























ANNIVERSARY





























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







Contents







in this rapidly expanding geographic cluster and brings the Bank closer to its east, central and south customers.

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

CHAIRMAN'S REPORT 2016



The International and Regional Economies

According to the International Monetary Fund's (IMF) World Economic Outlook update for January 2017, the global economy is expected to grow by 3.4% and 3.6% in 2017 and 2018 respectively. This growth will be led by emerging market and developing economies with able support from developed economies.

The US economy is estimated to have grown by 2.1% in the fourth quarter of 2016 buoyed by consumer spending and corporate investments. Additionally, inflation was logged at the Federal Reserve's 2% target. These metrics along with strong labor market conditions prompted the Federal Reserve to move its key benchmark rate by 0.25% at its December 2016 and March 2017 meetings. The outlook on the US economy continues to be positive tempered by the new administration's ability to execute on its fiscal plan.

The United Kingdom's (UK) decision to leave the European Union (EU) created a degree of uncertainty and limited its economic growth in 2016 to 0.7%. The Brexit Referendum and subsequent decision to leave the EU saw the Pound Sterling decline by 16% for 2016. The UK government has since submitted its official notice to leave the EU along with their proposed course of action in attempt to limit further uncertainty within the economy.

Regionally, Caribbean countries produced mixed results as the commodity producers lagged, save for Guyana and the service providers grew. As per the IMF's World Economic Outlook the Caribbean economy was expected to grow by 3.4% in 2016 and 3.6% in 2017. The outlook for the major tourist destinations remain positive as commodity prices are expected to remain in range and tourist arrivals improve as the major global economies continue to strengthen.

The Domestic Economy

The latest financial data on the local economy show a 10.8% contraction for Q3 2016 led by an 18.3% reduction in the energy sector due to commodity price and output factors. The non-energy sector declined by 6.7% led by declines within the construction and distribution sectors. Growth was witnessed within the Finance, Insurance and Real Estate sectors.

In an attempt to improve the outlook for the local economy initiatives are being pursued across all sectors. Within the

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The residential real estate mortgage market is one of the few pockets within the local financial landscape which is showing positive activity.

energy sector, landmark agreements are being finalized to access cross-border fields as well as to secure significant Foreign Direct Investment (FDI) from major up-stream energy entities. To boost activity within the construction, real estate and financial services sectors the Government of the Republic of Trinidad and Tobago (GoRTT) is promoting the Public Private Partnership (PPP) model for the delivery of affordable housing. The program of works via the PPP model is estimated to be valued at TT\$5 billion to the year 2020.

Capital Markets

BOND MARKET

In 2016, the primary bond market saw fifteen (15) issues done by GoRTT, state sponsored enterprises and the private sector for a total of TT\$6.0 billion. This is on par with 2015 which saw twelve (12) bonds issued for a value of TT\$6.5 billion. In addition to the domestic issues two (2) US dollar bonds were successfully placed internationally for a value of US\$1.6 billion both bonds being at least 3.5 times over-subscribed.

The secondary government bond market recorded strong trading activity in 2016 with a total of 155 trades executed for a value of \$1.7 billion as compared to 51 trades for a value of \$99.2 million in 2015. This activity represents a degree of profit-taking by some institutions as market conditions have seen interest rates increase and overall bond prices decrease by approximately 4.5% as measured by the CBTT Bond Price Index.

CHAIRMAN'S REPORT 2016



STOCK MARKET

The Trinidad and Tobago stock market increased by 4% in 2016 driven by strong gains in cross-listed entities. These entities have benefitted from improving domestic economies, stronger visitor arrivals and contained commodity prices. As at December 2016, the local stock market had a capitalization of \$118.3 billion. Further growth in the local equity market is expected as GOTT pursues its divestment program.

Residential Mortgage Market

The residential real estate mortgage market is one of the few pockets within the local financial landscape which is showing positive activity with a net growth of \$555 million in 2016 in the commercial banking sector as reported on the Central Bank's website.

The growth activity in this sector bears out the data reflected in the Central Statistical Office's 2011 Census Report which shows that there is unmet demand of 9.82% for housing in the 16-59 age group (882,496) which equates to 86,611 persons. Narrowed down to the key consumer group of 25-45 year olds, which represents mainly first time homeowners, the number is 40,025 persons with unmet demand for housing. If this number is reduced by half to accommodate for couples purchasing homes together, the number is still significant at 20,012.

The main supplier to this market is the government, through the Housing Development Corporation (HDC), and they are now engaging the private sector in a joint venture arrangement, Public Private Partnership (PPP) as they attempt to ramp up production to meet the "affordable housing" needs of the population.

It is anticipated that demand will continue to outstrip supply in the affordable housing market in the immediate future but, through the PPP, the outlook for this segment is optimistic.

The slowdown in the economy and employee layoffs is beginning to impact the market as evidenced by an increase in delinquency in this sector over the past year within the 1-3 month category moving from 2% to 3% overall based on CBTT statistics. The Bank, and the Industry as a whole, will continue to maintain tight control on the collections side of the business to ensure that delinquencies are properly managed given the economic reality.

In summary therefore, the outlook for the Residential Mortgage Market remains positive and highly competitive, but it will continue to be characterized by intense competition and low margins.

Ownership

During 2016, the majority shareholder, The National Insurance Board of Trinidad and Tobago (NIBTT) negotiated the purchase of the remaining 0.625% of the outstanding shareholding of the Bank. This transaction was concluded in early 2017, making the Bank 100% owned by the NIBTT.

Conclusion

At the Bank's 28th Annual General Meeting on August 24, 2016, three (3) new Directors were appointed by the shareholder including myself who was subsequently appointed as Chairman. The other directors appointed were Mrs. Marilyn Gordon (Deputy Chairman), and Ms. Inez Sinanan.

I wish to thank former chairman, Mr. Joshey Mahabir whose term of appointment expired on July 30, 2016 for his leadership and guidance of the Bank during his term both as a director and subsequently as Chairman.

Finally, 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.

Ansel D. Howell Chairman



Left:

Ansel Howell Chairman

Center:

Marilyn Gordon Deputy Chairman

Right:

Ruthven Boyer Jaggassar Director





Ansel Howell Chairman

Mr. Howell is an Organisational Effectiveness and Change Management consultant with a wealth of corporate governance experience having held several leadership positions in a leading financial institution over the past 20+ years. He provides consulting services in various areas including, team development, crisis management and prevention, project management, business process and system design and project financing. Mr. Howell holds a B.Sc. and M.Sc. both in Computer Science from the University of the West Indies as well as several Management certifications including Internal Auditing.

Marilyn Gordon Deputy Chairman

Mrs. Gordon served as a teacher at both the primary and secondary school levels. She then served as Minister in various ministries as diverse as Sport, Culture and Youth Affairs, Finance, Industry and Commerce and Education. She brings with her over forty (40) years' experience. She graduated from the University of Newcastle on Tyne, England with a Bachelor of Arts in Geography. She represented Trinidad and Tobago at hockey and athletics and went on to coach the first national junior women's hockey team to compete in Jamaica. Ms. Gordon has led the team which conceptualized and implemented several property development projects in Western Trinidad.

Ruthven Boyer Jaggassar Director

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), EximBank T&T Ltd. (Chairman), and is currently Chairman of CLICO Trust Corporation and Director of a private enterprise. Mr. Jaggassar is also a former President of St. Andrews Golf Club.



Left:

Joanne Milford-Walcott

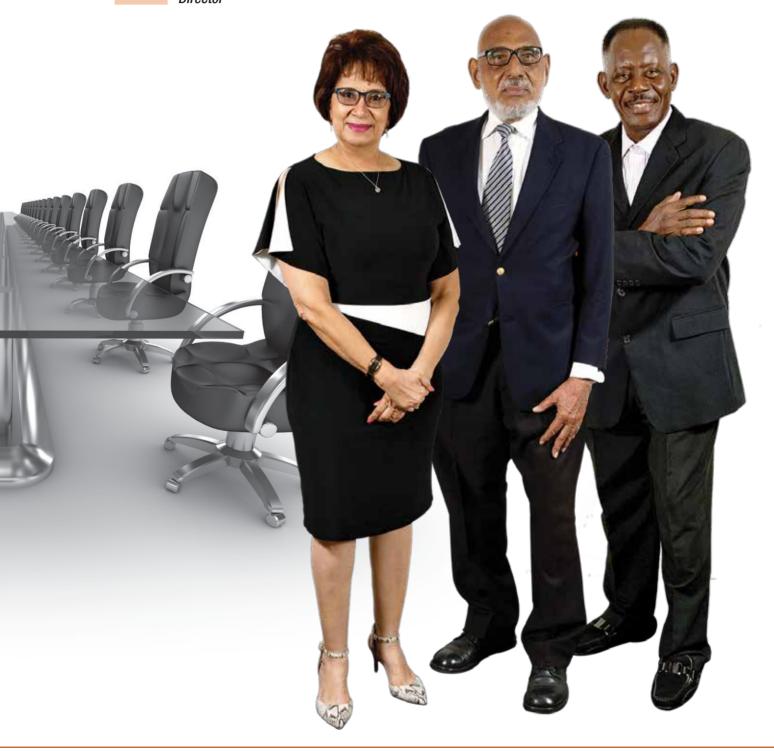
Director

Center:

