



GROWTH • FUTURE • PROFIT • INVESTMENT



INVESTMENTS | MORTGAGES

ANNUAL REPORT
2019



MISSION STATEMENT

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

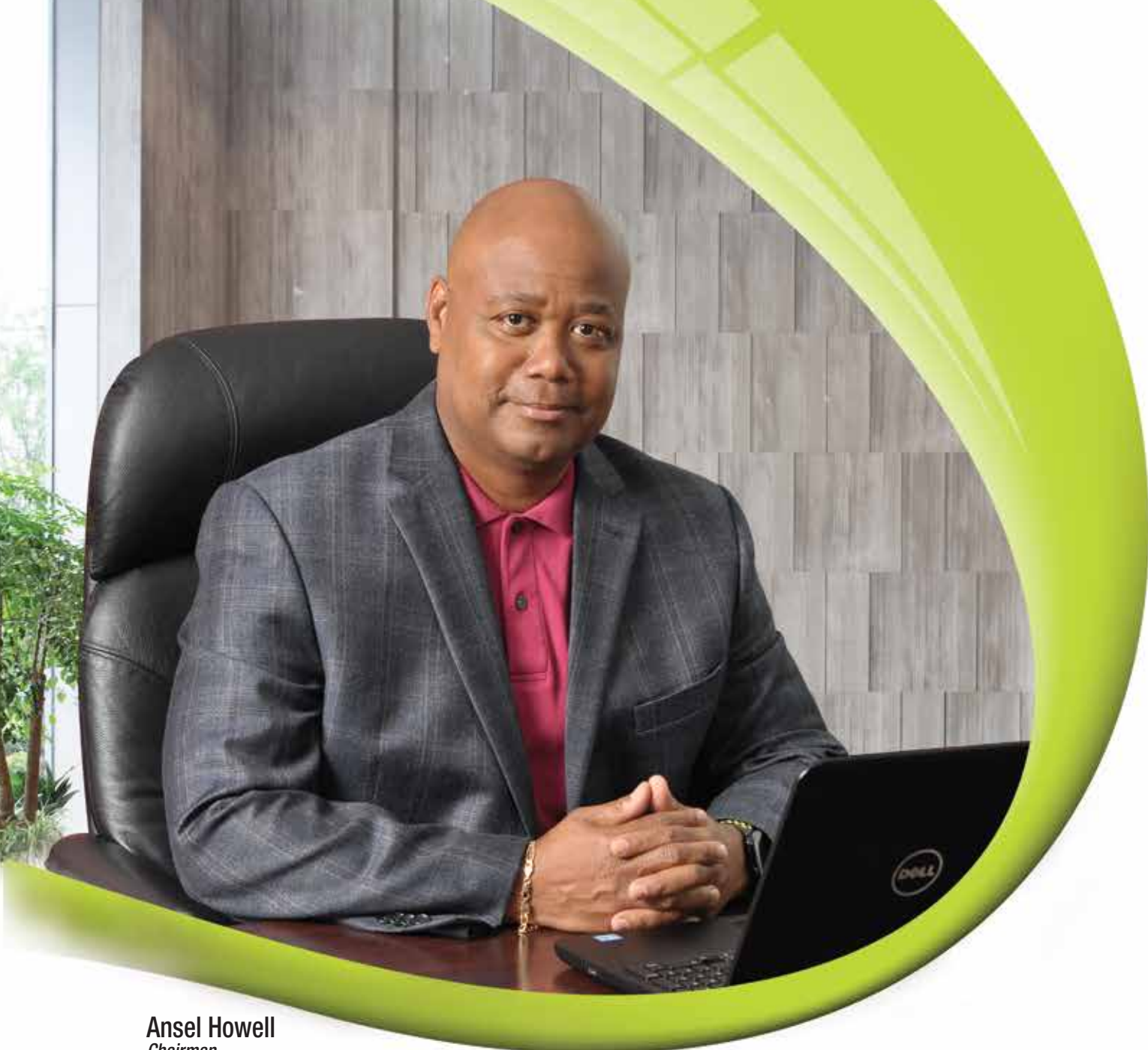
The Purpose of the Bank is as follows:

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



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Ansel Howell
Chairman

CHAIRMAN'S REPORT

Performance as a Group

It gives me great pleasure to provide the following Annual Report. Despite the economic challenges faced within 2019, Home Mortgage Bank (HMB) continued to operate competitively within the market. HMB's total assets grew by 2.6% and net interest income increased by 12.1% when compared year on year. Retained earnings increased by 6.1% when compared to the financial year ending December 2018.

HMB's financial position continues to be sound and highly positioned for solid growth. Our financial sustainability remains a key strategic imperative as we continue to uphold our mandate outlined within the HMB Act. We will continue to focus on risk adjusted net income maximization and further strengthening our financial position.

International and Regional Economies

In December 2019, China alerted the World Health Organization (WHO) to an unidentified virus with pneumonia-like symptoms, detected in Wuhan. In January the WHO identified the virus as the coronavirus (Covid-19) and declared the new disease a public health emergency of international concern. By March 2020, the WHO had declared the Covid-19 a pandemic. The virus had spread to over two hundred (200) countries, affected over a million persons and killed thousands.

In a bid to stop the spread of the virus and 'flatten the curve', countries across the world have closed their borders, schools, areas for entertainment and places of worship. In addition to these closures, personal hygiene measures, social distancing and staying indoors were recommended by the officials.

The economic effect of Covid-19 is still being measured, however the base case scenario provided by the International Monetary Fund's (IMF) April 2020 World Economic Outlook (WEO) shows the global economy declining by 3% in 2020 and recovering by 5.8% in 2021.

The economic impact of Covid-19 is significant as both advanced and developing economies are projected to record negative growth of 6.1% and 1% respectively. The key policy measures to be implemented in support of economic recovery include:-

- Securing adequate resources for the global health system
- Shared economic policy objectives across countries
- Limiting the amplification of the health shock to economic activity

Domestic Economy

Trinidad and Tobago (T&T) recorded its first case of Covid-19 on March 12. In an immediate response the Government of T&T closed all schools and universities. To date there are over one hundred (100) cases of Covid-19 in T&T. In combating this deadly virus, the Government has implemented a number of containment measures such as the closure of our borders (international and regional) and non-essential sectors of the economy (construction, hospitality and tourism).

The Ministry of Social Development and Family Services in collaboration with the Ministry of Labour and Small Enterprise Development has provided social support services to assist families during the period of the Covid-19, these include various grants such as salary relief, rental assistance and public assistance. These measures are being facilitated in an environment of low commodity prices where the fall-off in energy prices are projected to reduce Government revenues by \$5 billion (approximately).

The Government continues to monitor the development related to Covid-19 (internationally and regionally). Public advisories and updates are provided daily to citizens in a bid to fight the spread of the virus. According to the WEO the containment measures are expected to ease in the second half of 2020; with projected economic growth in 2021.

HMB's Covid-19 Response

In response to the pandemic HMB has rolled out a number of measures within its Business Continuity Plan (BCP). Management and staff are working remotely (at home), customers and stakeholders are asked to use our digital channels as a means of communication.



CHAIRMAN'S REPORT

Mortgage customers who have been adversely affected by Covid-19 are provided with the option to defer their mortgage payment for three (3) months in the first instance; with the possibility of a further extension. To date one hundred and forty-three (143) customers have requested mortgage deferrals.

HMB will continue to work closely with our customers, providing financial advice and support where necessary. We are complying with the advice given by the Government and continue to monitor closely the developments of Covid-19.

Capital Markets

Bond Market

In 2019, the primary bond market saw eighteen (18) bond issues raising a total to \$11.3 billion. HMB reintroduced the market to Collateralized Mortgage Obligations (CMOs) with an issue valued at \$200 million. CMOs offer HMB the opportunity to raise low-cost, long-term, sustainable financing. Development of this product also sits squarely with its mandate to develop the local capital market.

Stock Market

The local stock market as measured by the Trinidad and Tobago Composite Index (TTCI) advanced by 165.93 points or 12.74% for 2019. The TTSE continued to be led by cross-listed stocks increasing by 18.88% whilst the All T&T Index advanced by 163.80 points or 9.61%.

2019 and Beyond

HMB's strategic alliance with the Trinidad and Tobago Mortgage Finance Company Limited (TTMF) has developed further as we continue to leverage on our strengths and to share resources. Our unification has extended beyond the business processes, to include corporate social events.

Looking ahead, the Board of Directors remain committed to ensuring the continued sustainability and profitability of HMB, whilst increasing shareholders' value. We will continue to expand on our products and increase our competitiveness within the market.

On March 23, 2020, my resignation as Chairman and Director was submitted to the Board of Directors. I thank my fellow Directors, management and staff for their support and commitment throughout my tenure. It was indeed a

pleasure being a part of the team and I am extremely proud of what we have accomplished.

In closing, I will like to welcome the newly appointed Directors Mr. Douglas Camacho and Mr. Calvin Bijou whose appointments are effective on March 31, 2020. Mr. Camacho and Mr. Bijou, brings with them a wealth of experience and technical expertise. Special thanks to Ms. Ermine De Bique Meade who served as a Director for approximately eight (8) years. Ms. De Bique Meade tendered her resignation to the Board on December 31st 2019.

In response to the pandemic, HMB has rolled out a number of measures within its Business Continuity Plan (BCP). HMB will continue to work closely with our customers, providing financial advice and support where necessary.



Ansel Howell
Chairman

BOARD OF DIRECTORS



L- Sylvan N. Wilson
Director

R- Inez B. Sinanan
Director

BOARD OF DIRECTORS

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. Mr. Howell is also the Chairman of the Trinidad and Tobago Mortgage Finance Company Limited (TTMF) and the Chairman of TAS General Automotive Limited.

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 through-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.

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 is currently a Director on the Board of TTIFC. 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.



The Samaan Tree Fund (STF) is an open-end mutual fund with a variable net asset value (NAV) per unit.

The STF offers a total investment return with safety of capital by investing primarily in a portfolio of residential mortgages. The interest income earned on the portfolio will meet the income distributions of the Fund.

The STF provides investors with high returns and safety of capital.

Why Invest in the STF?

- Short and medium-term investment horizon
- Diversification of your investment portfolio
- Professional fund management
- Dividend paid quarterly

Benefits of the STF

- Competitive returns
- Quick access to funds
- Minimum investment is just \$500.

BOARD OF DIRECTORS



L- Feyaad A. Khan
Director

**C- Ermine
De Bique Meade**
Director

**R- Niala
Persad-Poliah**
Director

BOARD OF DIRECTORS

Feyaad A. Khan – *Director*

Mr. Feyaad Khan is an Actuary by profession. He is a Fellow of the Society of Actuaries, a Chartered Enterprise Risk Analyst and Graduate of the University of Waterloo. Mr. Khan serves on the Leadership Council of the Society of Actuaries' Social Insurance and Public Finance Section. Mr. Khan brings over fifteen (15) years of leadership experience from the Insurance and Banking Sectors and is currently the Chief Operating Officer at the National Insurance Board of Trinidad and Tobago (NIBTT). He is also a former part-time senior lecturer at the University of the West Indies and has spoken on financial and social security matters at several local and international forums. Mr. Khan is a past member of the Board of Directors of the National Insurance Property Development Company Limited (NIPDEC) and currently chairs the Asset, Liability and Risk Management Committee of Home Mortgage Bank.

Ermine De Bique Meade — *Director*

With her industrial relations experience, Mrs. De Bique Meade served as General Secretary of the Contractors and General Workers Trade Union, and Trustee of the National Trade Union Centre (NATUC) and Caribbean Congress of Labour. She was President of the Pleasantville Community Council. Mrs. De Bique Meade served as a member of the Board of Directors of the National Insurance Board of Trinidad and Tobago (NIBTT) and a Director of Riverwoods Company Limited until August, 2019. She also served as a Governor of Cipriani Labour and Co-operative Studies.

Niala Persad-Poliah - *Director*

Niala Persad-Poliah is the Executive Director of the National Insurance Board of Trinidad and Tobago (NIBTT) and is the principal lead of operations and strategic direction of the organisation. She is charged with the responsibility for the execution of the decisions of the Board and implementation of policies, responsible for the overall accountability and management of the country's National Insurance Fund. Mrs. Persad-Poliah is an Attorney at Law by profession and also holds a Masters of Law (LL.M.) in Corporate and Commercial Law from UWI's Faculty of Law. She possesses over twenty-one (21) years' experience as an Attorney-at-law and seventeen (17) years' experience at senior executive leadership. Mrs. Persad-Poliah currently serves as a member of the Board of Directors of the National Insurance Property Development Company Limited (NIPDEC) and the Trinidad and Tobago Mortgage Finance Company Limited (TTMF).

CMO INVESTMENT CERTIFICATES



Collateralized Mortgage

Obligations (CMO) are innovative investment securities available at HMB. Our CMO Investment Certificates are secured by a dedicated portfolio of performing mortgages. The CMO Investment Certificates offer high returns with varying maturity terms and can be customized to meet your investment goals.

Why invest in a CMO?

- Diversification of your investment portfolio
- Secured investment backed by prime mortgages and real estate
- Pays a monthly income
- Short and medium-term options for your retirement
- Long-term options for your future goals
eg. nest eggs for your children or grandchildren, savings and education

BOARD OF DIRECTORS



L- Marilyn Gordon
Deputy Chairman

C- Suresh Dan
Director

R- Richard Roper
Director

BOARD OF DIRECTORS

Marilyn Gordon – *Deputy Chairman*

Mrs. Gordon served as a teacher at both the primary and secondary school levels. She then served as Parliamentary Secretary in the Ministry of Education and then went on to serve as a 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 in policy development, insurance agency management and project management. 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. Currently, Ms. Gordon is a Director of the Trinidad and Tobago Mortgage Finance Company Limited (TTMF), the National Insurance Board of Trinidad and Tobago (NIBTT) and SPORTT.

