STRENGTH, ENDURANCE AND COURAGE...

THE NEW NORMAL

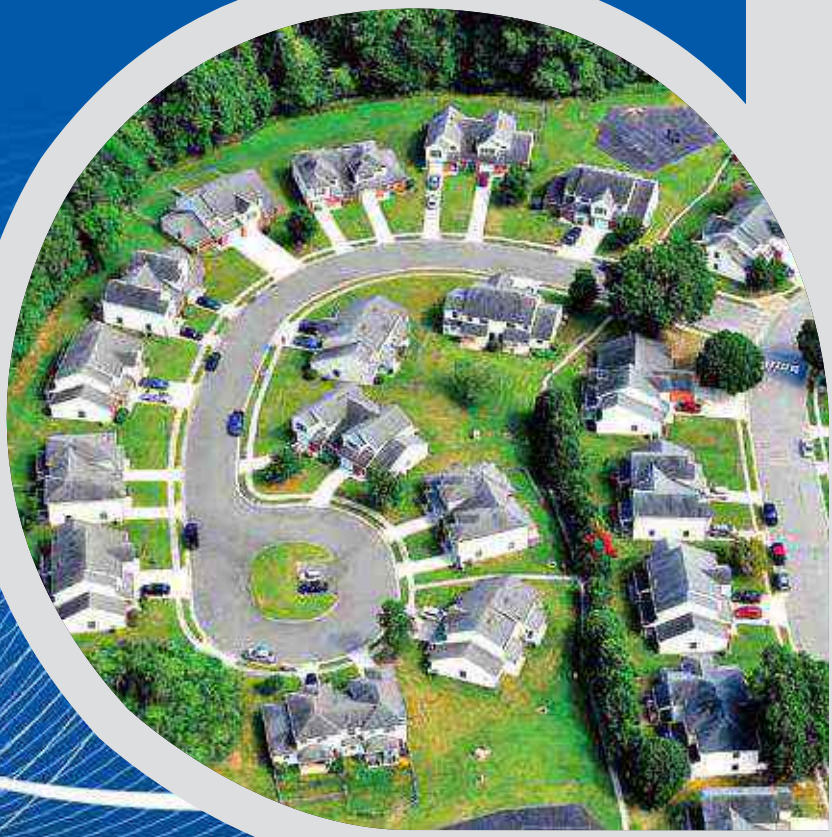
HOME MORTGAGE BANK

INVESTMENTS | MORTGAGES

ANNUAL REPORT 2020

HOME
MORTGAGE
BANK
INVESTMENTS | MORTGAGES

Mission STATEMENT



HOME MORTGAGE BANK

INVESTMENTS | MORTGAGES

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

The Purpose of the Bank is as follows:

To develop a mortgage market and maintain a secondary mortgage market in Trinidad and Tobago

To contribute to the mobilisation of long-term savings for investment in housing

To support the development of a system of real property and housing finance and provide leadership in the housing and home finance industry

To promote the growth of the capital market

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Chairman's REPORT

"Through prudent strategies and implementation of our Business Continuity Pan (BCP) we were able to stay the course and maintain a strong financial position. Overall, our financial performance remained stable as we navigated and adapted to the 'new normal'."

DOUGLAS CAMACHO
Chairman

Chairman's REPORT

Performance as a Group

It is indeed a pleasure for me to present the following Annual Report. 2020 was an unusual year for Home Mortgage Bank (HMB) as we adapted to the challenges faced by the Covid-19 pandemic. Through prudent strategies and implementation of our Business Continuity Pan (BCP) we were able to stay the course and maintain a strong financial position.

HMB's debt obligations were reduced by $270 million (16.10%) which drove a reduction in total liabilities by 11.72% when compared to 2019. Retained earnings and Net interest income also increased during the period under review by 3.07% and 2.58% respectively. Overall, our financial performance remained stable as we navigated and adapted to the 'new normal'.

International and Regional Economies

In March 2020, the World Health Organization (WHO) declared Covid-19 a pandemic and one year later the virus has continued to spread globally and has negatively affected the world's population. However, the roll-out of vaccinations provides hope in overcoming this virus.

On a more positive note, the International Monetary Fund's (IMF) January 2021 World Economic Outlook (WEO) projects growth in the global economy by 5.5% and 4.2% for 2021 and 2022 respectively. According to the report, the strengthening of economic recovery is influenced significantly by the vaccination rollout. A multilateral cooperation is required to control the pandemic and this, by extension, would include boosting of funding and acceleration of vaccines for all countries.