Walton Hilton-Clarke Director

Right:

Sylvan N. Wilson Director





Joanne Milford-Walcott Nicestor

Mrs Milford-Walcott has 22 years experience in banking, and is a former Regional Manager of Republic Bank Limited (RBL). Her experience at the bank included the conduct of due diligence assessments on mortgage portfolios and also mortgage training for RBL's branches. Mrs. Milford-Walcott has received extensive training in Banking, Property Law and Advanced Credit, both locally and internationally. During her tenure at RBL she was involved in special projects related to the bank's acquisition of both local and regional banking institutions. She joined the Board of Directors of Home Mortgage Bank in August 2011. Mrs. Milford-Walcott is a former Director of The President Award of Trinidad & Tobago.

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 of Trinidad & Tobago.

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.



Left: Ermine De Bique Meade Director

Center: Keston Nancoo Director

Right: Inez B. Sinanan Director





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.

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 Management; London Business School-Management; Cornell University- HR Strategy: Creating Competitive Advantage through People; and Arthur Lok Jack Business School- Building and Implementing Balanced Scorecard.

Inez B. Sinanan Director

Ms. Sinanan is a retired strategic leader and visionary from the insurance industry, she was at the helm in excess of twenty (20) years at ALGICO as the General Manager and Senior Executive of the general insurance operations, and the first female President of the Association of Trinidad and Tobago Insurance Companies (ATTIC). Ms. Sinanan's leadership and management qualities attracted Board directorships in several organizations such as NIBTT, its subsidiaries NIPDEC, HMB and TTMF; First Citizens Bank and its subsidiary First Citizens Asset Management Company; CMMB, TATIL, ALGICO and ADB. Notably, because of her insistence and eye for detail, she has been part of the Audit Committees in most of these companies. She currently holds directorships on the Board of TTIFC, IBWIL and Flavorite Foods. Ms. Sinanan was appointed to the HMB Board in August 2016. She attained academic qualifications of a Bachelor's Degree and a Master's Degree at Pace University, New York, U.S.A.

DIRECTORS' Report



The Directors have pleasure in submitting their Report and the Audited Consolidated Financial Statements for the year ended 31st December, 2016

FINANCIAL RESULTS

	\$ 000 's
Net Profit before taxation	83,579
Taxation	(5,377)
Net Profit for the year	78,202
Retained earnings at the beginning of the year	527,143
	605,345
Add:	
Transfer from mortgage risk reserve	(1,030)
Less:	
Dividends paid	(11,840)
Retained earnings at the end of the year	592,475

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 \$18.4 million representing 1% of total assets at the end of financial year.

DIVIDENDS

Dividends of 74 cents per share was paid during the year (2015 - 67 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

Markolul

Director

Joanne Milford-Walcott

Ansel D. Howell Chairman

Ennive De Bigue Meade

Ermine De Bique Meade Director

r Inez B. Sinanan Director Marilyn Gordon Deputy Chairman

Keston Nancoo Director Walton Hilton-Clarke Director

Sylvan 1. Qi bron

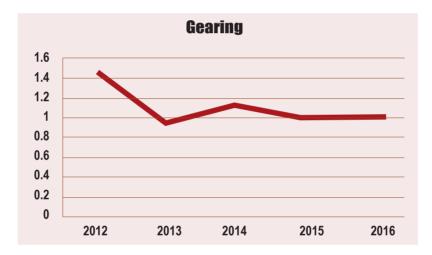
Sylvan Wilson Director

Ruthven A. Boyer Jaggassar Director



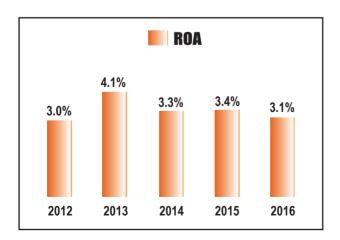


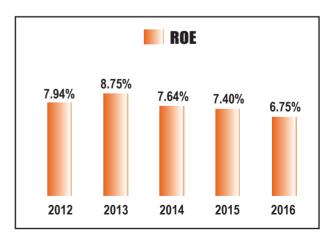




The Bank yet again manages to show it ability to fund its activities efficiently, by growing its balance sheet and maintain a gearing position, which stands at a 1.01:1 for 2016.

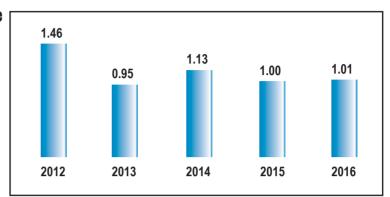
Some key financial ratios highlighting the strength of the Bank are as follows:-



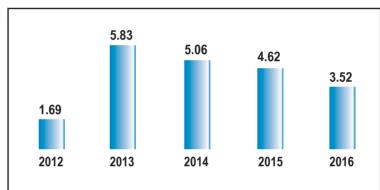




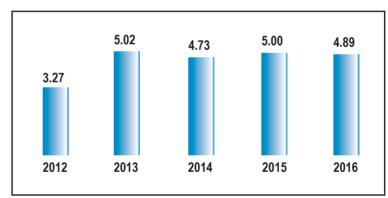
Gearing / Leverage



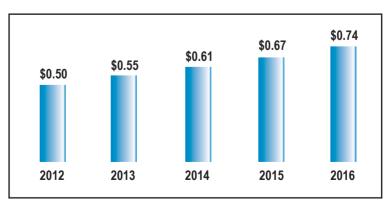
Interest Coverage



EPS



Dividend Payout





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The Bank's foray into Commercial lendings is gaining some traction as the market is beginning to be aware of HMB's presence in this segment.

Residential Real Estate Mortgage Market

Home Mortgage Bank closed the year at \$209 million in new residential mortgage disbursements, an increase of 35% over 2015 representing 229 new mortgage loans. This was achieved with increased mortgage origination staff and "loan sales". No additional staffing in the residential mortgage origination area is anticipated in the coming year.

This is still a buyer's market and consumers shop around for rates from bank to bank. While loyalty still matters, when it comes to large investments such as a home purchase, a small shaving in the rate could make a significant difference in affordability to a first time buyer. Pricing in this market is a major factor in the decision to buy. The major commercial banks continue to offer sub-5% rates to woo desirable clients.

There have been an increased number of inquiries for bridging facilities as some financiers are shying away from this type of lending which is considered high risk. The risk to HMB is that, having seen the client through the construction of the home, at the post construction stage there is a risk of losing the long term business as other banks encourage clients to switch with offers of attractive rates and "cash back" incentives.

The Secondary portfolio purchased from TTMF in 2014 was fully booked in 2014/2015. Another purchase of \$150 million was negotiated with TTMF in 2016 with \$75 million booked in November 2016. The remaining \$75 million will be booked in 2017.

The Bank continues to closely monitor the quality of both the Primary and Secondary Portfolios to ensure that industry standards are achieved and maintained.

The Bank's foray into Commercial lendings is gaining some traction as the market is beginning to be aware of HMB's presence in this segment. Disbursements in this portfolio totaled \$35.5 million in 2016, up from \$14 million in 2015.

The Bank is also partnering with the Housing Development Corporation to fulfill the Government's proposed Public-Sector Partnership (PPP) mandate. Financing for the first project is currently being negotiated.

These two new lines of business are promising, and will be developed in the coming year.

All in all, 2016 was a challenging year and 2017 will likely continue this trend. Given the Government's focus on affordable housing for the population, the coming year will see the Bank focusing heavily on its core mandate of developing a mortgage market and maintaining a secondary mortgage market in Trinidad and Tobago, as well as supporting the development of a system of real property and housing finance.

Investments And Funding

Funding Activities

The local fixed income market is beginning to feel the effects of crowding out as GoRTT and government sponsored enterprises continue to seek debt financing. This has prompted an outward shift of the yield curve across all tenors ultimately having a negative impact on the Bank's cost of funds.

In 2016 the Bank successfully closed its 81st Bond issue due to mature in 2018. Discussions are on-going as the Bank continues to work with all stakeholders to develop innovative structures that would meet investors' needs and the funding requirements of the Bank.

