation Reserve

The revaluation reserve is used to record increases or decreases in the carrying value of the Group's available-for-sale equity portfolio. If the value of this portfolio increases or decreases based on market prices, this movement is recognised in equity under the heading revaluation reserve and other comprehensive income. These assets are tested for impairment and once the indicators of impairment are achieved, the impairment loss is recognised in the profit or loss. At the reporting date, there was impairment on the equity portfolio of $0.009 million (2014: $0.415 million).

18. Mortgage Risk Reserve

	2015 $'000	2014 $'000
Balance at January 1	4,572	3,281
Transfer from retained earnings	250	1,291
Balance at December 31	4,822	4,572

Notes to Consolidated Financial Statement

Year ended December 31, 2015

(Expressed in Trinidad and Tobago Dollars)

	2015 $'000	2014 $'000
19. Other Liabilities		
Interest payable on bonds	3,964	4,533
Sundry creditors and accruals	10,133	7,460
Gareemic holders payable	234	186
	14,331	12,179
Taxation payable	3,214	1,956
	17,545	14,135

20. Short-term Borrowings

Balance at January 1	175,700	125,000
Proceeds	243,000	496,000
Repayments	(342,000)	(445,300)
Balance at December 31	76,700	175,700

The short-term borrowing facility is comprised of a RBC one year revolving facility renewable each September. As at September 2015 the facility was set at $225 million. These borrowings are secured by investment securities valued at $380 million.

	2015 $'000	2014 $'000
21. Debt Securities		
Balance at January 1	938,617	745,511
Issues	119,550	250,000
Redemptions	(56,894)	(56,894)
Balance at December 31	1,001,273	938,617

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 Group.

21. Debt Securities (continued)

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

	2015 $'000	2014 $'000
Within 1 year	56,894	56,894
1 to 2 years	56,894	56,894
2 to 3 years	176,444	56,894
3 to 4 years	56,894	56,894
4 to 5 years	56,894	56,894
Over 5 years	597,254	654,148
	1,001,273	938,617

(c)

	2015 $'000	2014 $'000
Tax free bonds	136,542	137,373
Other bonds	864,732	801,245
	1,001,273	938,617

Under the Home Mortgage Bank Act 1985, the Group is authorised to issue tax-free bonds up to $600 million of which $136.5 million has been issued at year-end (2014: $137 million).

22. Managed Fund Liabilities

Managed Funds comprises:

	2015 $'000	2014 $'000
Guaranteed Mortgage Investment Certificates	5,052	7,795
Mortgage Participation Fund	492,573	494,991
	497,625	502,786
Carrying value of loans backing the Managed Fund liabilities (Note 10)	(497,625)	(502,786)
Net liability	-	-

The maturity value of these financial liabilities is determined by the fair value of the Group's assets at maturity value. There will be no difference between the carrying amount and the maturity amount at the valuation date.

Notes to Consolidated Financial Statement

Year ended December 31, 2015

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	2015	2014
	$'000	$'000
22. Managed Fund Liabilities (continued)		
The movement in the Managed Fund liabilities is as follows:		
Balance at January 1	502,786	521,895
Additions	241,566	103,124
Capitalised interest	6,710	5,819
Repayments	(253,437)	(128,052)
Balance at December 31	497,625	502,786
Accrued interest		
Balance at January 1	-	-
Interest paid	(7,436)	(6,682)
Interest expense (Note 23)	7,436	6,682
Balance at December 31	-	-

Guaranteed Mortgage Investment Certificates (Gareemics)

As issuer and guarantor of Gareemics, the Group 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 Group is also obligated to disburse unscheduled principal payments received from borrowers. At December 31, 2015 the outstanding balances of securitised mortgages and the related Gareemics issued amounts to $5,052 (2014: $7,795).

The Group'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 Group 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. The Group however, bears the ultimate risk of default.

Mortgage Participation Fund

The Bank guarantees the investments under its Mortgage Participation Fund (MPF) investment programme. This fund is backed by mortgage and/or other securities. At the reporting date, the outstanding balance under the MPF investment product was $492,573 (2014: $494,991).