Suresh Dan - *Director*

Mr. Suresh Dan is an acting Senior Business Analyst with the Investments Division of the Ministry of Finance. He has over 33 years' experience in the public sector, the majority of which was in government accounting, systems and procedures. He worked in several Ministries before being assigned to the Ministry of Finance in 2001. Mr. Dan is the holder of an Advanced Diploma in Administrative Management from the Institute of Administrative Management, U.K.; B.A. (Hons) in Business Management from the University of Sunderland, U.K.; Master in Business Administration (MBA) from Heriot-Watt University, U.K.; Bachelor of Laws (LLB) from the University of London Law Schools, UK. and Post Graduate Diploma Legal Practice (LPC) from the Staffordshire University, U.K. Additionally, he has received training in Corporate Governance of State-Owned Enterprises; Merger, Amalgamations and Reorganisation Processes; Excel Secrets and Techniques in Management Reporting; Governance, Audit and Compliance; and Monitoring and Evaluation of organizations. Mr. Dan currently serves on various Boards of State Enterprises and Committees

Richard Roper - *Director*

Mr. Roper served as a highly reliable bank professional, with an exceptional client service record and extraordinary depth in finance, mortgage and credit experience over almost four decades in the local banking industry. He possessed significant experience with financial management concepts to a wide variety of professional and non-professional audiences. He was also adept at working independently or as part of cross-disciplined teams with a strong desire to transfer experience and knowledge to state enterprises and young professionals through coaching. Mr. Roper holds a Certificate in Leadership Effectiveness, Teamworking and Teambuilding..

MORTGAGE PARTICIPATION FUND

The Mortgage Participation Fund (MPF) is a mutual fund providing investors with high returns, safety of capital and full access to their funds. Customize your savings plan for a specific purpose e.g. down payment of a new home, tertiary education, vacation fund etc.

Why invest in the MPF?

- High returns on your investment
- Principal Guaranteed - No risk to capital
- Interest accrued daily and paid monthly
- Fixed NAV (Net Asset Value) \$1.00 per unit

Benefits of the MPF

- Hassle-free investment
- No penalties for redemptions
- Flexible payment options – direct debit, LINX, personal cheques, bank draft, salary deduction

DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and the Audited Consolidated Financial Statements for the year ended 31 December 2019

FINANCIAL RESULTS

	\$ 000's
Net Profit before taxation	77,181
Taxation	(21,337)
Net Profit for the year	55,844
Retained earnings at the beginning of the year	979,489
	1,035,333
Add:	
Reclassification from cumulative gains	39,456
Less :	
Transfer to mortgage risk reserve	(177)
Less :	
Dividends paid	(35,520)
Retained earnings at the end of the year	1,039,092

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 \$27.6 million representing 0.8% of total assets at the end of financial year.

DIVIDENDS

Dividends of \$2.22 per share was paid during the year (2018 – \$13.19).

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 audit firm KPMG was not re-appointed. Ernst & Young was appointed as auditors for 2019.

BY ORDER OF THE BOARD



Patricia Ilkhtchoui
Corporate Secretary



Brent Mc Fee
CEO (Ag.)

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Performance

HMB's total assets grew by \$81 million ending the year at \$3.3 billion. Our cash position remained stable ending the year at \$27 million. Loans and advances continued to grow to end the year at \$2.4 billion while debt increased marginally year-on-year. These changes in financial position allowed HMB to keep its gearing ratio relatively stable.

HMB recorded net interest income of \$163 million for the year ended 31 December 2019, a 12% increase compared to \$146 million in 2018. Total expenses were reduced by 6% to end the year at \$93 million compared to \$98 million for the previous year. Net income from operations ended the year at \$77 million, a marginal decline of 3% compared to the prior year of \$80 million, principally driven by the absence of dividend income, as HMB strategically sold its equity portfolio in 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Net profit after tax was \$56 million compared to \$91 million for the previous year. Net profit after tax was reduced as HMB's taxation increased due to the absence of tax-exempt income and the one-time impairment reversal relating to HMB's investment with CLICO Investment Bank. Despite the fall in net profit after tax, total comprehensive income increased year-on-year by 109.1% to end the year at \$46 million compared to \$22 million for the prior year.

Investments and Funding Activities

The local fixed income market showed significant depth in 2019 raising \$11.3 billion via seventeen (17) issues; according to the Central Bank Economic Bulletin (January 2020 & July 2019). The Government of Trinidad and Tobago was the dominant player issuing ten (10) bonds valued at \$7.2 billion.

Asset Backed Securities

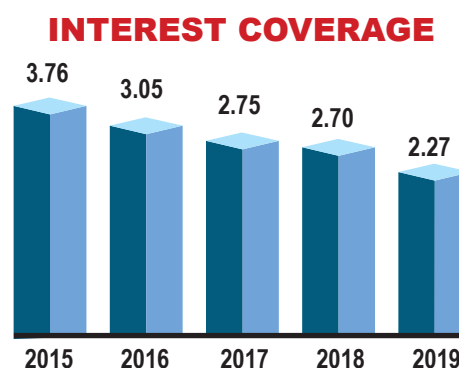
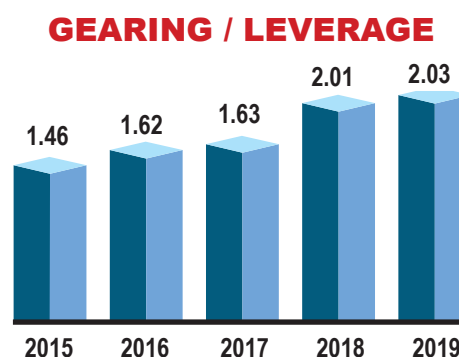
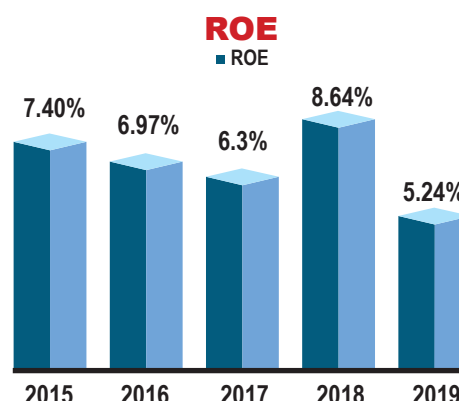
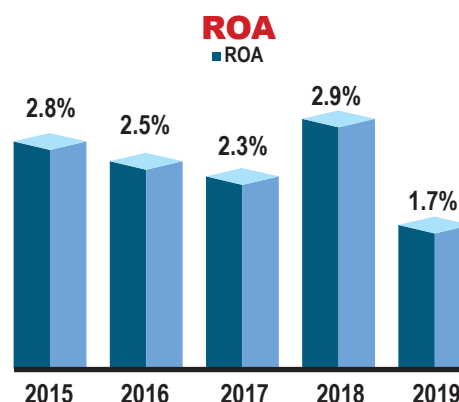
In 2019 HMB successfully re-introduced Collateralized Mortgage Obligations (CMOs) to the local market. The security's issue size was \$200 million and included a wide cross-section of investors including individuals, credit unions, insurance companies and fund managers.

In addition to issuance of the CMO, HMB had under management \$483 million in its Mortgage Participation Fund as at December 2019. HMB plans to launch a new mutual fund called the Samaan Tree Fund (STF) in 2020, which will provide customers with competitive market returns.

Commercial and Corporate Credit

HMB's Commercial and Corporate Credit portfolio has been increasing steadily despite the economic challenges and competition faced by larger financial institutions. We continue to focus on our strengths by providing tailored financial solutions and a competent team of professionals who are willing to work with developers.

As at December 31, 2019, HMB net disbursement for commercial mortgages were \$269 million. The portfolio comprised project financing, commercial facilities for land development and construction of multi and single-family homes for re-sale. In addition, to our primary commercial mortgage portfolio, HMB continues to purchase secondary mortgages from TTMF and in 2019 purchased \$404 million in mortgages.



MANAGEMENT DISCUSSION AND ANALYSIS

HMB continues to support the initiatives of the Housing Development Corporation (HDC) and its mandate to provide affordable homes. In 2019 HMB launched three (3) new products to compliment the initiatives undertaken by the HDC which included special financing for the Public/Private Sector Partnership (PPP), Housing Construction Incentive Programme (HCIP) and the Small/Medium Contractors Housing Initiative. Print and social media were used to promote these new initiatives.

Risk Management

HMB's Risk Management department encompasses all the activities related to controlling the various risks that may affect HMB directly or indirectly from achieving its objectives. The responsibility for Risk Management lies with the Audit, Risk and Compliance Committee and at the Management level, the Management Risk Committee (MRC).

The Board receives quarterly reports on the top ten (10) highest ranked risks with the relevant status updates and commentary.

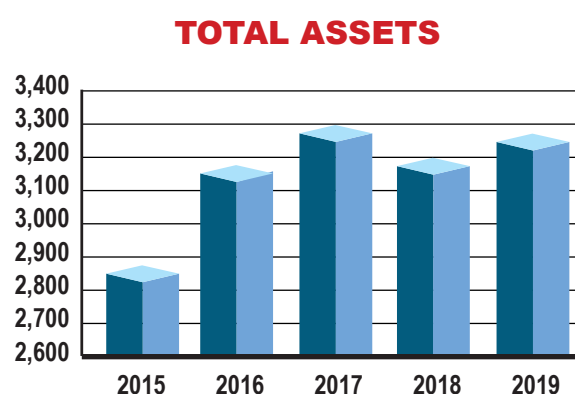
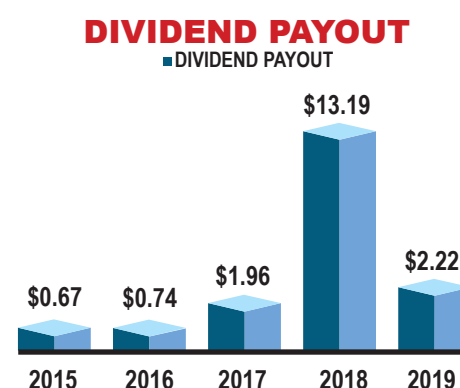
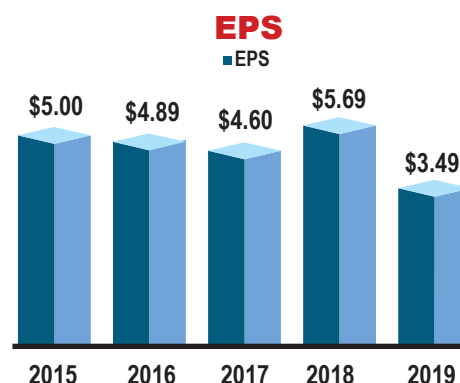
HMB continued to enhance and strengthen its Risk Management Framework in 2019 with the development of a Business Continuity Plan ("BCP") and the Board approval of the BCP policy in November 2019. Full implementation of the BCP is expected in 2020.

Human Resources

Human Resources (HR) implemented a number of initiatives to improve existing systems and processes, enhance the employee experience and drive the achievement of organisational objectives.

We strengthened our workforce value and enabled our employees to meet their full potential through focused training initiatives identified in performance management conversations. Seventy-nine percent (79%) of planned training initiatives were completed. Additional initiatives, accounting for forty-six percent (46%) of the total completed development programmes, enabled employees to respond to the changing environment in which we operate.

The human resources team improved the delivery of core HR activities including efficient compensation and benefits administration, the introduction of policies and procedures to underpin the acquisition and retention of high-performing talent and the provision of safety and



MANAGEMENT DISCUSSION AND ANALYSIS

health services through a collaborative work model which facilitated employee involvement from all business functions.

Our efforts to foster a culture of positive employee engagement included innovative team building and employee appreciation activities developed and implemented by employees. We facilitated a tiered communication process through structured staff meetings and open dialogue between managers and team members, creating increased collaboration and continuous real time understanding of employees' perception of the work environment. The results from the independent employee satisfaction survey (ESS) show that these efforts have already had a positive impact with the ESS score improving in 2019. Our aim is to maintain this momentum as we seek to develop a framework to encourage employees to raise concerns and empower them to initiate improvements.

Outlook

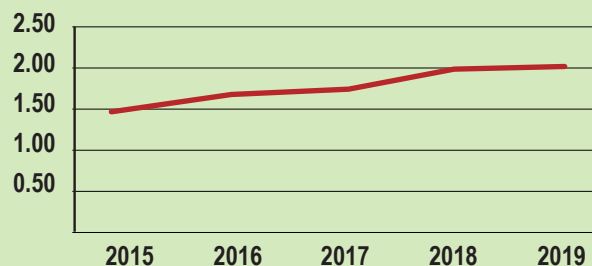
HMB continues to operate efficiently despite the economic challenges. Our Strategic Alliance with TTMF continues to mature as we build on developing synergies, leveraging our strengths and becoming a united force within the market.

With the advent of COVID-19; 2020 will present numerous challenges. However, HMB will continue to roll out the various aspects of our BCP in a bid to combat the economic fallout from this pandemic. We will continue to adopt the measures outlined by the Government of Trinidad and Tobago in addition to maintaining the overall safety of our staff, customers and stakeholders.