Domestic Economy

The Government has implemented several restrictions in combatting the spread of the virus and has provided various grants to assist persons who are affected. In addition to the social support, soft loans have been provided to the private sector, incentives were introduced within the construction sector, concessions to credit unions and grants to hotels. These initiatives were intended to provide stimulation to economic activity.

HMB introduced relief measures for its customers who were adversely affected by providing the option to defer installment payments for three (3) months in the first instance and the option for a further extension. A total of two hundred and thirty-six (236) customers benefited from these measures in 2020.

HMB continues to operate in accordance with the regulations outlined by the Government and our priority remains focused on the safety of staff, customers, and stakeholders.

CAPITAL MARKETS

Bond Market

The primary bond market saw twenty-one (21) bond issues raising a total to $14.3 billion in 2020. The Government of Trinidad and Tobago also successfully issued a US$500 Million bond on the international market.

HMB released a second issue of its Collateralized Mortgage Obligations (CMOs) valued at $300 million in February 2020. This builds on the success of the 2019 issue and further reinforces investor confidence in HMB's financial position.

Chairman's REPORT

> ***According to Albert Einstein, "In the midst of every crisis, lies great opportunity". It is therefore our objective to capitalize and learn from every challenge faced during this pandemic. The HMB team remains resilient as well as committed to achieving our mandate.***

Stock Market

The local stock market also experienced negative economic effects of Covid-19. The Trinidad and Tobago Composite Index (TTCI) saw a decline of 145.30 points or 9.90% in 2020 and the Trinidad and Tobago Stock Exchange (TTSE) continued to be led by the cross-listed Index which declined by 26.56 points (18.36%) to close at 118.09, whilst the All T&T Index declined by 96.36 points (5.16%) to close at 1,772.61.

2020 and Beyond

According to Albert Einstein, "In the midst of every crisis, lies great opportunity". It is therefore our objective to capitalize and learn from every challenge faced during this pandemic. The HMB team remains resilient as well as committed to achieving our mandate. The BCP remains activated, and staff are continuously updated with regards to policies and protocols.

The Board of Directors remains committed to maximizing shareholders' value, as well achieving sustainable growth and development. HMB is committed to strengthening our strategic alliance with the Trinidad and Tobago Mortgage Finance Company Limited (TTMF) and we continue to develop strategies to capitalize on our strengths and to maximize opportunities. We have all engaged new ways of working, which have proven to ensure that the channels of information remain clear and unhindered between the Board and the leadership team.

I wish to express my deepest condolences to the family of Ms. Patricia 'Pat' Ilkhtchoui who passed away on March 1, 2021. 'Pat', as she was fondly known, was the Corporate Secretary of Home Mortgage Bank (HMB) for seven (7) years until her retirement on September 30, 2020. Her invaluable contribution, dedication, and commitment to HMB would not be forgotten and we are truly grateful to have known such a remarkable woman and an extraordinary person.

Special thanks to Mr. Ansel Howell (former chairman) for his dedication and commitment to achieving the HMB mandate. Mr. Howell's hard work laid the foundation on which we are proud to build upon today. To my fellow Directors, management, and staff, thank you for your unwavering support and commitment throughout the past year. Though challenging, our efforts as a team have taught us flexibility and creativity while testing our resilience. HMB continues to survive the challenges faced, and I am extremely proud of what we have accomplished.

Douglas Camacho
Chairman

Board of DIRECTORS

Left - Right:
Richard Roper, Inez B. Sinanan

Board of DIRECTORS

Douglas Camacho - *Chairman*

Mr. Douglas Camacho is an accountant by profession with over 35 years of leadership experience within a leading financial institution. He is the past president of The Association of Trinidad and Tobago Insurance Companies (ATTIC) and the Insurance Association of the Caribbean (IAC).

Mr. Camacho is the current Chairman/Director of Home Mortgage Bank. In addition to this position he also serves as Chairman/Director on several other boards which include: Unit Trust Corporation of Trinidad and Tobago (UTC), The Sport Company of Trinidad and Tobago (SPORTT), National Insurance Board of Trinidad and Tobago (NIBTT), Trinidad and Tobago Mortgage Finance Company Limited (TTMF) and National Insurance Property Development Company Limited (NIPDEC).