As at December 31, 2016, the Bank's bonds in issue stood at \$1.042 billion up from \$1 billion as at December 31, 2015, an increase of 4%, attributed to its latest bond issue





In looking ahead at 2017, the Bank will be focusing on strengthening and developing its business activities in key operating segments in both the capital and mortgage markets.



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Asset Backed Securities

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, 2016 of \$643.9 million a 30% year on year increase. This increase is a result of new marketing initiatives undertaken for continued growth. The MPF has consistently offered competitive rates in the mutual fund market. As at September 1, 2016, the rate offered to investors was raised to 1.50%, from the previous 1.35%.

Fixed Income Investment Securities

The Bank holds a portfolio of high grade fixed income securities totaling \$742.9 million a 17% increase from the prior year's balance of \$634.6 million. These securities are used in part to secure the Bank's debt financing.

Equity Portfolio

The Trinidad and Tobago stock market saw an increase of 4% in 2016 driven by strong gains in cross-listed entities. As at December 2016 the Bank's equity portfolio was valued at \$1.079 billion. The equity portfolio continues to generate strong total returns. Given Its composition, the Bank foresees limited downside risk to the Trinidad and Tobago economy.

Nutionk

In looking ahead at 2017, the Bank will be focusing on strengthening and developing its business activities in key operating segments in both the capital and mortgage markets. The Bank will be looking at all its internal processes and resources to ensure that we are able to deliver an efficient level of service to all our stakeholders, while providing improved returns to our shareholder.

In closing, I wish to thank the Board of Directors for their direction and support, the management team and staff for their commitment and participation as we position the Bank for continued and sustainable growth in the coming years ahead. The success of the Bank is reflected in the continued support of our valued investors, customers and shareholder.

Rawle Ramlogan
Chief Executive Officer

FIVE YEAR REVIEW

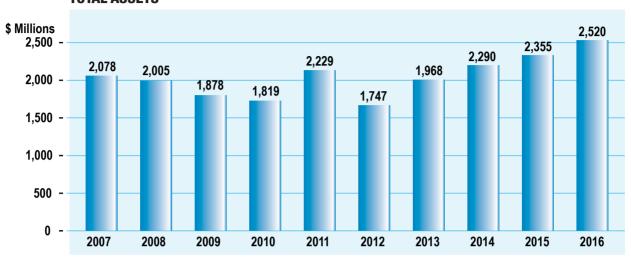


December 31st,	2016 \$'000	2015 \$'000	2014 \$'000	2013 \$'000	2012 \$'000
BALANCE SHEET					
Loans & Advances	603,023	560,402	514,051	248,488	447,940
Investment Securities	1,822,138	1,700,059	1,681,974	1,609,555	1,140,763
Total Assets	2,520,107	2,354,783	2,289,641	1,967,587	1,747,167
Funding Liabilities	1,168,130	1,077,973	1,114,317	870,511	964,814
Total Liabilities	1,362,840	1,273,524	1,299,296 1,049,182		1,087,095
Share Capital	16,000	16,000	16,000	16,000	16,000
Retained Earnings	592,476	527,142	458,093	393,494	315,964
INCOME STATEMENT					
Income	132,517	125,041	119,377	128,432	149,036
Profit before Taxation	83,579	86,119	83,257	90,695	52,548
Net Income	78,202	80,020	75,650	80,335	52,388
Operating Expenses	21,325	19,034	16,338	14,586	14,671
Earnings per share	\$4.89	\$5.00	\$4.73	\$5.02	\$3.27

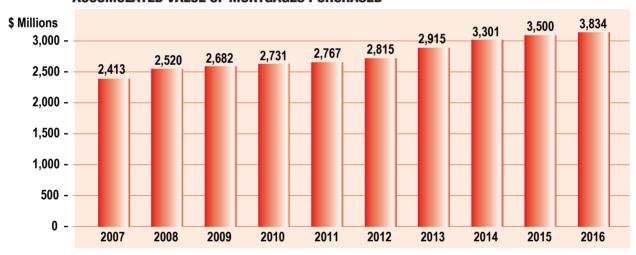
TEN YEAR REVIEW



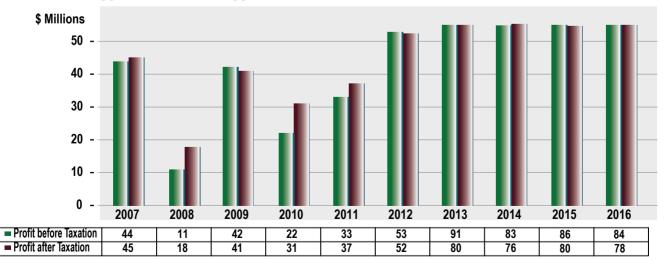
TOTAL ASSETS



ACCUMULATED VALUE OF MORTGAGES PURCHASED



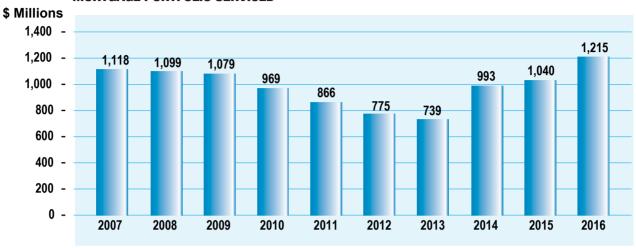
COMPARATIVE NET INCOME



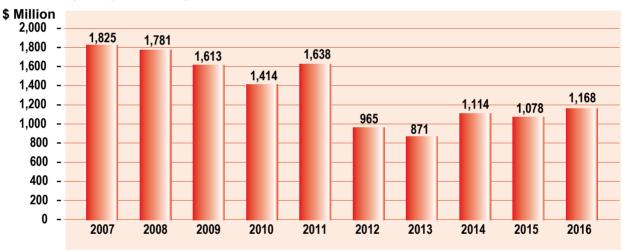
TEN YEAR REVIEW



MORTGAGE PORTFOLIO SERVICED



FUNDING LIABILITIES



MORTGAGES PURCHASED 450 400 350 -300 -250 -200 -150 -100 -50 -0 -2007 2008 2009 2011 2014 2016 2010 2012 2013 2015

CORPORATE GOVERNANCE



Changes On The Board Of Directors

The term of office of Mr. Joshey Mahabir, the former Chairman, expired on July 30, 2016. Mr. Ansel Howell, Mrs. Marilyn Gordon and Ms. Inez Sinanan were newly-appointed as Directors by the Shareholders at the Bank's 28th Annual General Meeting held on August 24, 2016. The Board appointed Mr. Howell as Chairman and Mrs. Gordon as Deputy Chairman effective September 22, 2017.

Mr. Ruthven A. Boyer Jaggassar's term expired at the close of business at the 28th AGM and was subsequently re-appointed as a Director by the Honourable Minister of Finance on September 27, 2016 in accordance with the Home Mortgage Bank Act.

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
- Cheryl Ann Neptune Manager, Human Resources
- 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 four (4) Board-appointed Committees, namely, the Audit and Risk Committee, the Human Resources and Remuneration Committee, the Restructuring Committee and the Management Risk Committee.

Audit and Risk 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. Members of the Committee effective September 29, 2016 are:

• Ruthven A Boyer Jaggassar - Chairman

- Joanne Milford-Walcott
- Marilyn Gordon
- Inez Sinanan

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. Members of the Committee effective September 29, 2016 are:

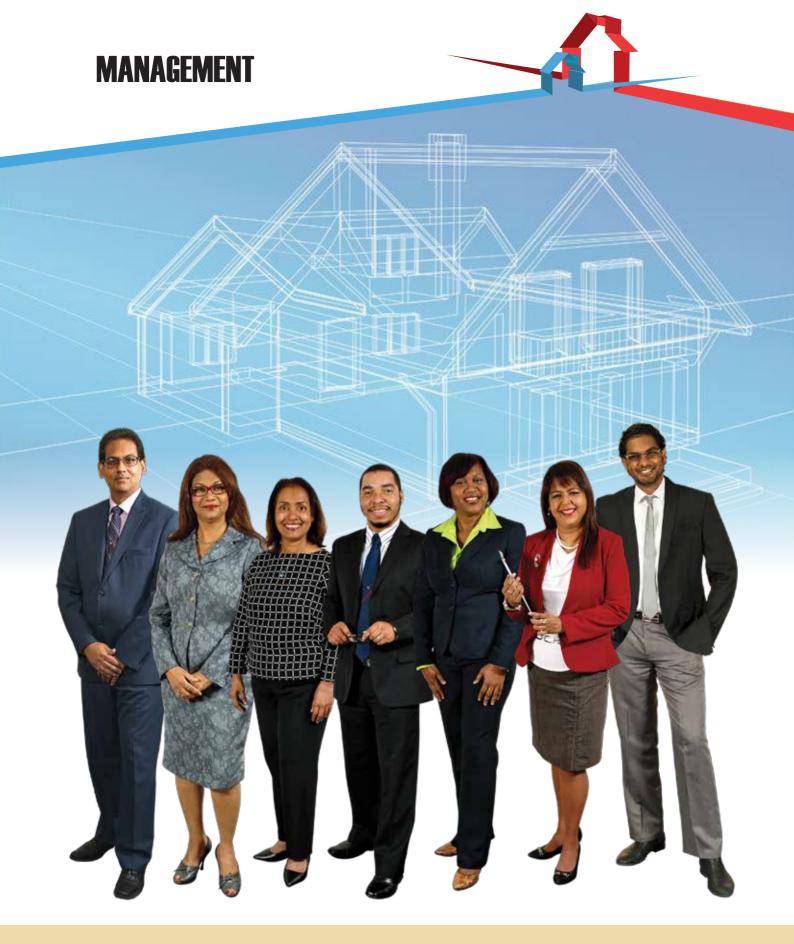
- Sylvan Wilson Chairman
- Walton Hilton-Clarke
- Keston Nancoo
- Ermine De Bique-Meade