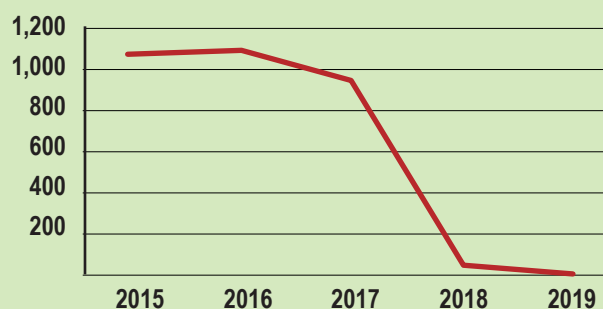


Brent Mc Fee
CEO (Ag.)

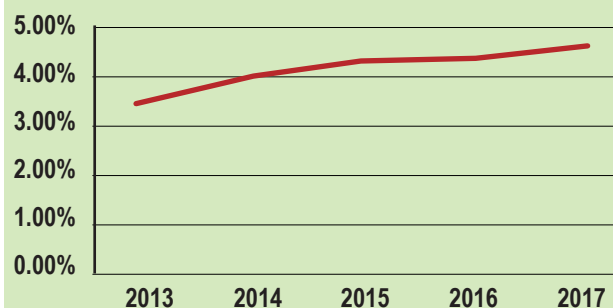
GEARING



EQUITY PORTFOLIO



DIVIDEND YIELD ON EQUITY PORTFOLIO

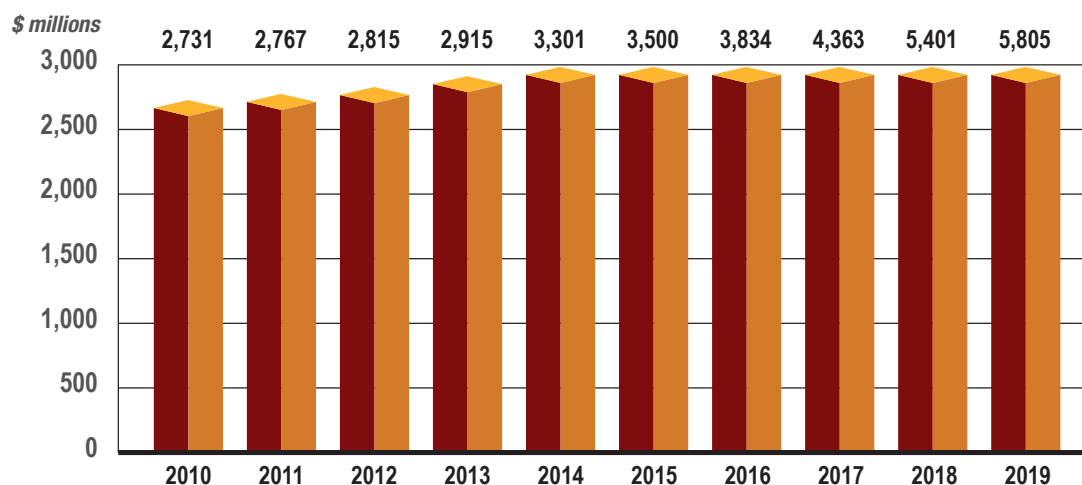


FIVE YEAR REVIEW

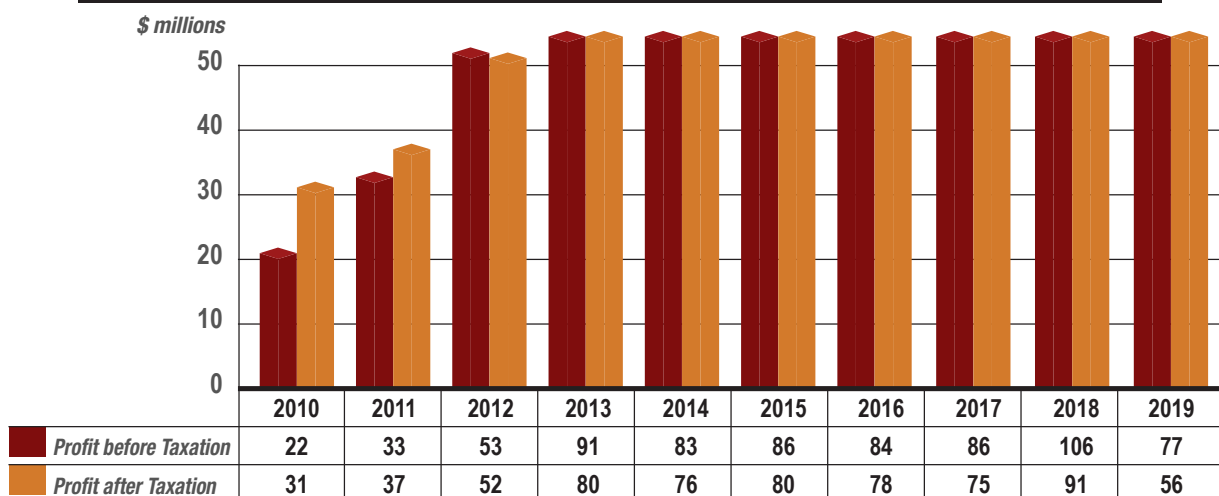
December 31st,	2019 \$'000	Restated 2018 \$'000	Restated 2017 \$'000	Restated 2016 \$'000	Restated 2015 \$'000
Balance Sheet					
Loans & Advances	2,357,722	2,278,700	1,528,050	1,250,769	1,058,027
Investment Securities	805,240	791,340	1,680,611	1,822,138	1,700,059
Total Assets	3,274,161	3,192,623	3,298,311	3,167,853	2,852,408
Funding Liabilities	2,166,379	2,113,678	2,032,445	1,815,876	1,575,598
Total Liabilities	2,209,157	2,138,488	2,052,784	2,046,138	1,771,149
Share Capital	16,000	16,000	16,000	16,000	16,000
Retained Earnings	1,039,092	979,489	634,811	592,476	527,142
Income Statement					
Income	170,511	178,883	160,106	140,145	132,477
Profit before Taxation	77,181	105,553	85,845	83,579	86,119
Net Income	55,844	91,092	75,056	78,202	80,020
Operating Expenses	27,849	28,094	23,661	21,325	19,034
Earnings per share	\$3.49	\$5.69	\$4.69	\$4.89	\$5.00

TEN YEAR REVIEW

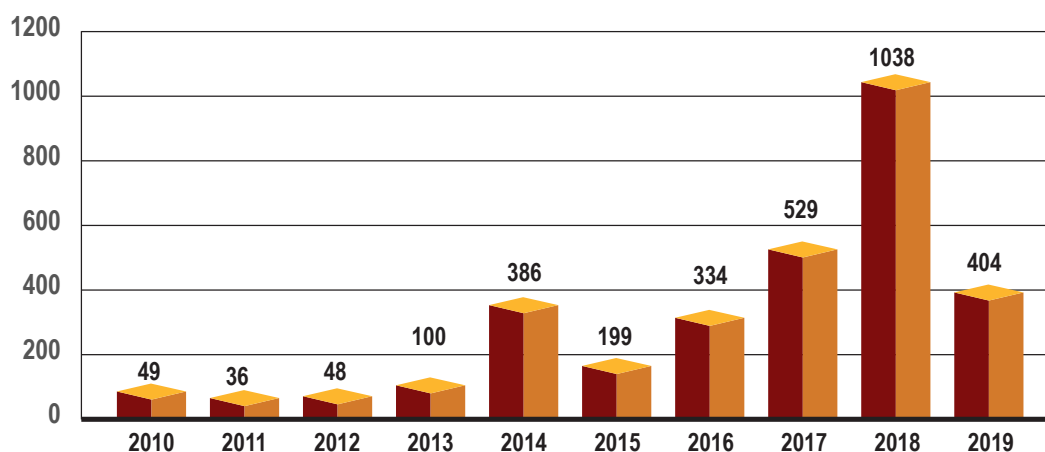
ACCUMULATED VALUE OF MORTGAGES PURCHASED



COMPARATIVE NET INCOME



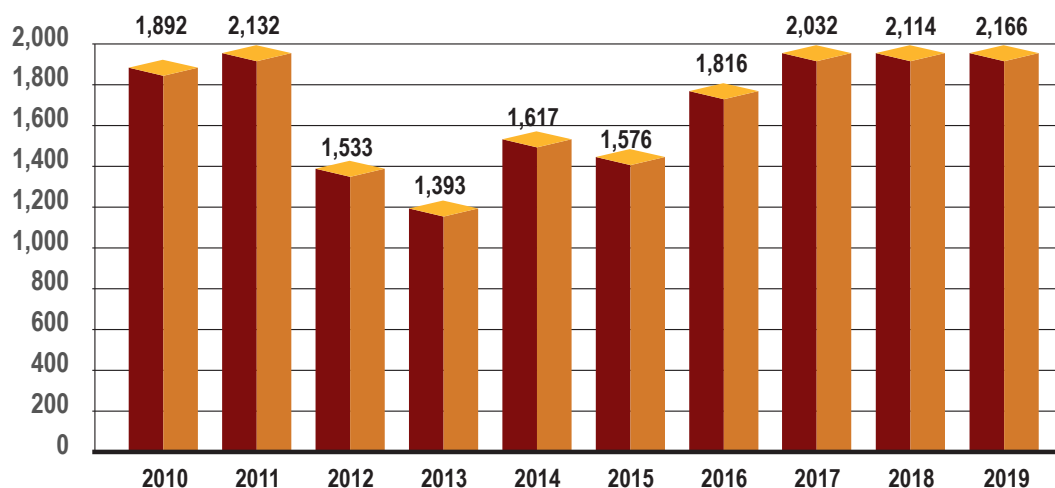
MORTGAGES PURCHASED



TEN YEAR REVIEW

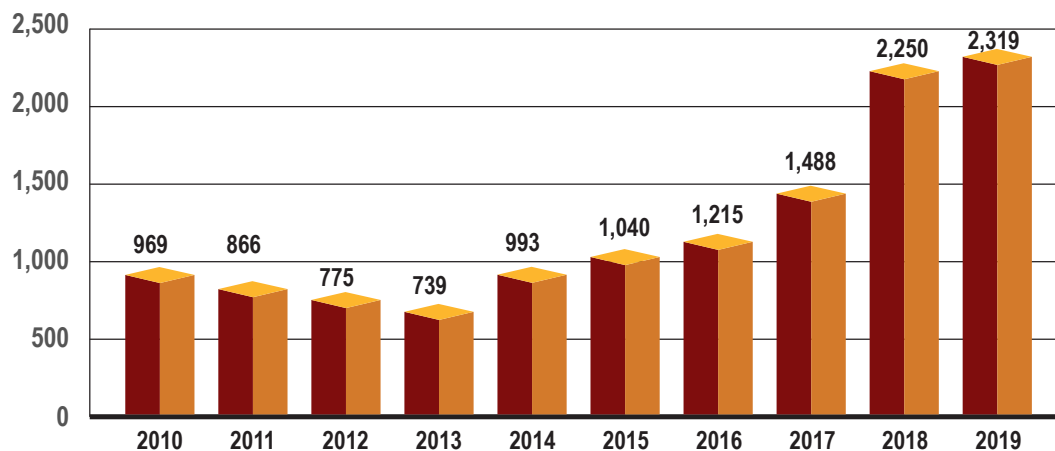
FUNDING LIABILITIES

\$ millions



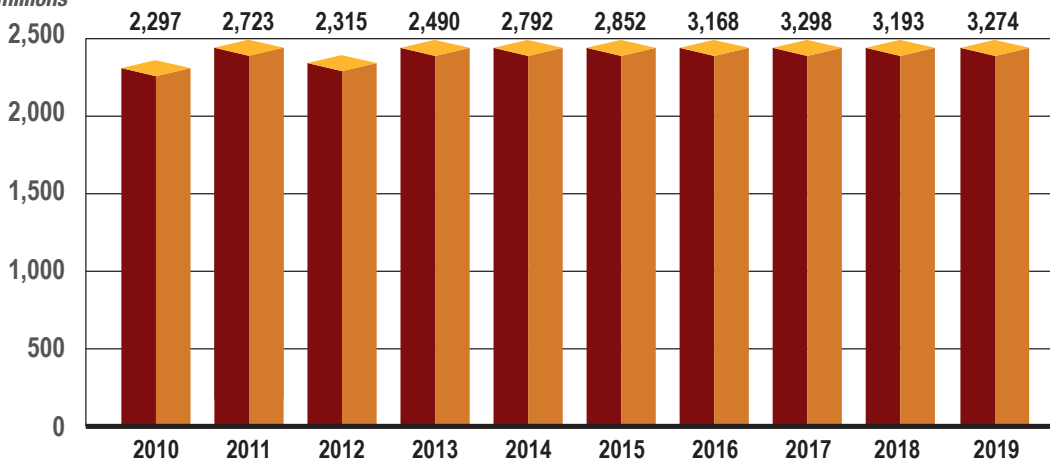
MORTGAGE PORTFOLIO SERVICED

\$ millions



TOTAL ASSETS

\$ millions



CORPORATE GOVERNANCE

CHANGES ON THE BOARD OF DIRECTORS

Director De Bique resigned effective December 31, 2019. There were no further changes during the year.