Notes to Consolidated Financial Statement

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	2015 $'000	2014 $'000
23. Interest Income		
Loans and advances to customers	68,597	57,921
Investment securities	30,159	30,451
	98,756	88,372
Interest expense	(12,965)	(10,556)
Net interest income	85,791	77,816
24. General and Administrative Expenses		
Staff costs	7,079	7,089
Premises	2,632	2,070
Other operating expenses	9,324	7,179
	19,034	16,338
Included within other operating expenses are the following charges:		
Depreciation	793	457
Directors' fees	1,331	1,388
25. Loss on Sales of Tobago Fairways Villas		
Income from sale of Units	18,535	-
Cost of Units sold	(24,448)	-
Loss on sale of Tobago Fairways Villa Units	(5,913)	-
26. Taxation		
(i) Current taxation:		
Corporation tax	4,384	1,955
Green fund levy	136	122
Business levy	143	130
Deferred taxation	1,436	5,400
Taxation charge for the year	6,099	7,607

26. Taxation (continued)

(ii) Tax recognised in other comprehensive income:

	2015			2014		
	Before Tax $'000	Tax Expense $'000	Net of Tax $'000	Before Tax $'000	Tax Expense $'000	Net of Tax $'000
Available-for-sale investments	28,820	(7,205)	21,615	8,066	(2,016)	6,050

(iii) Reconciliation between tax expense and the product of accounting profits multiplied by applicable tax rate:

	2015 $'000	2014 $'000
Accounting profit	86,119	83,257
Tax at the statutory rate of 25%	21,530	20,814
Under (over) provision of deferred tax		(39)
Green Fund levy	136	122
Business levy	143	130
Tax exempt income	(15,267)	(14,301)
Prior year's adjustments	(443)	881
	6,099	7,607

27. Related Party Transactions and Balances

(a) Identity of related parties

The Group has a related party relationship with its affiliates, subsidiary, directors, key management personnel and their immediate relatives.

27. Related Party Transactions and Balances (continued)

(b) Related party balances

	2015 $'000	2014 $'000
Loans, investments and other assets		
The National Insurance Board and its subsidiaries	117,000	117,000
Directors and key management personnel	1,587	2,576

All outstanding balances with these related parties are conducted on an arm's length basis. None of the balances are secured.

	2015 $'000	2014 $'000
Bonds in issue and other liabilities		
The National Insurance Board and its subsidiaries	250,886	250,204
Directors and key management personnel	1	2,439

(c) Related party transactions

	2015 $'000	2014 $'000
Interest and other income		
The National Insurance Board and its subsidiaries	4,873	4,654
Directors and key management personnel	149	150
Bond interest and other expenses		
The National Insurance Board and its subsidiaries	6,167	2,014
Directors and key management personnel	-	189

(d) Key management compensation

	2015 $'000	2014 $'000
Directors and management compensation		
Short term benefits	4,274	4,016
Post-retirement benefits	1,256	297

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

There were no provisions for doubtful debts related to outstanding balances including related parties nor were there any bad or doubtful debts recognised during the period.

27. Mortgage Commitments

The Group has issued standby commitments for the purchase mortgages, of which undrawn balances amount to $101,344,539 (2014: $23,808,305).

28. Employees

At year-end, the Group had in its employ a staff complement of 27 employees (2014: 25).

29. Dividend Paid

The Group made a Dividend payout of sixty-seven (67) cents per share which was paid on May 12, 2015, in relation to 2014 profits.

30. Contingent Liabilities

Claims of $5 million and $1.8 million have been made against the Bank at the reporting date. The Group considers this challenge is without merit and has given instructions to oppose the same. No provision has been made in the consolidated financial statements.

31. Events after the Reporting Date

There are no events occurring after the consolidated statement of financial position date and before the date of approval of the consolidated financial statements by the Board of Directors that require adjustment to or disclosure in these consolidated financial statements.

CORPORATE INFORMATION

MANAGEMENT

RAWLE RAMLOGAN
Chief Executive Officer

MARK WIGHT
Manager,
Finance and Administration

INDIRA GEEBAN
Manager,
Risk Management

SITA MANGAL
Manager,
Mortgage Sales and Operations

OSMOND PREVATT
Manager,
Treasury & Investments

COMPANY SECRETARY

PATRICIA ILKHTCHOUI

OFFICE LOCATIONS

Port-of-Spain (Head Office)
Ground Floor, Prince's Court
Corner Keate & Pembroke Streets

Chaguanas
#33 Mulchan Seuchan Road

AUDITORS

KPMG
Trinre Building
69-71 Edward Street
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 House
9 – 17 Park Street, Port of Spain

FIRST CITIZENS TRUSTEE SERVICES LIMITED
(Registrar and Paying Agents)
45 Abercromby Street, Port of Spain

SHAREHOLDERS

The stated capital is 16,000,000 ordinary shares to a value of $16,000,000, subscribed as follows at 31st December, 2015:

Institution	Amount $	%
The National Insurance Board of Trinidad and Tobago	15,900,000	99.4
British American Insurance Company (Trinidad) Limited	100,000	0.6
	$16,000,000	100.0

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