Restructuring Committee

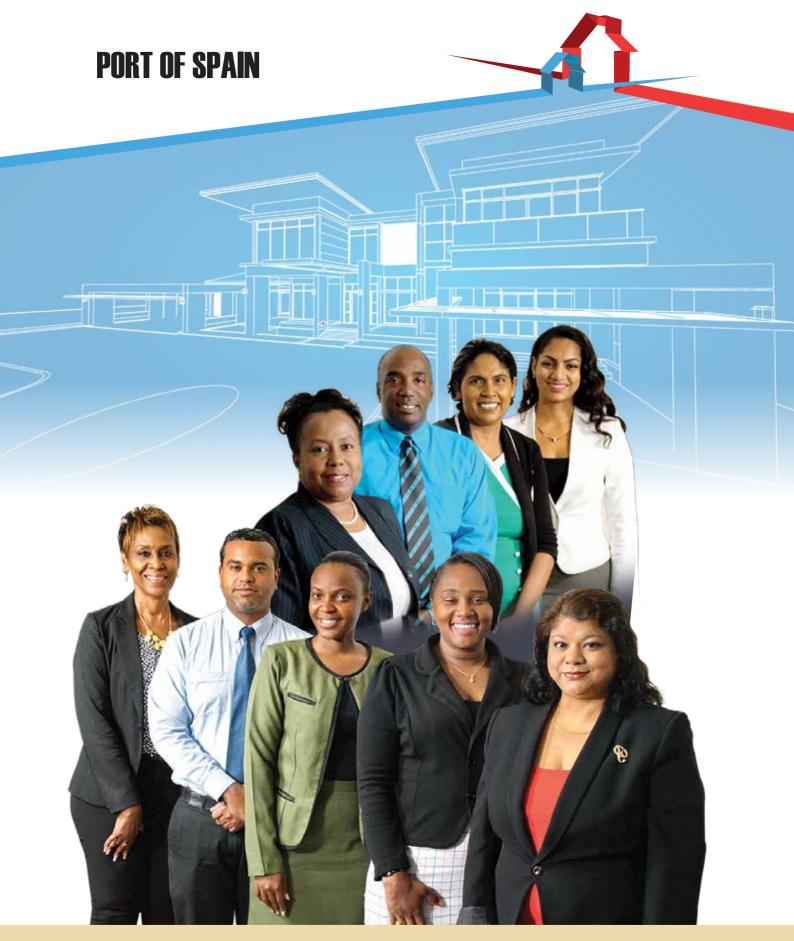
This Committee was established on December 14, 2016. The Committee meets as deemed necessary, to review long-term financial structures, financing requirements of the Bank, the effectiveness of the Bank's organizational structures and systems, reviewing and discussing with management the development and implementation of the Bank's overall restructuring plans as well as the Bank's business plan. Members of the Committee effective December 14, 2016 are:

- Ansel Howell Chairman
- Ruthven Boyer A. Jaggassar
- Sylvan Wilson
- Joanne Milford-Walcott
- Rawle Ramlogan (CEO Ex officio Member)

Management Risk Committee (A Management Committee) The establishment of this 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 it 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 and Risk Committee through the Manager, Risk Management.



Mr. Rawle Ramlogan Ms. Patricia Ilkhtchoui Ms. Sita Mangal Mr. Osmond Prevatt Ms. Cheryl-Ann Neptune Ms. Indira Geeban Mr. Mark Wight



TOP ROW: L-R: C. Allison John-Baptiste, Nigel Gibson, Debra Singh, Renuka Ramjattan
FRONT ROW: L-R: Anna Gonzales, Nicholas Mohammed, Keishelle Strachan, Gillian Torries, Parbatie Chin Cheong



TOP ROW: L-R: Brent Bhagaloo, Vicki Bruce, Natalie Hector, Avian Harris-Khan FRONT ROW: L-R: Teemoi Chaitan, Amichai Drayton, Debbie Aguillera-Sammy, Andel Ramnath



TOP ROW: L-R: Padma Bhual-Ali, Sunil Teeluck, Vishwadai Moonsammy, Marc Trestrail FRONT ROW: L-R: Terry Budansingh, Isreal Khan, Usha Gajadhar, Davina Jagmohan, Charlene Savary



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Statement of Management Responsibilities Home Mortgage Bank Limited

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of Home Mortgage Bank Limited (the Bank), which comprise the consolidated statement of financial position as at December 31, 2016, 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 of significant accounting policies and other explanatory information;
- Ensuring that the Bank keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Bank's assets, detection/prevention of fraud, and the achievement of the Bank's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that comply with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these audited consolidated financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Bank will not remain a going concern for the next twelve months from the reporting date, or up to the date the accompanying consolidated financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

March 17, 2017

Date: Mar 17, 2017

March 17 2017

Date: 12/3/2012





Independent Auditors' Report To the Shareholders of Home Mortgage Bank

Opinion

We have audited the consolidated financial statements of Home Mortgage Bank ("the Bank"), which comprise the consolidated statement of financial position as at December 31, 2016, 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 significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the Bank's annual report but does not include the financial statements and our auditors' report thereon. The Bank's annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.





Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. When we read the Bank's annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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





- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Bank and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

KPMG

Port of Spain Trinidad and Tobago March 17, 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



	2016	2015	Notes	2016	2015
	\$'000	\$'000		\$'000	\$'000
ASSETS					
Cash and cash equivalents			8	18,400	22,667
Investment securities			9	1,822,138	1,700,059
Loans and advances to custome	rs		10	603,023	560,402
Total loans administered	1,250,769	, ,			
Mortgages held in trust	(647,746)	(497,625)			
Other assets			11	18,369	21,252
Capitalised bond issue costs			12	209	210
Property development costs			13	27,305	37,346
Property and equipment			14	3,265	3,650
Investment property			15	18,876	-
Taxation recoverable			1.6	2,494	3,061
Deferred tax asset			16	6,028	6,137
Total assets				2,520,107	2,354,784
EQUITY AND LIABILITIES					
EQUITY					
Stated capital			17	16,000	16,000
Retained earnings				592,475	527,143
Revaluation reserve			18	542,941	533,295
Mortgage risk reserve			19	5,852	4,822
Total equity				1,157,268	1,081,260
LIABILITIES					
Other liabilities			20	12,630	17,545
Short-term borrowings			21	127,000	76,700
Debt securities			22	1,041,130	1,001,273
Deferred tax liability			16	182,079	178,006
Total liabilities				1,362,839	1,273,524
Total equity and liabilities				2,520,107	2,354,784

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

These consolidated financial statements have been approved for issue by the Board of Directors on March 17, 2017 and signed on its behalf by:

Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)

	Notes	2016	2015
*		\$'000	\$'000
Income Interest income	25	102,636	98,756
Interest expense	25	(12,384)	(12,965)
Net interest income	25	90,252	85,791
Dividend income	23	46,722	45,015
Other income (net)		3	148
		136,977	130,954
Expenditure			
General and administrative expenses	26	21,325	19,034
Loss on sale of property	27	4,461	5,913
Finance costs		33,200	23,819
(Reversal of) charge to provision for impairment			
of loans and advances	10	(1,127)	1,973
Reversal of provisions for impairment of property			
development costs	13	(4,461)	(5,913)
Impairment loss on available-for-sale securities			9
		53,398	44,835
Profit before taxation		83,579	86,119
Taxation	28	(5,377)	(6,099)
Profit for the year		78,202	80,020
Other comprehensive income for the year			
Items that are or may be reclassified to profit or loss			
Revaluation of available-for-sale investments		13,778	28,820
Related tax	16	_(4,132)	(7,205)
Other comprehensive income for the year, net of tax		9,646	21,615
Total comprehensive income for the year		87,848	101,635
		2016	2015
Basic and diluted earnings per share (\$)		4.82	5.00
Number of shares ('000)	17	16,000	16,000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