CHANGES IN MANAGEMENT

Mr. Brent Mc Fee was appointed Acting CEO effective February 11, 2019. Mr. Mark Wight, Manager, Finance & Treasury resigned effective June 06, 2019 and Mrs. Shamela Bal Maharaj was appointed as Manager, Finance & Treasury effective August 19, 2019. Ms. Sita Mangal, Manager, Commercial & Corporate Credit resigned effective June 1, 2019 and Mrs. Rolda Rush was appointed as Manager, Commercial & Corporate Credit effective June 24, 2019.

MANAGEMENT

The Bank's management structure comprises:

- Mr. Brent Mc Fee – Acting Chief Executive Officer;
- Mrs. Shamela Bal Maharaj, Manager, Finance & Treasury;
- Mrs. Rolda Rush – Manager, Commercial & Corporate Credit;
- Mr. Osmond Prevatt - Manager, Fund Management and Capital Markets;
- Ms. Indira Geeban - Manager, Risk Management;
- Ms. Cheryl - Ann Neptune – Manager, Human Resources; and
- Ms. 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 with Deloitte as its internal auditors and at its Annual General Meeting, Ernst and Young was appointed as its external auditors.

BOARD-APPOINTED COMMITTEES

There are five (5) Board-appointed Committees, namely, the Audit Committee, the Human Resources and Remuneration Committee, the Asset, Liability and Risk Management Committee, the Tenders Committee and the Management Risk Committee (a Management Committee).

Audit Committee

This Committee meets as often as may be deemed necessary, but not less than once every quarter, to review the financial reporting process, the system of internal control, the company's internal and external auditing, accounting and financial reporting, the company's Enterprise Risk Management Policy and reporting, and the company's process for monitoring compliance with laws, regulations and the Code of Conduct and Ethics. Members of the Committee are:

- Inez Sinanan – Chairman
- Marilyn Gordon
- Suresh Dan
- Niala Persad-Poliah

CORPORATE GOVERNANCE

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 are:

- Sylvan Wilson - Chairman
- Ermine De Bique-Meade
- Richard Roper

Asset, Liability and Risk Management Committee

The Committee meets monthly, to review financial statements and disclosure matters, the system of internal control, risk management, compliance, credit and treasury. Members of the Committee are:

- Feyaad Khan - Chairman
- Ansel Howell
- Sylvan Wilson
- Brent Mc Fee (CEO – Ex officio Member)

Tenders Committee

The Committee meets as required, to review, evaluate, and make recommendations on procurement of Specialized Professional Services and products, general services and/or the acquisition of assets for amounts in excess of TT\$250,000 or as may be determined from time to time which must be recommended to the Board. Members of the Committee are:

- Richard Roper – Chairman
- Suresh Dan
- Brent Mc Fee

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 quarterly or as required and is responsible for the establishment of an appropriate risk management framework for the effective identification, assessment and management of risk. The primary objective is to assist the Board in discharging its responsibilities to exercise due care, diligence and skill in relation to business operations and to advise on any matter of financial or regulatory significance. This Management Committee reports to the Audit Committee through the Manager, Risk Management.



Patricia Ilkhtchoui

Rolda Rush

Indira Geeban

MANAGERS



Shamela Bal-Maharaj

Cheryl - Ann
Neptune

Osmond Prevatt

MANAGERS

TEAM MEMBERS



Left to Right : Kerilynn Phillip, Parbatie Chin Cheong, Brent Bhagaloo, Teemai Chaitan & Amichai Drayton



Left to Right : Danielle Campbell, Vicki Bruce, Esia Jones, Anel Ramnath & Natalie Hector

COMMERCIAL AND CORPORATE CREDIT

Our corporate and commercial credit facilities are available to assist you with your commercial project. Whether you are acquiring new premises, expanding your existing facilities or developing a residential community, our loan facilities can assist you.

Why choose us?

We provide a diverse range of terms and repayment schedules that offers:

- Competitive interest rates
- Fixed and variable rate loans
- Flexible payment terms up to 15 years
- Personalized attention

TEAM MEMBERS



Left to Right : Usha Gajadhar, Israel Khan, Marc Trestrail, Gillian Torries -Thomas, Avion Alves-Rollock Vishwadai Moonsammy



Left to Right : Nigel Gibson, Kai Des Vignes, C.Allison John-Baptiste, Adwin Cox, Keishelle Strachan & Musa Abdullah
Missing - Keron Leach

We offer a range of credit facilities for corporate and commercial real estate business:

Commercial Bridging Loan
To construct a commercial building for commercial purposes, property upgrade or expansion

Commercial Mortgage Loan
To purchase commercial property for the business' use, leverage equity on the company's property or construction of a commercial building

Commercial Land Loans
To purchase land for commercial use

Revolving Loans
To provide working capital for construction projects

FINANCIAL STATEMENTS

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Building a better
working world

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF HOME MORTGAGE BANK AND ITS SUBSIDIARY COMPANIES

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Home Mortgage Bank and its subsidiary companies (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Other Matter

The consolidated financial statements of Home Mortgage Bank for the year ended 31 December 2018 were audited by another auditor who expressed an unqualified opinion on those statements on 30 March 2019. As part of our audit of the 2019 consolidated financial statements, we also audited the adjustments described in Note 32 that were applied to amend the 2018 and 2017 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2018 and 2017 consolidated financial statements of Home Mortgage Bank and its subsidiary companies other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 and 2017 consolidated financial statements taken as a whole.

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 *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

Other information included in the Group's 2019 Annual Report

Other information consists of the information included in the Group's 2019 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2019 Annual Report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and the Audit Committee 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT

- Obtain an understanding of internal controls 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 Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Group 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 the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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.


 Port of Spain
 TRINIDAD:
 18 March 2020

Consolidated Statement of Financial Position

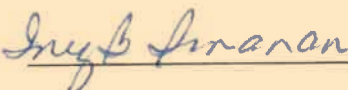
Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

ASSETS	Notes	2019 \$'000	2018 \$'000 (Restated)	2017 \$'000 (Restated)
Cash and cash equivalents	4	27,622	29,611	12,242
Investment securities	5,6	805,240	791,340	1,680,611
Loans and advances to customers	7	2,357,722	2,278,700	1,528,050
Other assets	8	39,570	46,324	21,965
Capitalised bond issue costs	9	308	513	721
Investment property	10	28,128	35,176	43,481
Property and equipment	11	5,547	3,392	3,001
Right of use asset	12	3,250	—	—
Taxation recoverable		2,494	2,494	2,494
Deferred tax asset	13	4,280	5,073	5,746
Total assets		<u>3,274,161</u>	<u>3,192,623</u>	<u>3,298,311</u>
EQUITY AND LIABILITIES				
EQUITY				
Stated capital	14	16,000	16,000	16,000
Retained earnings		1,039,092	979,489	634,811
Revaluation reserve	15	(1,378)	47,533	587,425
Mortgage risk reserve	16	11,290	11,113	7,291
Total equity		<u>1,065,004</u>	<u>1,054,135</u>	<u>1,245,527</u>
LIABILITIES				
Lease liability	12	3,307	—	—
Other liabilities	17	39,377	24,595	20,079
Liability to fund holders	20	484,471	531,931	588,209
Short-term borrowings	18	287,000	143,000	110,000
Debt securities	19	1,394,908	1,438,747	1,334,236
Deferred tax liability	13	94	215	260
Total liabilities		<u>2,209,157</u>	<u>2,138,488</u>	<u>2,052,784</u>
Total equity and liabilities		<u>3,274,161</u>	<u>3,192,623</u>	<u>3,298,311</u>

These consolidated financial statements have been approved for issue by the Board of Directors on 17 March 2020 and signed on its behalf by:

Director 

Director 

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

Consolidated Statement of Comprehensive Income

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

	Notes	2019 \$'000	2018 \$'000 (Restated)
Income			
Interest income calculated using the effective interest method	21	177,140	156,952
Interest expense	21	(13,687)	(11,127)
Net interest income	21	163,453	145,825
Dividend income		7	28,269
Fee income		3,424	942
Reversal of provision for impairment of investment property	10	<u>3,627</u>	<u>3,847</u>
		<u>170,511</u>	<u>178,883</u>
Expenditure			
General and administrative expenses	22	27,849	28,094
Loss on sale of investment property	23	4,127	3,847
Finance costs		61,004	61,927
ECL on loans and advances to customers	7	—	2,897
Provision on investment property	10	350	1,604
ECL on investment securities	5	<u>—</u>	<u>547</u>
		<u>93,330</u>	<u>98,916</u>
Net income from operations		77,181	79,967
Other income			
Provision adjustment CIB investment		<u>—</u>	<u>25,586</u>
Profit before taxation		77,181	105,553
Taxation	24	<u>(21,337)</u>	<u>(14,461)</u>
Profit for the year		<u><u>55,844</u></u>	<u><u>91,092</u></u>

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

Consolidated Statement of Comprehensive Income

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

	Notes	2019 \$'000	2018 \$'000 (Restated)
Profit for the year		<u>55,844</u>	<u>91,092</u>
Other comprehensive loss for the year			
<i>Items that will not be reclassified to profit or loss</i>			
Investment securities at FVOCI – net change in fair value		(402)	(68,757)
Net loss on sale of equity		<u>(9,053)</u>	<u>—</u>
Total other comprehensive loss for the year		<u>(9,455)</u>	<u>(68,757)</u>
Total comprehensive income for the year		<u>46,389</u>	<u>22,335</u>
Basic and diluted earnings per share (\$)		<u>3.49</u>	<u>5.69</u>
Number of shares ('000)	14	<u>16,000</u>	<u>16,000</u>

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

Consolidated Statement of Changes in Equity

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

	Notes	Stated capital \$'000	Retained earnings \$'000	Revaluation reserve \$'000	Mortgage risk reserve \$'000	Total equity \$'000
Balance at 31 December 2019						
Balance at 1 January 2019		16,000	979,489	47,533	11,113	1,054,135
Transfer to mortgage risk reserve	16	—	(177)	—	177	—
Total comprehensive income for the year		—	55,844	(9,455)	—	46,389
Reclassification of cumulative gains		—	39,456	(39,456)	—	—
		16,000	1,074,612	(1,378)	11,290	1,100,524
Dividends		—	(35,520)	—	—	(35,520)
Balance at 31 December 2019		<u>16,000</u>	<u>1,039,092</u>	<u>(1,378)</u>	<u>11,290</u>	<u>1,065,004</u>

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

Consolidated Statement of Changes in Equity

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

	Notes	Stated capital \$'000	Retained earnings \$'000	Revaluation reserve \$'000	Mortgage risk reserve \$'000	Total equity \$'000
Balance at 31 December 2018						
Balance at 1 January 2018		16,000	633,624	411,199	7,291	1,068,114
Prior period adjustments (Note 32)		—	1,187	176,226	—	177,413
Restated Balance at 1 January 2018		16,000	634,811	587,425	7,291	1,245,527
Transfer to mortgage risk reserve	16	—	(3,822)	—	3,822	—
Total comprehensive income for the year		—	91,092	(68,757)	—	22,335
Reclassification of cumulative gains		—	471,135	(471,135)	—	—
ECL Transition		—	(2,609)	—	—	(2,609)
		16,000	1,190,607	47,533	11,113	1,265,253
Dividends		—	(211,118)	—	—	(211,118)
Restated Balance at 31 December 2018		16,000	979,489	47,533	11,113	1,054,135

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

Consolidated Statement of Cash Flows

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

	Notes	2019 \$'000	2018 \$'000 (Restated)
Cash flows from operating activities			
Profit before taxation		77,181	105,553
Adjustments for:			
Charge to provision for impairment of loans and advances		—	2,897
Impairment loss on lands for development		—	1,604
Impairment loss on investment securities		—	547
Gain on property and equipment		(33)	(260)
Depreciation		3,621	982
Capitalised interest on managed funds	20	6,920	7,992
Net premium recognized on investments		(8,424)	(9,844)
Finance charge		138	—
Bond issue costs amortised	9	265	280
Operating profit before working capital changes		79,668	109,751
Changes in:			
Decrease/(increase) in other assets		6,754	(24,359)
Increase in other liabilities		8,839	4,553
Corporation taxes paid		(16,233)	(13,868)
Net cash flows generated from operating activities		<u>79,028</u>	<u>76,077</u>
Cash flows generated from investment activities			
Issuance of new mortgages and loans		(634,886)	(1,038,941)
Proceeds from repayment on mortgages and loans		358,770	282,786
Purchase of property and equipment	11	(4,372)	(1,420)
Proceeds from sale of property and equipment		60	307
Proceeds from sale of maturity investments		132,016	14,630
Sale of instruments		50,145	815,180
Proceeds from sale of property		7,049	6,700
Proceeds from managed funds	20	193,398	164,704
Repayment of managed funds	20	(247,778)	(228,974)
Net cash flows (used in)/generated from investing activities		<u>(145,598)</u>	<u>14,972</u>

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

Consolidated Statement of Cash Flows

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

	Notes	2019 \$'000	2018 \$'000 (Restated)
Cash flows from financing activities			
Proceeds from short-term borrowings	18	631,000	822,000
Repayment of short-term borrowings	18	(487,000)	(789,000)
Proceeds from bonds issued	19	21,105	377,705
Redemption of bonds	19	(64,944)	(273,194)
Dividends paid		(35,520)	(211,118)
Bond issue costs incurred	9	(60)	(73)
Net cash flows generated from/(used in) financing activities		<u>64,581</u>	<u>(73,680)</u>
Net (decrease)/increase in cash and cash equivalents		(1,989)	17,369
Cash and cash equivalents at beginning of year		<u>29,611</u>	<u>12,242</u>
Cash and cash equivalents at end of year		<u>27,622</u>	<u>29,611</u>
Represented by:			
Cash at bank and on hand		27,622	19,278
Short-term deposits		<u>—</u>	<u>10,333</u>
		<u>27,622</u>	<u>29,611</u>
Supplemental information:			
Income received during the year		119,546	96,804
Interest paid during the year		(54,060)	(50,413)
Dividend received		7	28,269
Dividend paid		(35,520)	(211,118)

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

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

1. Corporate 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 Bank also performs the management function for the Mortgage Participation Fund. The Bank pledges assets via trust and also provides a guarantee to the investors for the principal amounts invested together with any related distribution due to be paid.

The registered office of the Parent and its subsidiaries is located at 2nd Floor, NIBTT Building, 14-19 Queen's Park East, Port of Spain. The Bank's 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 26 March 2020.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied across the Group.

(a) Basis of preparation

The financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) and are stated in Trinidad and Tobago Dollars. Except as otherwise indicated, all amounts presented have been rounded to the nearest thousand. These consolidated financial statements have been prepared on a historical cost basis and at fair value through other comprehensive income (FVOCI). The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions. Actual results could differ from those estimates. Significant accounting judgements and estimates in applying the Group's accounting policies have been described in Note 3.

(a) Basis of consolidation

The consolidated financial statements incorporate the separate financial statements of Home Mortgage Bank, the Mortgage Participation Fund and its incorporated subsidiaries as outlined in Note 1 above. The financial statements of all entities consolidated are prepared for the same reporting year as the parent company using consistent accounting policies.

Management concluded that for purposes of IFRS 10, its relationship with the Mortgage Participation Fund was that of principal rather than that of an agent. The Bank acts as fund manager to an investment fund. Determining whether the Bank controls such an investment fund focuses on the assessment of the aggregate economic interest of the Bank in the fund (comprising any carried interests and expected management fees) and the participants' rights to remove the fund manager. For this fund, the participants' ability to remove the Bank as fund manager is very limited and, the Bank's aggregate economic interest, which includes remuneration, is significant.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(b) Basis of consolidation (continued)

A subsidiary of the company is an investee controlled by the Group. The Group reassesses at each reporting period whether or not it controls the entities with which it is involved using the control criteria established in IFRS 10. In particular, it concludes that it controls an entity if, and only if, after considering all the circumstances, it forms the view that:

- i. it has power over the entity;
- ii. it is exposed, or has rights, to variable returns from its involvement with the entity; and
- iii. it has the ability to use its power to affect its returns from the entity.

Subsidiaries are consolidated when the Group obtains control over the entities and ceases when the Group loses control over the entities.

(c) Changes in accounting policies

i. New accounting standards and improvements adopted

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards, amendments and interpretations outlined below.

IFRS 16 Leases

The Group adopted IFRS 16 *Leases* on 1 January 2019. IFRS 16 *Leases* replaces IAS 17 *Leases*, IFRIC 4 – *Determining whether an Arrangement contains a lease*, SIC 15 – *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the legal Form of a lease*.

The standard sets out the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance lease using similar principles as in IAS 17. The Group is not party to any lessor arrangements.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

ii. New accounting standards and improvements adopted

IFRS 16 Leases (continued)

The Group applied IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized in opening retained earnings at the date of initial application.

The Group elected not to recognize a lease liability or right-of-use asset for leases previously classified as operating leases as the lease term for these ended within 12 months from the date of initial application. Therefore, there was no impact to opening retained earnings from implementation of this Standard. These leases were not renewed in the current reporting period. The Group continued to account for these leases in the same way as short-term leases; and have included the cost associated with these leases within the disclosure of short-term lease expense in these financial statements (Note 12).

In applying IFRS 16, the Group identified whether the contract conveyed the right to control the use of the identified asset for a period of time in exchange for consideration. The Group considered whether:

- the contract involves the use of an identified asset which may be specified explicitly or implicitly and should be physically distinct or represent substantially all the capacity of a physically distinct asset;
- it has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- it has the right to direct the use of the asset, i.e. the Group has the right to change how and for what purpose the asset is used.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

i. New accounting standards and improvements adopted (continued)

IFRS 16 Leases (continued)

The Group has also used the following practical expedients permitted by the standard:

- i. the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- ii. where the lease term is twelve months or less of low value these are accounted for as short-term leases. The lease payments are recognized as an expense in the consolidated statement of comprehensive income.

Refer to Note 12 for the impact of the adoption of this standard

IFRS 9 Financial Instruments – Amendments to IFRS 9

The amendments to IFRS 9 clarify that a financial asset passes the solely payments of principal and interest (SPPI) criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

The amendments are intended to apply where the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small. Most likely, the costs to terminate a ‘plain vanilla’ interest rate swap that is collateralised, so as to minimise the credit risks for the parties to the swap, will meet this requirement.

Adoption of these amendments had no impact on the Group’s financial statements.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

i. New accounting standards and improvements adopted (continued)

IAS 28 Amendments – Long-term Interests in Associates and Joint Ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the Expected Credit Loss (ECL) model in IFRS 9 applies to such long-term interests.

In applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

Adoption of these amendments had no impact on the Group's financial statements.

IFRIC 23 – Uncertainty over Income Tax Treatments

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. Its interpretation specifically addresses the following:

- whether an entity considers tax treatments separately
- the assumptions an entity makes about the examination of tax treatments by taxation authorities
- how the entity determines taxable profits or losses, tax bases, unused tax losses, unused tax credits and tax rates
- how the entity considers changes in facts and circumstances

An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

Adoption of these amendments had no impact on the Group's financial statements.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

i. New accounting standards and improvements adopted (continued)

IAS 19 Amendment – Plan Amendment, Curtailment or Settlement

The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability or asset reflecting the benefits offered under the plan and the plan assets after that event
- Determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability or asset reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability or asset

The amendments clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in the statement of income. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

This clarification provides that entities might have to recognise a past service cost, or a gain or loss on settlement, that reduces a surplus that was not recognised before. Changes in the effect of the asset ceiling are not netted with such amounts.

Adoption of these amendments had no impact on the Group's financial statements.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

i. New accounting standards and improvements adopted (continued)

Improvements to International Financial Reporting Standards

The annual improvements process of the International Accounting Standards Board deals with non-urgent but necessary clarifications and amendments to IFRS. The following amendments are applicable to annual periods beginning on or after 1 January 2019:

- IFRS 3 - Business Combinations – Previously held Interests in a joint operation (effective 1 January 2019)
- IFRS 11 - Joint Arrangements – Previously held Interests in a joint operation (effective 1 January 2019)
- IAS 12 - Income Taxes – Income tax consequences of payments on financial instruments classified as equity (effective 1 January 2019)
- IAS 23 - Borrowing Costs – Borrowing costs eligible for capitalisation (effective 1 January 2019)

ii. Standards in issue not yet effective

The following is a list of standards and interpretations that are not yet effective up to the date of issuance of the Group's consolidated financial statements. These standards and interpretations will be applicable to the Group at a future date and will be adopted when they become effective. The Group is currently assessing the impact of adopting these standards and interpretations.

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates (effective 1 January 2020)
- IFRS 3 Business combinations – Amendments to IFRS 3 (effective 1 January 2020)
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (effective 1 January 2020)
- The Conceptual Framework for Financial Reporting (effective 1 January 2020)
- IFRS 17 Insurance contracts (effective 1 January 2022)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture-Amendments to IFRS 10 and IAS 28 (effective date postponed)

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(d) 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 the consolidated statement of comprehensive income.

(e) Financial instruments

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

(i) Recognition and initial measurement

The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Classification

The Group classifies all its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either:

- Amortised cost (AC)
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVTPL)

The Group measures all financial instruments except for its investment securities at amortised cost if both of the following conditions are met and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI (Refer to Note 5). This election is made on an investment-by-investment basis.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.



Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Classification (continued)

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Classification (continued)

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Group holds a portfolio of long-term variable-rate mortgage loans for which it has the option to propose to revise the interest rate. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or repay the loan mortgage at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires (see Note 2(e)(iv)), or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(e) 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 derecognised) 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 recognised in other comprehensive income (OCI) is recognised in the consolidated statement of comprehensive income.

Any cumulative gains/losses recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated statement of comprehensive income on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group securitises various loans and advances to customers and investment securities, which generally results in the sale of these assets to unconsolidated securitisation vehicles and in the Group transferring substantially all of the risks and rewards of ownership. The securitisation vehicles in turn issue securities to investors. Interests in the securitised financial assets are generally retained in the form of senior or subordinated tranches, or other residual interests (retained interests). Retained interests are recognised as investment securities. Before 1 January 2018, retained interests were primarily classified as held to maturity investment securities and measured at amortized cost.

Financial liabilities

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

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(iv) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in the consolidated statement of income as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in the statement of income. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(iv) Modifications of financial assets and financial liabilities (continued)

Financial assets (continued)

Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in the consolidated statement of income. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as a derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in the consolidated statement of income. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(v) *Impairment*

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(v) Impairment (continued)

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and the ECL is measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter Bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(v) *Impairment* (continued)

Credit-impaired financial assets (continued)

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bonds' yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the consolidated statement of comprehensive income.

Financial assets that are written off could still be subject to enforcement activities

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(f) Fair value

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 one is 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 maximise the use of relevant observable inputs and minimise 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 on 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 on 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 for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in the statement of consolidated comprehensive income 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.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(f) Fair value (continued)

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

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.

(g) 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 included in Loans and Advances while the liability to the investors are separately disclosed on the face of the consolidated statement of financial position.

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 7 and 20).

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 7 and 20).

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at Groups 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.

(i) Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the period in which they are incurred.

Where the carrying amount of the property and equipment is greater than its estimated recoverable amount, the asset is considered impaired and the carrying amount is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the consolidated statement of comprehensive income.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. Prior to 2019, the Group computed depreciation using the reducing balance method. This was revisited in 2019 and the depreciation method was changed to the straight-line basis. The change was accounted for as a change in accounting estimate in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(i) Property and equipment (continued)

The rates used are as follows:	% per annum
Fixtures and fittings	33 1/3%
Office machinery	12 1/2 %
Office furniture	12 1/2 %
Computer equipment	25%
Motor vehicles	25%

(j) Investment property

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

Investment property comprises leasehold land and Tobago Villas. 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.

(k) 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 consolidated statement of comprehensive income.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(k) Impairment of non-financial assets (continued)

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.

(l) 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 the consolidated statement of income.

(m) 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 9).

(n) 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 amounted to \$574,333 (2018: \$4,966,057).

(o) Other assets and liabilities

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

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(p) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the good or service is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for the good or service. Revenue is measured at the value of the consideration received or receivable, taking into account contractually defined terms of the payment and excluding taxes or duty.

Interest income is recognised in the consolidated statement of comprehensive income 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 and commissions 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.

Commitment fees and other fee income, including investment management fees, is recognized as the performance obligation is satisfied and the related services are performed.

Dividend income is recognized when the right to receive the payment is established.

(q) Taxation

Income tax expense comprises current and deferred tax. It is recognised in the consolidated statement of comprehensive income 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.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(q) Taxation (continued)

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

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

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

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

r) Leases

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-to-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and restoration costs, less any lease incentives received.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

r) Leases (continued)

The right-to-use asset is subsequently depreciated using the straight-line method based on the remaining lease period. The right-of-use assets are separately identified in the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method. The Group has used the incremental borrowing rate adjusted for the credit spread between the Bank's borrowing rate and the CBTT Bond rate as the discount rate.

Each lease payment is allocated between the lease payment and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease liability is separately identified on the statement of financial position

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

(s) Earnings per share

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

(t) 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.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

2. Significant accounting policies (continued)

(u) 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.

(v) Comparative information

Where necessary, comparative data has been adjusted to conform with changes in presentation in the current year. Adjustments to previously reported results were made in accordance with IAS 8 – *Accounting policies, changes in accounting estimates and errors*. The financial statements have been restated for the years ended 31 December 2017 and 31 December 2018 and the impact of these adjustments and reclassifications are summarised in Note 32 – Restatements and Reclassifications.

3. Significant accounting judgements, estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in the future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Risk management (Note 25)
- Capital management (Note 26)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

3. Significant accounting judgements, estimates and judgements (continued)

Estimates and assumptions (continued)

Impairment of financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL Models that are considered accounting judgements and estimates include:

- The estimation of the amount and timing of future cash flows and collateral values when determining impairment losses.
- The Group's criteria for assessing if there has been a significant increase in credit risk and if so, allowances for financial assets should be measured on a LTECL basis and the qualitative assessment
- Development of ECL models, including the various formulae and the choice of inputs
- The inclusion of overlay adjustments based on judgement and future expectations

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in these consolidated financial statements:

Deferred taxes

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

Fair value of investment securities

The determination of fair value for financial instruments for which no observable market price requires the use of valuation techniques as described in Note 2(f). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on expected cash flows based on recent history, uncertainty of market factors and other risks affecting the specific instrument.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

3. Significant accounting judgements, estimates and judgements (continued)

Judgements (continued)

Investment properties

Management makes judgement at each reporting period to determine whether the investment property is impaired. An impairment will exist when the carrying value of the asset exceeds the recoverable amount. 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.

	2019 \$'000	2018 \$'000
4. Cash and cash equivalents		
Cash and cash equivalents comprise:		
Cash at bank and on hand	27,622	19,278
Short-term deposits	<u>—</u>	<u>10,333</u>
Total cash and cash equivalents	<u>27,622</u>	<u>29,611</u>

The average effective interest rate on cash and short-term deposits is 0.01% (2018: 0.32%).