	<u>Note</u>	Stated Capital \$'000	Retained Earnings \$'000	Revaluation Reserve \$'000	Mortgage Risk Reserve \$'000	Total Shareholders' Equity \$'000
Balance at December 31, 2015						
Balance at January 1, 2015 Transfer to mortgage risk reserve	19	16,000	458,093 (250)	511,680	4,572 250	990,345
		16,000	457,843	511,680	4,822	990,345
Total comprehensive income Profit for the year Other comprehensive income for the year		<u>-</u>	80,020	21,615	- -	80,020 21,615
Total comprehensive income for the year	ear		80,020	21,615	-	101,635
Transaction with owners of the Bank, recognised directly in equity						
Dividends			(10,720)	-	-	(10,720)
Balance at December 31, 2015		16,000	527,143	533,295	4,822	1,081,260
Balance at December 31, 2016						
Balance at January 1, 2016 Transfer to mortgage risk reserve	19	16,000	527,143 (1,030)	533,295	4,822 1,030	1,081,260
		16,000	526,113	533,295	5,852	1,081,260
Total comprehensive income Profit for the year Other comprehensive income for the year	ear	- -	78,202 -	- 9,646	<u>-</u>	78,202 9,646
Total comprehensive income for the year		-	78,202	9,646	-	87,848
Transaction with owners of the Bank, recognised directly in equity						
Dividends			(11,840)	-	-	(11,840)
Balance at December 31, 2016		16,000	592,475	542,941	5,852	1,157,268

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



	Note	2016	2015
CASH ELOWS EDOM OBED ATING ACTIVITIES		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES Profit before taxation		83,579	86,119
Adjustments for:		05,577	00,117
(Reversal of) charge to provision for impairment of			
loans and advances		(1,127)	1,973
Impairment loss on available for sale equities		-	´ 9
Impairment on property and equipment		-	25
Loss (gain) on property and equipment		7	(29)
Depreciation		982	793
Capitalised interest on managed funds		6,446	6,710
Net premium recognized on investments		(4,986)	(9,645)
Bond issue costs amortised	12	53	28
Operating profit before working capital change		84,954	85,983
Change in other assets		2,883	(13,061)
Change in other liabilities		(1,909)	2,152
Corporation taxes paid		(9,754)	(3,405)
Tax refund received		1,992	
Net cash from operating activities		78,166	71,669
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Issuance of new mortgages and loans		(333,695)	(199,027)
Proceeds from repayment on mortgages and loans		142,082	155,865
Purchase of property and equipment		(606)	(1,810)
Proceeds from sale of property plant and equipment		2	29
Proceeds from sale of maturity investments		13,470	42,871
Purchase of investments		(116,786)	(22,501)
Purchase of investment property		(18,876)	-
Proceeds from sale of property		10,041	18,535
Proceeds from managed funds		470,504	241,566
Repayment of managed funds		(326,833)	(253,437)
Net cash used in investing activities		(160,697)	(17,909)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings		551,000	243,000
Repayment of short-term borrowings		(500,700)	(342,000)
Proceeds from bonds issued		96,750	119,550
Redemption of bonds		(56,893)	(56,894)
Dividends paid		(11,840)	(10,720)
Bond issue costs incurred		(53)	(7)
Net cash from (used in) financing activities		78,264	(47,071)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



	2016	2015
	\$'000	\$'000
Net (decrease) increase in cash and cash equivalents	(4,267)	6,689
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	22,667	15,978
CASH AND CASH EQUIVALENTS AT END OF YEAR	18,400	22,667
Represented by:		
Cash at bank and on hand	18,150	22,420
Short-term deposits	250	247
	18,400	22,667
Supplemental information:		
Income received during the year	79,060	55,452
Interest paid during the year	46,722	24,388
Dividend received	31,928	45,015
Dividend paid	11,840	10,720

Year ended December 31, 2016 (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, direct mortgage lending and the issue of bonds for investment in housing.

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

Subsidiary Company	Country of Incorporation	Percentage Owned
Tobago Fairways Villas Limited	Trinidad and Tobago	100%
Tobago Plantation House Limited	Trinidad and Tobago	100%
Tobago Fairways Management 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 March 17, 2017.

2. Basis of Preparation

(a) Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 item in the statement of financial position:

- Available-for-sale financial assets are measured at fair value.
- Investment property is measured at fair value
- Property development costs are valued at the lower of cost and net realisable value.

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



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, all amounts presented have been rounded to the nearest thousand.

(d) Use of critical estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs 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

A subsidiary company is an investee 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. The Group reassesses whether it has control if there are changes to one or more of the elements of control. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



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.

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



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 or loss in 'provision for loan losses'.

Year ended December 31, 2016 (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.

Year ended December 31, 2016
(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 current 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 IFRSs, 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.

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



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.

Year ended December 31, 2016 (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-forsale 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.

Year ended December 31, 2016
(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.

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



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 $7\frac{1}{2}\%$ to $33\frac{1}{3}\%$ 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) Investment property

Property held for capital appreciation or long-term rental yields, which is not occupied by the Bank, is classified as investment property.

Investment property comprises freehold land. Investment property is carried at fair value which is reviewed periodically. Fair value is based on market prices or if this is not available, on the discounted cash flow projections, adjusted if necessary, for any difference in the nature, location or condition of the specific asset. Investment property being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

Land held for undetermined future use is included in investment properties and is carried at fair value.

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



3. Significant Accounting Policies (continued)

i) 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.

j) 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.

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.

k) 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).

l) 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 \$751,206 (2015: \$594,917).

m) 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.

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



3. Significant Accounting Policies (continued)

n) 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.

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

Other income is accounted for on the accruals basis.

o) 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.

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



3. Significant Accounting Policies (continued)

o) Taxation (continued)

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.

p) 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.

q) 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.

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

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements:

- IAS 1, *Presentation of Financial Statements* 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 the minimum requirements of a standard.
 - The order of notes to the financial statements is not prescribed.

Year ended December 31, 2016
(Expressed in Trinidad and Tobago Dollars)



3. Significant Accounting Policies (continued)

- r) New, revised and amended standards and interpretations that became effective during the year (continued)
 - 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 are 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.
 - 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.
 - Amendments to IAS 27, *Equity Method in Separate Financial Statements* allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates, and joint ventures.
 - Amendments to IFRS 10, Consolidated Financial Statements, and IAS 28, Investments in Associates and Joint Ventures, in respect of Sale or Contribution of Assets between an Investor and its Associate or Joint Venture require that when a parent loses control of a subsidiary in a transaction with an associate or joint venture, the full gain be recognised when the assets transferred meet the definition of a 'business' under IFRS 3, Business Combinations.
 - IFRS 10, Consolidated Financial Statements, IFRS 12, Disclosure of Interests in Other Entities and IAS 28, Investments in Associates and Joint Ventures have been amended to introduce clarifications on which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit or loss. IFRS 10 was amended to confirm that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity. An investment entity shall measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. IAS 28 was amended to provide an exemption from applying the equity method for investment entities that are subsidiaries and that hold interests in associates and joint ventures. IFRS 12 was amended to clarify that the relevant disclosure requirements in the standard apply to an investment entity in which all of its subsidiaries are measured at fair value through profit or loss.

Year ended December 31, 2016
(Expressed in Trinidad and Tobago Dollars)



3. Significant Accounting Policies (continued)

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

Improvements to IFRS 2012-2014 Cycle contain amendments to certain standards and interpretations applicable to the Group as follows:

• 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 derecognised 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 transferree 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.

The adoption of these amendments did not result in any change to the presentation and disclosures in the consolidated financial statements.

s) 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 consolidated financial statements.

 Amendments to IAS 7, Statement of Cash Flows, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

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

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



3. Significant Accounting Policies (continued)

- s) New, revised and amended standards and interpretations not yet effective (continued)
 - Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
 - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
 - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
 - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
 - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
 - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

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

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

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



3. Significant Accounting Policies (continued)

- s) New, revised and amended standards and interpretations not yet effective (continued)
 - 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 entities in the same line of business exchange non-monetary assets to facilitate sales to other parties.

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

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

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

• 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. Entities 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.

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.

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



3. Significant Accounting Policies (continued)

t) 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.

u) 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.