	2019 \$'000	2018 \$'000
5. Investment securities		
Investment securities measured at FVOCI – debt instruments	805,240	732,141
Investment securities designated at FVOCI – equity investments	<u>—</u>	<u>59,199</u>
	<u>805,240</u>	<u>791,340</u>
Debt investment securities measured at FVOCI		
State-owned company securities	529,364	490,031
Government securities	245,958	242,657
Investment in 2019 CMO	30,465	—
Expected Credit Loss on debt securities	<u>(547)</u>	<u>(547)</u>
	<u>805,240</u>	<u>732,141</u>
Equity investment securities designated at FVOCI		
Investment in Jamaica Money Market Brokers	<u>—</u>	<u>59,199</u>
	<u>—</u>	<u>59,199</u>

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

5. Investment securities (continued)

Sale of investments measured at FVOCI

The Bank sold its remaining equity investments in January 2019. The sale resulted in a realized loss of \$9M to the consolidated statement of other comprehensive income.

The average effective interest rate on investment securities for the year is 4.18% (2018: 4.22%).

	2019 \$'000	2018 \$'000
Reconciliation of expected credit losses on investments		
Balance at 1 January	547	—
Charge for the year	—	547
Balance at 31 December	<u>547</u>	<u>547</u>

6. 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.

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.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

6. Fair value of financial instruments (continued)

(a) Valuation models (continued)

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 judgement 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.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

6. Fair value of financial instruments (continued)

(b) Financial instruments measured at fair value

	2019			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Financial assets				
Investment securities	—	774,775	—	774,775
Investment in 2019 CMO	—	—	30,465	30,465
Total	—	774,775	30,465	805,240
	2018			Total \$'000
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
Financial assets				
Investment securities	—	732,141	—	732,141
Equity securities	59,199	—	—	59,199
Total	59,199	732,141	—	791,340

Transfers between and movements in Levels

For the year ended 31 December 2019, there were no transfers of assets between and movements in levels, except for the Investment in the 2019 CMO which was deemed to be Level 3.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

6. Fair value of financial instruments (continued)

(c) Financial instruments not measured at fair value

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

	Level 1	Level 2	Level 3	Fair value	Total carrying amount
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 December 2019					
Assets					
Loans and advances to customers	—	—	2,357,722	2,357,722	2,357,722
Liabilities					
Debt securities	—	1,381,388	—	1,381,388	1,394,908
Short-term borrowings	—	287,000	—	287,000	287,000
Mortgage Participation Fund	—	—	483,246	483,246	483,246
Collateral mortgage obligation	—	—	1,225	1,225	1,225
	—	1,668,388	484,471	2,152,859	2,166,379

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

6. 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 31 December 2018					
Assets					
Loans and advances to customers	<u>—</u>	<u>—</u>	<u>2,278,700</u>	<u>2,278,700</u>	<u>2,278,700</u>
Liabilities					
Debt securities	—	1,439,701	—	1,439,701	1,438,747
Short-term borrowings	—	143,000	—	143,000	143,000
Mortgage Participation Fund		—	530,117	530,117	530,117
Collateral mortgage obligation	<u>—</u>	<u>—</u>	<u>1,814</u>	<u>1,814</u>	<u>1,814</u>
	<u>—</u>	<u>1,582,701</u>	<u>2,114,632</u>	<u>2,114,632</u>	<u>2,113,678</u>

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.



Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

	2019 \$'000	2018 \$'000
7. Loans and advances to customers		
Loans retained	1,643,251	1,746,769
Mortgages held in trust (Note 20)	484,471	531,931
Other loans	<u>230,000</u>	<u>—</u>
Total loans administered	<u>2,357,722</u>	<u>2,278,700</u>
The composition of loans retained is as follows:		
Retained mortgage loans 7(a)	1,616,800	1,709,734
Construction loan advances 7(b)	<u>26,451</u>	<u>37,035</u>
	<u>1,643,251</u>	<u>1,746,769</u>

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

7. Loans and advances to customers (continued)	2019 \$'000	2018 \$'000
(a) Retained mortgage loans		
Principal balances and unamortised discounts:		
Total loans administered at 1 January	2,250,388	1,488,369
New mortgages/transfers from construction loan advances	414,794	1,042,552
Principal repayments	<u>(346,526)</u>	<u>(280,533)</u>
	2,318,656	2,250,388
Expected credit losses on loans	(8,723)	(8,723)
Sold to CMO 2019	<u>(208,662)</u>	<u>—</u>
Total loans administered at 31 December	<u>2,101,271</u>	<u>2,241,665</u>
Mortgages held in trust (Note 19)		
- Guaranteed Mortgage Investment Certificates	(1,225)	(1,814)
- Mortgage Participation Fund	<u>(483,246)</u>	<u>(530,117)</u>
	<u>(484,471)</u>	<u>(531,931)</u>
Retained mortgage loans	<u>1,616,800</u>	<u>1,709,734</u>
Represented by:		
Mortgages with recourse	1,503	2,537
Mortgages without recourse	<u>1,615,297</u>	<u>1,707,197</u>
Balance at 31 December	<u>1,616,800</u>	<u>1,709,734</u>
Reconciliation of expected credit losses on loans:		
Balance at 1 January	8,723	3,217
ECL transition	—	2,609
Charge for the year	<u>—</u>	<u>2,897</u>
Balance at 31 December	<u>8,723</u>	<u>8,723</u>

The average effective interest rate on the retained mortgage portfolio is 6.13% (2018: 6.22%).

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

7. Loans and advances to customers (continued)	2019 \$'000	2018 \$'000
(b) Construction loan advances		
Balance at 1 January	37,035	42,899
New advances	2,274	22,443
Repayments	(675)	(2,253)
Advances converted to mortgages	(12,183)	(26,054)
Balance at 31 December	<u>26,451</u>	<u>37,035</u>

The average effective interest rate on Construction loan advances is 6.49% (2018: 6.44%).

8. Other assets	2019 \$'000	2018 \$'000
Interest receivable on investment securities	5,894	5,832
Advance receipt on bond issued	546	616
Prepaid expenses	1,286	334
Sundry debtors	5,634	5,404
Mortgage remittance receivable	<u>26,210</u>	<u>34,138</u>
	<u>39,570</u>	<u>46,324</u>

9. Capitalised bond issue costs		
Balance at 1 January	513	720
Costs incurred during the year	<u>60</u>	<u>73</u>
	573	793
Costs amortised during the year	<u>(265)</u>	<u>(280)</u>
Balance at 31 December	<u>308</u>	<u>513</u>

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

	2019 \$'000	2018 \$'000
10. Investment property		
<i>Tobago Villas</i>		
Balance at 1 January	28,077	38,625
Cost of units sold (Note 23)	(10,677)	(10,548)
	17,400	28,077
Provision for impairment	(8,148)	(11,777)
Balance at 31 December	<u>9,252</u>	<u>16,300</u>
<i>Other real estate holding</i>	<u>18,876</u>	<u>18,876</u>
	<u>28,128</u>	<u>35,176</u>
<i>Provision for impairment:</i>		
Balance at 1 January	11,777	14,020
Charge for the year	—	1,604
Provisions released during the year	(3,629)	(3,847)
Balance at 31 December	<u>8,148</u>	<u>11,777</u>

Tobago Villas

During the year 2019, 3 villa units were sold. The remaining two (2) villas are expected to be sold by June 2020. The carrying value of the properties have been adjusted to reflect the market value as per valuation reports. No additional impairment provision was required in 2019 (2018: \$1.6 million).

Other real estate holding

Investment property comprises one property acquired for \$18.876 million during June 2016. The fair value measurement for investment property has been categorised as Level 2 in the fair value hierarchy. Fair value is deemed to be the purchase price given that the property was acquired in 2016. The valuation is made on the basis of the open market value by an external, accredited independent valuator, specializing in the valuation of commercial properties. The valuation performed by the valuator is based on active market price, adjusted for any difference in the nature, location or condition of the specific property. The company revalues this investment property every 5 years. The next valuation would be performed in 2021.

Notes To The Consolidated Financial Statements

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11. Property and equipment

	Furniture, fixtures, office machinery and equipment \$'000	Motor vehicles \$'000	Total \$'000
Cost			
Balance at 1 January 2019	7,110	1,713	8,823
Additions	4,372	—	4,372
Disposals	(178)	(737)	(915)
Balance at 31 December 2019	<u>11,304</u>	<u>976</u>	<u>12,280</u>
Depreciation			
Balance at 1 January 2019	4,218	1,213	5,431
Adjustment – change in depreciation method	295	—	295
Restated balance at 1 January 2019	4,513	1,213	5,726
Charge for the year	1,693	203	1,896
Disposals	(153)	(736)	(889)
Balance at 31 December 2019	<u>6,053</u>	<u>680</u>	<u>6,733</u>
Net book value	<u>5,251</u>	<u>296</u>	<u>5,547</u>
Cost			
Balance at 1 January 2018	5,985	2,789	8,774
Additions	1,155	265	1,420
Disposals	(30)	(1,341)	(1,371)
Balance at 31 December 2018	<u>7,110</u>	<u>1,713</u>	<u>8,823</u>
Depreciation			
Balance at 1 January 2018	3,618	2,155	5,773
Charge for the year	617	365	982
Disposals	(17)	(1,307)	(1,324)
Balance at 31 December 2018	<u>4,218</u>	<u>1,213</u>	<u>5,431</u>
Net book value	<u>2,892</u>	<u>500</u>	<u>3,392</u>

During 2019, the Group revisited its depreciation method which resulted in a change from the reducing balance to the straight line basis. This change was accounted for as a change in accounting estimate in accordance with IAS 8. This change was applied prospectively and resulted in an additional charge of \$0.295 million, which represents the value if straight line depreciation was used from the original purchase date.

Notes To The Consolidated Financial Statements

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12. Leases

The Group entered into a lease contract for the rental of its office space and other equipment used in its operation in February 2019. The lease for the property rental has a lease term of three (3) years with a fixed payment amount. The Group's obligation under the lease is secured by the lessor's title to the leased asset.

The Group also leases office equipment with a lease term of 12 months or less for use in its operations. The Group applies the 'short-term lease' and 'lease of low-value' recognition exemptions for these leases.

Outlined below is the carrying amount of the right-of-use asset and lease liability recognised and the movements during the year.

	2019
	\$'000
Right of use asset	
Balance as at 1 January 2019	4,680
Depreciation charge	<u>(1,430)</u>
Balance as at 31 December 2019	<u>3,250</u>
Lease liability	
Balance as at 1 January 2019	4,542
Finance charge	140
Lease payments	<u>(1,375)</u>
Balance as at 31 December 2019	<u>3,307</u>
Current (due within 12 months)	1,554
Non-current (due beyond 12 months)	1,753
The following are the amounts recognised in the consolidated statement of comprehensive income:	
Depreciation expense for right-of-use assets	1,430
Interest expense on lease liabilities	140
Expense relating to low value leases	26
Expense relating to short-term leases	<u>395</u>
Total amount recognised in statement of comprehensive income	<u>1,991</u>

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12. Leases (continued)

Short-term leases relate to three lease agreements which ended within 12 months of the date of initial application of IFRS 16. These leases continued to be accounted for as operating leases within the period of use.

The Group had total cash outflows of \$1.3 million in 2019 relating to its lease agreements.

Prior to 2019, all lease arrangements were treated as operating leases and \$1.8 million was recognised as an expense in the consolidated statement of comprehensive income.

13. Deferred tax asset/(liability)

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

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

	Restated 2018	Credit/(charge) to profit or loss	OCI	2019
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets				
Impairment provision on lands for development and units unsold	5,073	(1,022)	—	4,051
Property and equipment	—	229	—	229
	<u>5,073</u>	<u>(793)</u>	<u>—</u>	<u>4,280</u>
Deferred tax liabilities				
Discount on purchase of mortgage pools	—	—	—	—
Bond issue costs	(169)	75	—	(94)
Property and equipment	<u>(46)</u>	<u>46</u>	<u>—</u>	<u>—</u>
	<u>(215)</u>	<u>121</u>	<u>—</u>	<u>(94)</u>
Net deferred tax asset	<u>4,858</u>	<u>(672)</u>	<u>—</u>	<u>4,186</u>

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

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13. Deferred tax asset (liability) (continued)

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

	Restated 2017	Credit/(charge) to profit or loss	OCI	Restated 2018
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets				
Impairment provision on lands for development and units unsold	4,206	867	—	5,073
Impairment provision on investment securities designated as at FVOCI	<u>1,540</u>	<u>(1,540)</u>	—	—
	<u>5,746</u>	<u>(673)</u>	—	<u>5,073</u>
Deferred tax liabilities				
Discount on purchase of mortgage pools	(18)	18	—	—
Bond issue costs	(216)	47	—	(169)
Property and equipment	<u>(26)</u>	<u>(20)</u>	—	<u>(46)</u>
	<u>(260)</u>	<u>45</u>	—	<u>(215)</u>
Net deferred tax asset	<u>5,486</u>	<u>(628)</u>	—	<u>4,858</u>

	2019	Restated 2018	Restated 2017
	\$'000	\$'000	\$'000
ii. <i>The movement on the deferred tax account is as follows:</i>			
Balance at 1 January	4,858	5,486	5,845
Charge to profit or loss (Note 24)	<u>(672)</u>	<u>(628)</u>	<u>(359)</u>
Balance at 31 December	<u>4,186</u>	<u>4,858</u>	<u>5,486</u>

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

14. Stated capital	2019	2018
	\$'000	\$'000

Authorised

An unlimited number of ordinary shares of no par value

Issued and fully paid

16,000,000 ordinary shares of no par value	<u>16,000</u>	<u>16,000</u>
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15. Revaluation reserve

The revaluation reserve is used to record increases or decreases in the carrying value of the Group's FVOCI 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. The revaluation reserve comprised the following:

	2019	Restated 2018
	\$'000	\$'000
Equities	—	48,599
CMO 2019	304	—
Other assets	<u>(1,682)</u>	<u>(1,066)</u>
	<u>(1,378)</u>	<u>47,533</u>

16. Mortgage risk reserve

Balance at 1 January	11,113	7,291
Transfer from retained earnings	<u>177</u>	<u>3,822</u>
Balance at 31 December	<u>11,290</u>	<u>11,113</u>

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Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

	2019 \$'000	Restated 2018 \$'000	Restated 2017 \$'000
17. Other liabilities			
Interest payable on bonds	12,102	12,538	9,548
Sundry creditors and accruals	14,892	7,732	6,646
Gareemic holders payable	<u>3,674</u>	<u>48</u>	<u>79</u>
	30,668	20,318	16,273
Taxation payable	<u>8,709</u>	<u>4,277</u>	<u>3,806</u>
	<u>39,377</u>	<u>24,595</u>	<u>20,079</u>
18. Short-term borrowings			
Balance at 1 January	143,000	110,000	
Proceeds	631,000	822,000	
Repayments	<u>(487,000)</u>	<u>(789,000)</u>	
Balance at 31 December	<u>287,000</u>	<u>143,000</u>	

Short-term borrowings relate to a one-year renewable revolving credit facility. The facility is secured by investment securities valued at \$380 million (2018: \$380 million).