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 bonds 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, interest rate 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



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4. Risk Management (continued)

Board of Directors (continued)

The Board carries out its risk management oversight function by: (continued)

- Reviewing and assessing the quality, integrity and effectiveness of the risk management systems (continued)
 - (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 Group's appetite or tolerance for risks.
- Reviewing management reports detailing the adequacy and overall effectiveness of risk management, its implementation by management, reports on internal control and any recommendations and confirm that appropriate action has been taken.
- Providing an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risk.
- Keep the Board informed on risk exposures and risk management activities through the submission of periodic reports from management.

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.

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



4. Risk Management (continued)

Excessive risk concentration (continued)

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.

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		
	2016	2015	
	\$'000	\$'000	
Cash and cash equivalents	18,400	22,667	
Investment securities	1,822,138	1,700,059	
Gross mortgage portfolio	1,214,609	1,040,591	
Construction advances	38,738	21,142	
Other assets	18,369	21,252	
Total gross financial assets	3,112,254	2,805,711	
Mortgage commitments	_ 135,548	101,345	
Total credit risk exposure	<u>3,247,802</u>	2,907,056	

Year ended December 31, 2016
(Expressed in Trinidad and Tobago Dollars)



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 significant 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 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.

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



4. Risk Management (continued)

Credit quality per class of financial assets (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:

- 97.7% of the loans and advances to customers' portfolio is categorised in the top two grades of the grading system (2015: 98.3%);
- Loans and advances to customers, which represent 39% (2015: 38%) of financial assets, are backed by collateral.

Credit quality analysis

Cicuit quality allarysis				
		nd Advances		
		tomers	Investmen	nt Securities
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Carrying amount	1,250,769	1,058,027	1,822,138	1,700,059
Individually impaired				
Gross amount	12,963	11,764	48,638	48,638
Allowance for impairment	(2,578)	(3,705)	(48,638)	(48,638)
Carrying amount	10,385	8,059		
Past due but not impaired				
Carrying amount	236,865	234,986		
Past due comprises:				
30-60 days	197,140	193,385	-	_
61-90 days	21,997	34,797	-	-
91-180 days	13,458	4,479	-	-
181 days +	4,270	2,325		
Carrying amount	236,865	234,986		
Neither past due nor impaired				
Carrying amount	1,003,519	814,982	1,822,138	1,700,059

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



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, 2016 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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4. Risk Management (continued)

Liquidity risk and funding management (continued)

<u>2016</u>	Within	2-5	Over 5	70. 4.1
	1 Year \$'000	<u>Years</u> \$'000	Years \$'000	<u>Total</u> \$'000
Financial Assets				
Cash and cash equivalents Investments securities Other assets Loans and advances to customers Interest receivable on loans and advances to customers	18,400 4,447 12,286 94,454 58,743	1,143,226 - 348,095 231,453	674,465 - 808,220 614,564	18,400 1,822,138 12,286 1,250,769 904,760
Total financial assets	188,330	1,722,774	2,097,249	4,008,353
Financial Liabilities				
Mortgage participation fund Collaterised mortgage obligation Short-term borrowings Debt securities Interest payable on debt securities	643,970 3,776 127,000 56,894 _28,332	- - 693,875 72,021	- - 290,361 8,598	643,970 3,776 127,000 1,041,130 108,951
Total undiscounted financial liabilities	859,972	765,896	298,959	1,924,827
Net gap	(671,642)	956,878	1,798,290	2,083,526
Cumulative gap	(671,642)	285,236	2,083,526	

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



4. Risk Management (continued)

Liquidity risk and funding management (continued)

<u>2015</u>	Within 1 Year \$'000	2-5 Years \$'000	Over 5 Years \$'000	Total \$'000
Financial Assets				
Cash and cash equivalents Investments securities	22,667 3,712	1,086,217	610,130	22,667 1,700,059
Other assets Loans and advances to customers Interest receivable on loans and	21,252 86,837	343,455	627,735	21,252 1,058,027
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 Collaterised mortgage obligation Short-term borrowings Debt securities Interest payable on debt securities	492,573 5,052 76,700 56,894 22,349	- - 597,125 70,408	347,255 12,290	492,573 5,052 76,700 1,001,274 105,047
Total undiscounted financial liabilities	653,568	667,533	359,545	1,680,646
Net gap	(<u>462,560)</u>	964,637	1,373,404	1,875,481
Cumulative gap	(<u>462,560)</u>	502,077	1,875,481	<u>-</u>

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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	<u>Total</u> \$'000
<u>2016</u>						
Commitments		135,548	-	-		135,548
<u>2015</u>						
Commitments		101,345	_	_		101,345

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. The Group has no exposure to currency risk as all financial instruments are denominated in Trinidad and Tobago dollars.

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, 2016 due to a reasonably possible change in equity indices of +/- 5% with all other variables held constant will have an impact on equity of +/- \$53.96 million (2015: \$53.3 million).

Year ended December 31, 2016
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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 87.4% of the total gross mortgage portfolio as at December 31, 2016 (2015: 95.4%).

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.

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4. Risk Management (continued)

Interest rate risk (continued)

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

	Variable Rate <u>2016</u> \$'000	Fixed Rate 2016 \$'000	Total 2016 \$'000	Variable Rate 2015 \$'000	Fixed Rate 2015 \$'000	Total 2015 \$'000
Loans and advances to customers	1,095,270	158,100	1,253,370	1,013,448	48,355	1,061,803
Percentage of total loans and advances to customers	87.4%	12.6%	100%	95.4%	4.6%	100%
Bonds in issue	574,830	466,300	1,041,130	631,723	369,550	1,001,273
Percentage of total bonds in issue	55.2%	44.8%	100%	63.1%	36.9%	100%

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

	Within <u>1 Year</u> \$'000	1-3 Years \$'000	3-5 Years \$'000	5-7 Years \$'000	7-10 Years \$'000	<u>Total</u> \$'000
<u>2016</u>						
Loans and advances to customers	17,467	123,229	1,022	268	16,114	158,100
Percentage of total fixed loans and advances to customers	11.1%	77.9%	0.6%	0.2%	10.2%	100.0%

Year ended December 31, 2016
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4. Risk Management (continued)

Interest rate risk (continued)

	Within	Within 1-3		5-7	7-10	
	1 Year	Years	Years	Years	Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>2015</u>						
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%

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 mortgagers. Variable rate mortgages account for 87.4% (2015: 95.4%) 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.

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



5. Capital Management

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 and critical accounting judgements.

(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)(vii).

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.

Year ended December 31, 2016
(Expressed in Trinidad and Tobago Dollars)



6. Use of Critical Estimates and Judgements (continued)

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

2) Property 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. The 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) Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



7. Fair Value of Financial Instruments (continued)

a) Valuation models (continued)

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

Availability of observable market prices and model inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

b) Financial instruments measured at fair value

	2016					
	Level	Level	Level			
	1	2	3	Total		
	\$'000	\$'000	\$'000	\$'000		
Financial assets						
Equity securities	1,079,266	-		1,079,266		

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



7. Fair Value of Financial Instruments (continued)

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	

Transfers between and movement in Levels

For the year ended December 31, 2016 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 \$'000	Level 2 \$'000	Level 3 \$'000	Fair Value \$'000	Total Carrying Amount \$'000
As at December 31, 2016					
Assets					
Investment securities	665,872	147,000	-	812,872	742,872
Loans and advances to					
customers		-	1,250,768	1,250,768	1,250,769
Liabilities					
Debt securities	793,487	232,068	-	1,025,555	1,041,130
Short-term borrowings	-	127,000	-	127,000	127,000
Mortgage Participation Fund	643,970	-	-	643,970	643,970
Collateral mortgage					
obligation		3,776	-	3,776	3,776

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



7. Fair Value of Financial Instruments (continued)

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Fair Value \$'000	Total Carrying Amount \$'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

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.

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



		2016	2015
		\$'000	\$'000
8.	Cash and Cash Equivalents		
(Cash and cash equivalents comprise:		
	Cash at bank and on hand	18,150	22,420
;	Short-term deposits	250	247
,	Total cash and cash equivalents	18,400	22,667
,	The average effective interest rate on cash and short-term funds is	0.01% (2015: 0	.01%).
		2016	2015
		\$'000	\$'000
9.]	Investment Securities		
]	Investment securities comprise:		
	Held-to-maturity (a)	742,872	634,570
	Available-for-sale (b)	1,079,266	1,065,489
,	Other securities (c)		-
		1,822,138	1,700,059
	(a) Held-to-maturity		
	- State-owned company securities	509,329	403,335
	- Government securities	233,543	231,235
		742,872	634,570
	(b) Available-for-saleLocal equities	1,079,266	1,065,489
((c) Other securities	40.620	40.620
	- Matured investment securities	48,638	48,638

The average effective interest rate on investment securities for the year is 4.21% (2015: 4.29%).

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



9. Investment Securities (continued)

	2016 \$'000	2015 \$'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 Bank 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 Bank 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 Bank has taken a decision to make a full provision for these investments on the basis of prudence and the uncertainty of timing of recovery.

		2016 \$'000	2015 \$'000
10.	Loans and Advances to Customers		
	Total loans administered Mortgages held in trust (Note 23)	1,250,769 (647,746)	1,058,027 (497,625)
	Net loans retained	603,023	560,402
	The composition of loans and advances to customers is as follows:		
	Retained mortgages loans (a) Construction loan advances (b)	564,285 38,738	539,260 21,142
		603,023	560,402

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



10. Loans and Advances to Customers (continued)

(a)	Retained mortgage loans	2016 \$'000	2015 \$'000
(-9	Principal balances and unamortised discounts:		
	Total loans administered at January 1 New mortgages/transfers from construction loan advances Principal repayments	1,040,590 313,400 (139,381)	993,405 199,480 (152,295)
	Specific provision for impaired loans	1,214,609 (2,578)	1,040,590 (3,705)
	Total loans administered at December 31	1,212,031	1,036,885
	Mortgages held in trust (Note 23)		
	Guaranteed Mortgage Investment CertificatesMortgage Participation Fund	(3,776) (643,970)	(5,052) (492,573)
		(647,746)	(497,625)
	Retained mortgage loans	564,285	539,260
	Represented by:		
	Mortgages with recourse Mortgages without recourse	5,445 558,840	7,098 532,162
	Balance at December 31	564,285	539,260
	Specific provision for impaired loans:		
	Balance at January 1 (Reversal) charge for the year	3,705 (1,127)	1,732 1,973
	Balance at December 31	2,578	3,705

The average effective interest rate on the retained mortgage portfolio is 7.30% (2015: 7.51%).

Year ended December 31, 2016
(Expressed in Trinidad and Tobago Dollars)



2016

2015

			\$'000	\$'000
10.	Loa	ans and Advances to Customers (continued)		
	<i>(b)</i>	Construction loan advances		
		Balance at January 1	21,142	25,164
		New advances	31,253	10,456
		Repayments	(2,700)	(3,570)
		Advances converted to mortgages	(10,957)	(10,908)
		Balance at December 31	38,738	21,142
		The average effective interest rate on Construction	loan advances is 5.69% (20	15: 5.97%).
			2016	2015
			\$'000	\$'000
11.	Oth	ner Assets		
	Inte	erest receivable	6,082	5,248
	Bor	nd repayments due	2,118	7,900
	Sun	dry debtors	10,169	8,104
			18,369	21,252
12.	Cap	oitalised Bond Issue Costs		
	Bal	ance at January 1	210	231
		ts incurred during the year	_ 52	7
			262	238
	Cos	ts amortised during the year	(53)	(28)
	Bal	ance at December 31	<u>209</u>	210

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



		2016	2015
12	D (D)	\$'000	\$'000
13.	Property Development Costs		
	Balance at January 1	56,767	81,215
	Cost of units sold (Note 27)	(14,502)	(24,448)
		42,265	56,767
	Provision for impairment	(14,960)	(19,421)
	Balance at December 31	27,305	37,346
	Provision for Impairment:		
	Balance at January 1	19,421	25,334
	Provisions reversed during the year	(4,461)	(5,913)
	Balance at December 31	14,960	19,421

After considering the results of the valuation of Lands for Development and Villa Units unsold, 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 for the financial year 2016.

14. Property and Equipment

	Furniture, Fixtures,		
	Office Machinery	Motor	
	and Equipment	Vehicles	Total
	\$'000	\$'000	\$'000
Cost			
Balance at January 1, 2016	5,529	2,302	7,831
Additions	364	242	606
Disposals	(237)	-	(237)
Balance at December 31, 2016	5,656	2,544	8,200
Depreciation			
Balance at January 1, 2016	2,960	1,221	4,181
Charge for the year	461	521	982
Disposals	(228)	-	(228)
Balance at December 31, 2016	3,193	1,742	4,935
Net book value	2,463	802	3,265

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



14. Property and Equipment

	Furniture, Fixtures, Office Machinery and Equipment \$'000	Motor Vehicles \$'000	<u>Total</u> \$'000
Cost			
Balance at January 1, 2015	4,023	2,134	6,157
Additions	1,569	241	1,810
Disposals	(63)	(73)	(136)
Balance at December 31, 2015	5,529	2,302	7,831
Depreciation			
Balance at January 1, 2015	2,765	734	3,499
Charge for the year	233	560	793
Disposals	(38)	(73)	(111)
Balance at December 31, 2015	2,960	1,221	4,181
Net book value	2,569	1,081	3,650

15. Investment Property

Investment property comprises one property acquired for \$18.876 million during June 2016. The fair value measurement for investment property has been categorised as a Level 2 in the fair value hierarchy. Fair value is deemed to be the purchase price given that the property was acquired during the middle of the year.

16. 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.

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



16. Deferred Tax Asset (Liability) (continued)

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

		(Charged) credited to	
	2015	Profit or loss or OCI	2016 \$'000
Deferred tax assets	\$'000	\$'000	2,000
Impairment provision on lands for			
Development and Units unsold	4,855	(367)	4,488
Impairment provision on available-	,	()	,
for-sale investments	1,282	258	1,540
	6,137	(109)	6,028
Deferred tax liabilities			
Discount on purchase of Mortgage Pools Revaluation of available-for-sale	(35)	8	(27)
investments	(177,764)	(4,132)	(181,896)
Bond issue costs	(53)	(10)	(63)
Property and equipment	(154)	61	(93)
	(178,006)	(4,073)	(182,079)
Net deferred tax liability	(171,869)	(4,182)	(176,051)
	2014	(Charged) credited to Profit or loss or OCI	2015
	\$'000	\$'000	\$'000
Deferred tax assets			
Impairment provision on lands for			
Development and Units unsold	6,334	(1,479)	4,855
Impairment provision on available- for-sale investments	1,282	-	1,282
		(1,479)	6,137
	7,616	(1.4/9)	011
Deferred tax liabilities		() /	0,10,
		()/	<u> </u>
Discount on purchase of Mortgage Pools Revaluation of available-for-sale	(50)	15	(35)
Discount on purchase of Mortgage Pools Revaluation of available-for-sale investments	(50)	15	(35)
Revaluation of available-for-sale		·	(35)
Revaluation of available-for-sale investments	(50) (170,559)	15 (7,205)	(35)
Revaluation of available-for-sale investments Bond issue costs	(50) (170,559) (58)	15 (7,205) 5	(35) (177,764) (53)

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



16. Deferred Tax Asset (Liability) (continued)

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

	2016	2015
	\$'000	\$'000
Balance at January 1	(171,869)	(163,228)
Charge to profit or loss (Note 28)	(50)	(1,436)
Charge to other comprehensive income	_(4,132)	(7,205)
Balance at December 31	(176,051)	(171,869)

17. 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

18. 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 no additional impairment on the equity portfolio (2015: \$0.009 million).

		2016	2015
		\$'000	\$'000
19.	Mortgage Risk Reserve		
	Balance at January 1	4,822	4,572
	Transfer from retained earnings	1,030	250
	Balance at December 31	<u>5,852</u>	4,822

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



20.	Other Liabilities	2016 \$'000	2015 \$'000
	Interest payable on bonds Sundry creditors and accruals	5,236 7,085	3,964 10,133
	Gareemic holders payable Taxation payable	101 12,422 208	234 14,331 3,214
	Taxation payable	12,630	17,545
21.	Short-term Borrowings		
	Balance at January 1 Proceeds Repayments	76,700 551,000 (<u>500,700)</u>	175,700 243,000 (342,000)
	Balance at December 31	127,000	76,700

The short-term borrowing facility is comprised of a RBC one year revolving facility renewable each September. As at September 2016 the facility was set at \$225 million. These borrowings are secured by investment securities valued at \$380 million.

		2016	2015
22.	Debt Securities	\$'000	\$'000
	Balance at January 1 Issues	1,001,273 96,750	938,617 119,550
	Redemptions Balance at December 31	(56,893) 1,041,130	(56,894) 1,001,273

Notes:

(a) These bonds are secured by debentures created at the time of issue and rank pari-passu over the fixed and floating assets of the Bank.