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19. Debt securities	2019 \$'000	2018 \$'000
Balance at 1 January	1,438,747	1,334,236
Issues	21,105	377,705
Redemptions	<u>(64,944)</u>	<u>(273,194)</u>
Balance at 31 December	<u>1,394,908</u>	<u>1,438,747</u>

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

	2019 \$'000	2018 \$'000
Within 1 year	466,134	63,013
1 to 2 years	66,134	463,013
2 to 3 years	299,600	63,013
3 to 4 years	209,240	296,479
4 to 5 years	209,240	206,119
Over 5 years	<u>144,560</u>	<u>347,110</u>
	<u>1,394,908</u>	<u>1,438,747</u>
(c) Tax free bonds	562,927	577,759
Other bonds	<u>831,981</u>	<u>860,988</u>
	<u>1,394,908</u>	<u>1,438,747</u>

Under the Home Mortgage Bank Act 1985, the Bank is authorised to issue tax-free bonds up to \$600 million of which \$563 million has been issued for 2019 (2018: \$578 million).

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

20. Liability to fund holders	2019 \$'000	2018 \$'000
Managed funds comprises:		
Guaranteed Mortgage Investment Certificates	1,225	1,814
Mortgage Participation fund	<u>483,246</u>	<u>530,117</u>
	484,471	531,931
Carrying value of loans backing the Managed fund liabilities (Note 7(a))	<u>(484,471)</u>	<u>(531,931)</u>
Net liability	<u>—</u>	<u>—</u>

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.

	2019 \$'000	2018 \$'000
The movement in the Managed fund liabilities is as follows:		
Balance at 1 January	531,931	588,209
Additions	193,398	164,704
Capitalised interest	6,920	7,992
Repayments	<u>(247,778)</u>	<u>(228,974)</u>
Balance at 31 December	<u>484,471</u>	<u>531,931</u>
Accrued interest		
Balance at 1 January	—	—
Interest paid	(7,424)	(8,522)
Interest expense	<u>7,424</u>	<u>8,522</u>
Balance at 31 December	<u>—</u>	<u>—</u>

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

20. Liability to fund holders (continued)

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 31 December 2019, the outstanding balances of securitised mortgages and the related Gareemics issued amounted to \$1.2 million (2018: \$1.8 million).

The Bank's credit risk is mitigated to the extent that sellers of pools of mortgages elect to remain at risk for the loans sold to the Bank or other credit enhancement was provided to protect against the risk of loss from borrower default. Lenders have the option to retain the primary default risk, in whole or in part, in exchange for a lower guarantee fee. The Bank 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 mortgages. At the reporting date, the outstanding balance under the MPF investment product was \$483.246 million (2018: \$530.117 million).

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

	2019 \$'000	2018 \$'000
21. Net interest income		
Loans and advances to customers	135,919	119,505
Investment securities	<u>41,221</u>	<u>37,447</u>
	177,140	156,952
Interest expense	<u>(13,687)</u>	<u>(11,127)</u>
Net interest income	<u>163,453</u>	<u>145,825</u>
22. General and administrative expenses		
Staff costs	9,102	13,575
Premises	1,792	3,176
Depreciation	3,621	982
Directors' fees	1,873	1,900
Other operating expenses	<u>11,461</u>	<u>8,461</u>
	<u>27,849</u>	<u>28,094</u>
23. Loss on sale of investment property		
Income from sale of units	6,200	6,600
Income from sale of furniture	—	101
Cost of units sold	<u>(10,677)</u>	<u>(10,548)</u>
Loss on sale of property units	<u>(4,477)</u>	<u>(3,847)</u>

Notes To The Consolidated Financial Statements

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	2019 \$'000	Restated 2018 \$'000
24. Taxation		
<i>(i) Current taxation:</i>		
Corporation tax	19,110	12,447
Green Fund levy	546	543
Business levy	1,009	843
Deferred taxation	<u>672</u>	<u>628</u>
Taxation charge for the year	<u>21,337</u>	<u>14,461</u>

(ii) Tax reconciliation:

The Group's effective tax rate varies from the statutory rate of 30% as a result of the differences shown below:

	2019 \$'000	2018 \$'000
Profit before taxation	<u>77,181</u>	<u>105,553</u>
Tax at the statutory rate of 30%	23,154	31,616
Expenses disallowed	2,224	(4,911)
Green Fund levy	546	543
Business levy	1,009	843
Tax exempt income	<u>(5,596)</u>	<u>(13,630)</u>
	<u>21,337</u>	<u>14,461</u>

Notes To The Consolidated Financial Statements

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25. 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 and collateralized mortgage instruments to lend 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. Their duties involve the following:

- Reviewing and assessing the quality, integrity and effectiveness of the risk management systems.
- Overseeing the development of policies and procedures designed to:
 - (a) Define, measure, identify and report on credit, market, liquidity, counterparty and operational risk; and
 - (b) Establish and communicate risk management controls throughout the Group.
- Ensuring that the Group has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to pro-actively manage these risks, and to decide the 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.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

25. Risk management (continued)

Board of Directors (continued)

- 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.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

25. Risk management (continued)

Credit risk

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

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

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

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

	Gross maximum exposure	
	2019	2018
	\$'000	\$'000
Cash and cash equivalents	27,622	29,611
Investment securities	805,786	791,887
Gross mortgage portfolio	2,339,994	2,250,388
Construction advances	26,451	37,035
Other assets	<u>39,570</u>	<u>46,324</u>
Total gross financial assets	3,239,423	3,155,245
Mortgage commitments	<u>268,671</u>	<u>90,056</u>
Total credit risk exposure	<u>3,508,094</u>	<u>3,245,301</u>

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Year ended December 31, 2019

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25. Risk management (continued)

Credit risk (continued)

Financial asset provisions are reviewed in accordance with established guidelines and recommended provision arising out of this review are submitted for Board approval.

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

The Group's impairment assessment and measurement are set out below.

Loans and advances – inputs, assumptions and techniques used

Overview of measurement of the ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

25. Risk management (continued)

Loans and advances – inputs, assumptions and techniques used (continued)

Significant increase in credit risk (continued)

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in PD;
- qualitative indicators; and
- a backstop of 90 days past due.

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting date. Significant increase in credit risk (SICR) is introduced in IFRS 9 to determine whether a financial instrument needs to be moved from Stage 1 to Stage 2 to recognize lifetime ECL.

Since information that is more forward-looking than past due status is not available without undue cost or effort, the Group decided to use past due information along with a loan watch list to determine whether there have been significant increases in credit risk since initial recognition.

Based on the delinquency buckets and IFRS 9's 90 day rebuttable presumption, accounts in delinquency bucket (> 30 DPD and ≤ 90 DPD) are classified into Stage 2 and subject to lifetime ECL calculation. Based on the Bank's default definition as well as the 90 day rebuttable presumption, accounts in delinquency bucket (> 90 DPD) are classified as Stage 3 and subject to lifetime ECL calculation. Accounts that are not in arrears or have a DPD ≤ 30 remain as Stage 1 accounts and subject to 12 month ECL calculation.

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Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

25. Risk management (continued)

Loans and advances – inputs, assumptions and techniques used (continued)

Significant increase in credit risk (continued)

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1) and lifetime PD (Stage 2).

Credit risk assessment

The Group allocates each exposure by conducting a credit assessment based on the payment history and independent credit check of the customer. Credit risk assessments involve a review of the customer's economic position and debt ratios.

When payment defaults, credit risk increases exponentially. For example, the difference in risk of default between 30 to 60 days is smaller than the difference between 60 to 90 days.

Period	12-month Weighted-average PD
30-60 days	3.2%
60-90 days	2.9%
90-180 days	3.1%
180 days +	3.3%

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

25. Risk management (continued)

Loans and advances – inputs, assumptions and techniques used (continued)

Generating the term structure of PD

In the case of loans and advances, the Group has adopted a PD estimation model based on a vintage analysis and then forecasting the PD term structure based on fitting a Weibull distribution. The credit risk structure of the portfolio was segmented using the regional corporations.

Default rates are calculated as the number of observed defaults over the total number of loans originated in each vintage for each year following the loan origination. The final segment level average default rates per year after origination is calculated as an arithmetic average over all vintages.

The definition of default for the investment portfolio is aligned with the definition of default provided by S&P, which identifies a default used when payments on an obligation are not made on the date due. All investments are rated externally by a rating agency (S&P). The Group uses the PD based on the year of the investment.

Definition of default

The Group considers a financial asset to be in default when:

1. A loan is greater than 90 days past due.

Given that the 90 DPD is the backstop, the Group considers this quantitative definition of default to be appropriate under IFRS 9. The Group considers its definition of default to be in line with the IFRS 9 standard and appropriate for identifying Stage 3 loans.

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a borrower is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

25. Risk management (continued)

Loans and advances – inputs, assumptions and techniques used (continued)

Loss given default (LGD)

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

For loans secured by retail property, LTV ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

Exposure at default (EAD)

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

The EAD has been calculated using different formulas depending on the stage and when the loan matures.

For Stage 3 loans, or if the loan is maturing in the 12 months following the reporting date, the outstanding balance is used for the EAD.

For all other amortizing loans, the EAD is calculated over a time horizon by yearly intervals.

EAD is calculated for year 1 for Stage 1 and 3 loans, and for the lifetime of the loan for stage 2.

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Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

25. Risk management (continued)

Loans and advances – inputs, assumptions and techniques used (continued)

Exposure at default (EAD) (continued)

For Stage 3 loans, or those maturing in the next 12 months, the outstanding balance is appropriately assigned as EAD. In addition, the Bank has considered loans where an amortization schedule applies and therefore appropriately projects an EAD term structure which allows lifetime ECL to be calculated over yearly contributions, thus improving the granularity of the overall ECL estimate under IFRS 9.

A maximum of a 12-month PD for Stage 1 financial assets is used. The Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

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25. Risk management (continued)

Investment securities – inputs, assumptions and techniques used

The expected credit loss is calculated using the same variables as the loans and advances model, that is, the PD, LGD and EAD. Investment securities are staged as follows:

- Stage 1 - investment grade at the reporting date and are performing per contractual terms.
- Stage 2 - investment securities with significant deterioration in credit risk or down grade of two notches from purchase date to reporting date; as well as non-investment grade.
- Stage 3 – bonds that have defaulted based on contractual terms

Probability of default (PD)

This is the weighting placed on an investment security and is influenced by the credit rating assigned to the issuer, the result of which gives a percentage probability of default over the life of the instrument. The credit rating of the issuer is determined based on the country risk assigned. This is derived using data from established credit rating agencies.

Loss given default (LGD)

This is the percentage of the loss expected, should there be a default. The model uses the Sovereign and Corporate Default and Recovery rates to calculate the LGD by credit rating for corporate and sovereign debt instruments.

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25. Risk management (continued)

Investment securities – inputs, assumptions and techniques used (continued)

Exposure at default (EAD)

The exposure at default is calculated as the nominal value plus the coupon payment at the reporting date with principal bullet payments. For amortising investments, the exposure amount is calculated as the outstanding balance plus interest at the reporting date.

An analysis of gross carrying amounts and corresponding ECLs for financial assets impaired are as follows:

Loans and advances to customers				
2019				
	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
Gross loans	2,073,394	232,564	60,487	2,366,445
ECL	(1,670)	(596)	(6,457)	(8,723)
Carrying amount	2,071,724	231,968	54,030	2,357,722
ECL as a % of Gross loans	0.08	0.26	10.68	0.37

Loans and advances to customers				
2018				
	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
Gross loans	2,124,973	100,057	62,393	2,287,423
ECL	(1,340)	(961)	(6,422)	(8,723)
Carrying amount	2,123,633	99,096	55,971	2,278,700
ECL as a % of Gross loans	0.06	0.96	10.29	0.38

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Year ended December 31, 2019

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25. Risk management (continued)

Investment securities – inputs, assumptions and techniques used (continued)

Exposure at default (EAD) (continued)

	Investment securities 2019			
	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
Gross balance	361,501	444,286	—	805,786
ECL	(156)	(391)	—	(547)
Carrying amount	<u>361,345</u>	<u>443,895</u>	<u>—</u>	<u>805,240</u>
ECL as a % of Gross balances	0.04	0.09		0.07

	Investment securities 2018			
	Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Total \$'000
Gross balance	354,837	437,050	—	791,887
ECL	(133)	(414)	—	(547)
Carrying amount	<u>354,704</u>	<u>436,636</u>	<u>—</u>	<u>791,340</u>
ECL as a % of Gross balances	0.04	0.09		0.07

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

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25. Risk management (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in Note 2 (e) (iv).

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (referred to as forbearance activities) to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group's Credit Committee regularly reviews reports on forbearance activities.

Notes To The Consolidated Financial Statements

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(Expressed in Trinidad and Tobago Dollars)

25. Risk management (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

Modified financial assets (continued)

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

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 table below summaries the maturity profile of the Group's financial assets and liabilities 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 statement of financial position.

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25. Risk management (continued)

Liquidity risk and funding management (continued)

	2019			
	Within 1 year \$'000	2-5 years \$'000	Over 5 years \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	27,622	—	—	27,622
Investments securities	40,239	403,131	452,765	896,135
Other assets	39,570	—	—	39,570
Loans and advances to customers	<u>340,260</u>	<u>1,112,387</u>	<u>1,535,306</u>	<u>2,987,953</u>
Total financial assets	<u>447,691</u>	<u>1,515,518</u>	<u>1,988,071</u>	<u>3,951,280</u>
Financial liabilities				
Mortgage participation fund	483,246	—	—	483,246
Collateralised mortgage obligation	1,225	—	—	1,225
Short-term borrowings	287,000	—	—	287,000
Debt securities	<u>512,608</u>	<u>877,358</u>	<u>151,292</u>	<u>1,541,258</u>
Total undiscounted financial liabilities	<u>1,284,079</u>	<u>877,358</u>	<u>151,292</u>	<u>2,312,729</u>
Net gap	<u>(836,388)</u>	<u>638,160</u>	<u>1,836,779</u>	<u>1,638,551</u>
Cumulative gap	<u>(836,388)</u>	<u>(198,228)</u>	<u>1,638,551</u>	<u>—</u>

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Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

25. Risk management (continued)

Liquidity risk and funding management (continued)

	2018					
	Within 1 Year \$'000	2-5 years \$'000	Over 5 years \$'000	Total \$'000		
Cash and cash equivalents	29,611	—	—	29,611		
Investments securities	94,892	247,508	592,366	934,766		
Other assets	46,324	—	—	46,324		
Loans and advances to customers	<u>302,546</u>	<u>1,137,012</u>	<u>1,529,354</u>	<u>2,968,912</u>		
Total financial assets	<u>473,373</u>	<u>1,384,520</u>	<u>2,121,720</u>	<u>3,979,613</u>		
Financial liabilities						
Mortgage participation fund	530,117	—	—	530,117		
Collateralised mortgage obligation	1,814	—	—	1,814		
Short-term borrowings	143,000	—	—	143,000		
Debt securities	<u>112,889</u>	<u>1,159,262</u>	<u>364,792</u>	<u>1,636,943</u>		
Total undiscounted financial liabilities	<u>787,820</u>	<u>1,159,262</u>	<u>364,792</u>	<u>2,311,874</u>		
Net gap	<u>(314,447)</u>	<u>225,258</u>	<u>1,756,928</u>	<u>1,666,739</u>		
Cumulative gap	<u>(314,447)</u>	<u>(89,189)</u>	<u>1,667,739</u>	<u>—</u>		
	On demand \$'000	Less than 3 months \$'000	3-12 months \$'000	1-5 years \$'000	Over 5 years \$'000	Total \$'000
2019						
Commitments	<u>—</u>	<u>80,395</u>	<u>107,187</u>	<u>81,089</u>	<u>—</u>	<u>268,671</u>
2018						
Commitments	<u>—</u>	<u>8,846</u>	<u>81,210</u>	<u>—</u>	<u>—</u>	<u>90,056</u>

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

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

25. Risk management (continued)

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 FVOCI.

The Group sold the remaining portion of its equity portfolio in 2019. Therefore, it is no longer exposed to equity price risk.

The effect on equity and income at 31 December 2018 due to a reasonably possible change in equity indices of +/- 5% with all other variables held constant will have an impact on equity of -\$2.96 million.

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 94.2% of the total gross mortgage portfolio as at 31 December 2019 (2018: 95.1%).

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.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

25. Risk management (continued)

Interest rate risk (continued)

(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.

Collateralised investments

The Group has the ability to vary the rate in the Mortgage Participation Fund at any time. 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.

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

	Variable rate 2019 \$'000	Fixed rate 2019 \$'000	Total 2019 \$'000	Variable rate 2018 \$'000	Fixed rate 2018 \$'000	Total 2018 \$'000
Loans and advances to customers	<u>2,201,673</u>	<u>134,772</u>	<u>2,313,445</u>	<u>2,174,768</u>	<u>112,655</u>	<u>2,287,423</u>
Mortgages backing Collateralised Mortgage Obligation Product	<u>181,182</u>	<u>—</u>	<u>181,182</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>2,382,855</u>	<u>134,772</u>	<u>2,517,627</u>	<u>2,174,768</u>	<u>112,655</u>	<u>2,287,423</u>
Percentage of total loans and advances to customers	94.6%	5.4%	100%	95%	5%	100.0%
Bonds in issue	<u>1,144,908</u>	<u>250,000</u>	<u>1,394,908</u>	<u>1,188,747</u>	<u>250,000</u>	<u>1,438,747</u>
Percentage of total bonds in issue	82.1%	17.9%	100.0%	82.6%	17.4%	100.0%

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

25. Risk management (continued)

Interest rate risk (continued)

(b) *Financial liabilities*

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

	Within 1 Year	1-3 Years	3-5 Years	5-7 Years	7-10 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2019						
Loans and advances to customers	50,398	14,847	1,922	—	67,605	134,722
Percentage of total Fixed loans and advances to customers	37.4%	11.0%	1.4%	0.0%	50.2%	100.0%
2018						
Loans and advances to customers	102,593	7,669	—	592	1,800	112,655
Percentage of total Fixed loans and advances to customers	91.1%	6.8%	0.0%	0.5%	1.6%	100.0%

Sensitivity analysis

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

However it should be noted that the majority of the Group's financial assets are held in loans and advances to mortgagors. Variable rate mortgages account for 94.2% (2018: 95.1%) of the mortgage pool which gives the Group the ability to change interest rates if needed, within a short time frame.

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

25. Risk management (continued)

Interest rate risk (continued)

(b) *Financial liabilities* (continued)

Sensitivity analysis (continued)

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.

26. Capital management

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

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

27. Related party transactions and balances

(a) Identity of related parties

A party is related to the Group if:

- (a) The party is a subsidiary or an associate of the Group;
- (b) The party is, directly or indirectly, either under common control or subject to significant influence with the Group or has significant or joint control of the Group.
- (c) The party is a close family member of a person who is part of key management personnel or who controls the Group;
- (d) The party is controlled or significantly influenced by a member of key management personnel or by a person who controls the Group;
- (e) The party is a joint venture in which the Group is a venture partner;
- (f) The party is a member of the Group's or its parent's key management personnel;
- (g) The party is a post-employment benefit plan for the Group's employees.
- (h) The party, or any member of a group of which it is a part, provides key management personnel services to the Group.

	2019	2018
(b) Related party balances	\$'000	\$'000

Loans, investments and other assets

The National Insurance Board and its subsidiaries	447,000	217,000
Directors and key management personnel	<u>4,658</u>	<u>4,532</u>

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

Bonds in issue and other liabilities

The National Insurance Board and its subsidiaries	253,976	253,173
Directors and key management personnel	<u>363</u>	<u>16</u>

(c) Related party transactions

Sale of equity investments

The National Insurance Board and its subsidiaries	<u>—</u>	<u>815,000</u>
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Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

27. Related party transactions and balances (continued)

	2019 \$'000	2018 \$'000
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(c) Related party transactions (continued)

Interest and other income

The National Insurance Board and its subsidiaries	11,873	9,384
Directors and key management personnel	<u>243</u>	<u>211</u>

Bond interest and other expenses

The National Insurance Board and its subsidiaries	6,380	6,552
Directors and key management personnel	<u>7</u>	<u>—</u>

Mortgages purchases

Trinidad and Tobago Mortgage Finance	<u>336,338</u>	<u>905,353</u>
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(d) Key management compensation

Directors and management compensation

Short term benefits	5,441	5,520
Post-retirement benefits	<u>258</u>	<u>3,843</u>

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

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

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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Mortgage lending	168	1,156	2,868	2,971	3,036	2,868
MPF	<u>6</u>	<u>61</u>	<u>7</u>	<u>34</u>	<u>5</u>	<u>9</u>
	<u>174</u>	<u>1,217</u>	<u>2,875</u>	<u>3,005</u>	<u>3,041</u>	<u>2,877</u>

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

28. Mortgage commitments

The Group has issued standby mortgage commitments of which undrawn balances amounted to \$269 million (2018: \$90 million).

29. Employees

At year-end, the Group had a staff complement of 29 employees (2018: 28).

30. Dividends paid

The Group made a dividend payout of two dollars, twenty two cents (\$2.22) cents per share (2018: \$1.85) which was paid on 28 June 2019 in relation to 2018 profits.

This amounted to \$35 million (2018: \$211 million) as per the statement of changes in equity.

31. Contingent liabilities

As at 31 December 2019, there were no legal proceedings outstanding against the Group, as such no provisions were required (2018: Nil).

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

32. Restatements and reclassifications

Adjustments to previously reported results have been made to conform to the current year reporting. In accordance with IAS 8 – *Accounting Policies, Changes in Accounting Estimates and Errors*, these errors have been corrected retrospectively in 2017 and 2018. Accordingly, the consolidated financial statements for 2017 and 2018 have been restated. This is further explained below.

Consolidated Statement of Financial Position – 2018

	Previously reported \$'000	Adjustment (Note 1) \$'000	Adjustment (Note 2) \$'000	As restated \$'000
Other liabilities	27,909	(3,314)	-	24,595
Deferred tax liability	14,473	-	(14,258)	215
Retained earnings	976,175	3,314	-	979,489
Revaluation reserve	33,275	-	14,258	47,533

Consolidated Statement of Comprehensive Income – 2018

	\$'000	\$'000	\$'000	\$'000
Interest income	153,913	3,039	-	156,952
Taxation expense	13,549	912	-	14,461

Consolidated Statement of Financial Position – 2017

	Previously reported \$'000	Adjustment (Note 1) \$'000	Adjustment (Note 2) \$'000	As restated \$'000
Other liabilities	21,266	(1,187)	-	20,079
Deferred tax liability	176,486	-	(176,226)	260
Retained earnings	633,624	1,187	-	634,811
Revaluation reserve	411,199	-	176,226	587,425

Consolidated Statement of Comprehensive Income – 2017

	\$'000	\$'000	\$'000	\$'000
Interest income	121,200	1,696	-	122,896
Taxation expense	10,280	509	-	10,789

Notes To The Consolidated Financial Statements

Year ended December 31, 2019

(Expressed in Trinidad and Tobago Dollars)

32. Restatements and Reclassifications (continued)

Description of restatements:

1. For the period 2015 to 2019, the Group did not recognise any periodic interest payments received from non-performing loans. However, based on Management's review of this treatment in the current year, it was concluded that interest should be recognized since the loan facilities are fully secured.

Management has therefore retrospectively recognised the interest income earned for the periods 2015 to 2019. This correction resulted in an increase of interest income of \$3 million for 2018 (2017: \$1.7 million).

2. During 2019, the Group noted that the deferred tax liability, amounting to \$176 million which was recognised on the fair value movement for its equity investments in 2017 was not consistent to tax rules as it relates to trading income and capital gains/losses. The Group did not hold its equity investments for trading and thus gain/losses from their investments should be treated as capital gains.

33. 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 these 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, 2019:

Institution	Amount \$	%
The National Insurance Board of Trinidad and Tobago	16,000,000	100

CORPORATE INFORMATION

MANAGEMENT

BRENT MCFEE

Acting Chief Executive Officer

SHAMELA BAL-MAHARAJ

Manager, Finance & Treasury

ROLDA RUSH

Manager, Commercial & Corporate Credit

OSMOND PREVATT

Manager, Fund Management and Capital Markets

INDIRA GEEBAN

Manager, Risk Management

CHERYL- ANN NEPTUNE

Manager, Human Resources

PATRICIA ILKHTCHOU

Corporate Secretary

OFFICE LOCATION

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Port of Spain

EXTERNAL AUDITORS

ERNST AND YOUNG

5-7 Sweet Briar Road
Port of Spain

INTERNAL AUDITORS

DELOITTE & TOUCHE

54 Ariapita Avenue
Woodbrook
Port of Spain

ATTORNEYS-AT-LAW

POLLONAI, BLANC, DE LA BASTIDE AND JACELON

17-19 Pembroke Street
Port of Spain

J D SELLIER & COMPANY

129-131 Abercromby Street
Port of Spain

M.G. DALY AND PARTNERS

115A 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)
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FIRST CITIZENS TRUSTEE SERVICES LIMITED

(Registrar and Paying Agents)
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