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



22. Debt Securities (continued)

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

		2016	2015	
		\$'000	\$'000	
	Within 1 year	56,894	56,894	
	1 to 2 years	273,194	56,894	
	2 to 3 years	56,894	176,444	
	3 to 4 years	306,894	56,894	
	4 to 5 years	56,894	56,894	
	Over 5 years	_290,360	597,253	
		1,041,130	1,001,273	
(c)	Tax free bonds	124,011	136,542	
	Other bonds	917,119	864,731	
		1,041,130	1,001,273	

Under the Home Mortgage Bank Act 1985, the Bank is authorised to issue tax-free bonds up to \$600 million of which \$124 million has been issued at year end (2015: \$136.5 million).

		2016	2015
		\$'000	\$'000
23.	Managed Fund Liabilities		
	Managed Funds comprises:		
	Guaranteed Mortgage Investment Certificates	3,776	5,052
	Mortgage Participation Fund	643,970	492,573
		647,746	497,625
	Carrying value of loans backing the	ŕ	,
	Managed Fund liabilities (Note 10)	(647,746)	(497,625)
	Net liability		

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

23.

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



	2016	2015
	\$'000	\$'000
Managed Fund Liabilities (continued)		
The movement in the Managed Fund liabilities is as follows:		
Balance at January 1	497,625	502,786
Additions	470,508	241,566
Capitalised interest	6,446	6,710
Repayments	(326,833)	(253,437)
Balance at December 31	647,746	497,625
Accrued interest		
Balance at January 1	-	-
Interest paid	(7,628)	(7,436)
Interest expense	7,628	7,436
Balance at December 31		

Guaranteed Mortgage Investment Certificates (Gareemics)

As issuer and guarantor of Gareemics, the Bank is obligated to disburse scheduled monthly instalments of principal and interest (at the coupon rate) and the full unpaid principal balance of any foreclosed mortgage to Gareemics investors, whether or not any such amounts have been received. The Bank is also obligated to disburse unscheduled principal payments received from borrowers. At December 31, 2016 the outstanding balances of securitised mortgages and the related Gareemics issued amounts to \$3.7 million (2015: \$5 million).

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 \$643.9 million (2015: \$492.5 million).

Year ended December 31, 2016
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24. Classification of Financial Assets and Financial Liabilities

The following table provides a reconciliation between line items in the statement of financial position and the categories of financial instruments

	FVOCI	Amortised	T-4-1
	Equity	Cost	Total \$
2016	\$	\$	3
Assets			
Cash and cash equivalents	-	18,400	18,400
Investment securities	1,079,266	742,872	1,822,138
Loans and advances to customers	-	603,023	603,023
Other assets		18,369	18,369
Total financial assets	1,079,266	1,382,664	2,461,930
Liabilities			
Other liabilities	_	121,630	121,630
Short-term borrowings	_	127,000	127,000
Debt securities	-	1,041,130	1,041,130
		, ,	
Total financial liabilities		1,289,760	1,289,760
<u>2015</u>			
Assets			
Cash and cash equivalents	-	22,667	22,667
Investment securities	1,065,489	634,570	1,700,059
Loans and advances to customers	- -	560,402	560,402
Other assets		21,252	21,252
Total financial assets	1,065,489	1,238,891	2,304,380
Liabilities			
Other liabilities	_	17,545	17,545
Short-term borrowings	_	76,700	76,700
Debt securities	_	1,001,273	1,001,273
Deat securities		1,001,273	1,001,273
Total financial liabilities	-	1,095,518	1,095,518
		, - ,-	

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



			2016	2015
			\$'000	\$'000
25.	Inte	erest Income		
	Loa	ns and advances to customers	69,825	68,597
	Inve	estment securities	32,811	30,159
			102,636	98,756
	Inte	rest expense	(12,384)	(12,965)
	Net	interest income	90,252	85,791
26.	Ger	neral and Administrative Expenses		
	Staf	f costs	8,030	7,079
	_	mises	2,920	2,632
	Oth	er operating expenses	10,375	9,323
			21,325	19,034
	Incl	uded within other operating expenses are the following charg	es:	
	Dep	preciation	982	793
	Dire	ectors' fees	1,546	1,331
27.	Los	s on Sale of Property Units		
	Inco	ome from sale of units	10,041	18,535
	Cos	t of units sold	(14,502)	(24,448)
	Los	s on sale of property units	(4,461)	(5,913)
28.	Tax	ation		
	(i)	Current taxation:		
		Corporation tax	4,335	4,384
		Green Fund levy	456	136
		Business levy	536	143
		Deferred taxation	50	1,436
		Taxation charge for the year	<u>5,377</u>	6,099

Year ended December 31, 2016
(Expressed in Trinidad and Tobago Dollars)



28. Taxation (continued)

(ii) Tax recognised in other comprehensive income:

		2016			2015	
	Before	Tax	Net	Before	Tax	Net
	Tax	Expense	of Tax	Tax	Expense	of Tax
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Available-for-sale						
investments	13,778	(4,132)	9,646	28,820	(7,205)	21,615

(iii) Tax reconciliation:

The Group's effective tax rate varies from the statutory rate of 25% as a result of the differences shown below:

	2016	2015
	\$'000	\$'000
Profit before taxation	83,579	86,119
Tax at the statutory rate of 25%	20,895	21,530
Under provision of deferred tax	329	-
Green Fund levy	456	136
Business levy	536	143
Tax exempt income (net)	(16,839)	(15,267)
Prior year's adjustments		(443)
	5,377	6,099

An increase in the corporation tax rate from 25% to 30% has been announced for 2017 and has been deemed to be substantively enacted as at the reporting date. Deferred tax balances have been calculated at the new tax rate of 30% that will apply in future periods.

This change resulted in a charge of \$1.2 million related to the re-measurement of deferred tax assets and liabilities recognised in profit or loss.

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



29. 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.

		2016 \$'000	2015 \$'000
(b)	Related party balances	·	·
	Loans, investments and other assets		
	The National Insurance Board and its subsidiaries	217,000	117,000
	Directors and key management personnel	3,549	1,587
	All outstanding balances with these related parties are conbasis. None of the balances are secured.	nducted on an	arm's length
		2016	2015
		\$'000	\$'000
	Bonds in issue and other liabilities		
	The National Insurance Board and its subsidiaries	251,603	250,886
	Directors and key management personnel	868	<u> </u>
(c)	Related party transactions		
	Interest and other income		
	The National Insurance Board and its subsidiaries	7,759	4,873
	Directors and key management personnel	183	149
	Bond interest and other expenses		
	The National Insurance Board and its subsidiaries	6,217	6,167
	Directors and key management personnel	29	<u> </u>
(d)	Key management compensation		
	Directors and management compensation		
	Short term benefits	4,999	4,274
	Post-retirement benefits	362	1,256

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

Year ended December 31, 2016 (Expressed in Trinidad and Tobago Dollars)



29. Related Party Transactions and Balances (continued)

(d) Key management compensation (continued)

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.

Key management personnel transactions

The aggregate values of transactions and outstanding balances related to key management personnel were as follows:

	Transaction Values		Maximum Balance		Balance Outstanding	
	2016	2015	2016	2015	2016	2015
Mortgage Lending	977	-	1,311	529	1,331	434
MPF	5	(2,439)	6	2,439	6	1

30. Mortgage Commitments

The Group has issued standby commitments for the purchase mortgages, of which undrawn balances amount to \$135.5 million (2015: \$101.3 million).

31. Employees

At year-end, the Group had in its employ a staff complement of 31 employees (2015: 27).

32. Dividend Paid

The Group made a dividend payout of seventy-four (74) cents per share which was paid on June 03, 2016 in relation to 2015 profits.

33. Contingent Liabilities

A claim of \$5 million has been made against the Bank at the reporting date. The Board considers this challenge is without merit and has given instructions to oppose the same. No provision has been made in these consolidated financial statements.

34. 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.

SHAREHOLDERS



The stated capital is 16,000,000 ordinary shares to a value of \$16,000,000 subscribed as follows as at 31st December, 2016:

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

As at March 03, 2017 The National Insurance Board of Trinidad & Tobago became the sole shareholder of Home Mortgage Bank.

CORPORATE INFORMATION



MANAGEMENT

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

CHERYL - ANN NEPTUNE

Manager, Human Resources (Effective March 01, 2017)

PATRICIA ILKHTCHOUI

Corporate Secretary

OFFICE LOCATIONS

Port of Spain (Head Office)

Ground Floor, Prince's Court Corner Keate & Pembroke Streets

Chaguanas

#33 Mulchan Seuchan Road

EXTERNAL AUDITORS

KPMG

Trinre Building 69-71 Edward Street Port of Spain

INTERNAL AUDITORS

DELOITTE & TOUCHE

54 Ariapita Avenue Woodbrook Port of Spain

ATTORNEYS- AT-LAW

POLLONAIS, BLANC, DE LA BASTIDE AND JACELON

17-19 Pembroke Street Port of Spain

J D SELLIER & COMPANY

129-131 Abercromby 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



