Mr. Camacho is a former national hockey player and the President of the Hockey Association. He is a past president of the Trinidad and Tobago Olympic Committee (TTOC) and has contributed towards many NGOs and Corporations whose mandate falls within the field of human development. Mr. Camacho continues to serve on the Boards of SERVOL, Mayaro Initiative for Private Enterprise Development (MIPED) and the Family Planning Association of Trinidad and Tobago (FPATT).

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.

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.

Board of DIRECTORS

***Left - Right*:**
Calvin Bijou
Marilyn Gordon
Suresh Dan

Board of DIRECTORS

Calvin Bijou - *Director*

Mr. Calvin Bijou is a Business Consultant. He has held key executive positions within the financial services sector over the last 30 years and has served as a Director on Boards regionally and internationally. Mr. Bijou is the Managing Director/Owner of a company which specializes in Change Management and Organizational Effectiveness.

A graduate from the University of the West Indies (Business Management) and is certified in Financial Planning –Mr. Bijou is an internationally licensed facilitator with Linkage Inc. U.S.A. in the field of Change Management and Executive Coaching. He is the Chairman of Creative TT and a Director at Home Mortgage Bank.

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 34 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, U.K. and Post Graduate Diploma Legal Practice (LPC) from the Staffordshire University, U.K. Mr. Dan was recently admitted to the Bar of Trinidad and Tobago to practise as an Attorney-at-Law. 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 other State Enterprises Boards and Committees.

Board of DIRECTORS

Left - Right:
Sylvan Wilson
Feyaad Khan
Niala Persad-Poliah

Board of DIRECTORS

Sylvan N. Wilson – *Director*

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

Mr. Feyaad 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 brings over sixteen(16) years of leadership experience from the Insurance and Banking Sectors and is currently the Chief Operating Officer - Business Services at the National Insurance Board of Trinidad and Tobago. 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 served as Chairman of a High Level Working Committee for Incorporating Self-Employed Persons into the National Insurance System and is a past member of the Board of Directors of the National Insurance Property Development Company Limited (NIPDEC). He currently Chairs the Asset, Liability Committee of the Home Mortgage Bank.

Niala Persad-Poliah - *Director*

Niala Persad-Poliah assumed the position of Executive Director of the National Insurance Board of Trinidad and Tobago (NIBTT) in 2014. As Executive Director, she is charged with the responsibility of implementing decisions of the Board of Directors. She is also the principal lead of operations and strategic direction of the NIBTT; ensuring the financial viability, growth and profitability of the organization. Responsible for the overall accountability and management of the country's 28-billion-dollar National Insurance System (NIS), she leads an executive management team and approximately 700 employees.

A visionary leader and an architect of change, Persad-Poliah has since set the organization on the road to transformation. Under her leadership, the NIBTT strives to achieve sustainable and lasting growth and to provide excellence in social security customer service. Her dedication ensures that continuous enhancements are made to ensure that NIBTT can deliver prompt and compassionate service to the national community whether on-line, by phone or in any NIBTT service center across Trinidad and Tobago. She consistently reminds her staff that behind every claim is a person or a family depending on NIBTT for help in real time.

With over 18 years of senior executive leadership experience at the NIBTT, Persad-Poliah continues to be inspired by the myriad of possibilities available through innovative solutions to transform the organization. Her focus is on creating new models, sophisticated systems, designing customized solutions; formulated through creative stakeholder collaborations and building relationships to engage staff and stakeholders in developing a new identity for the NIBTT. She is working steadfastly to shift the paradigm and enhance public perception, renew customer confidence and enshrine a client centered NIBTT into the national consciousness.

A graduate of the University of the West Indies, she earned her Bachelor of Laws (L.L.B.) in 1996 and in 1998, acquired her Legal Education Certificate (L.E.C.) from Hugh Wooding Law School. In 2014 she obtained her Masters in Corporate and Commercial Law from UWI's Faculty of Law. Persad-Poliah also serves as a director on the Board of the NIBTT's subsidiary company TTMF.

Directors' REPORT

HOME MORTGAGE BANK
INVESTMENTS | MORTGAGES

The Directors have pleasure in submitting their Report and the Audited Consolidated Financial Statements for the year ended 31 December 2020.

FINANCIAL RESULTS

	$ 000's
Net Profit before taxation	76,136
Taxation	(21,435)
Net Profit for the year	54,701
Retained earnings at the beginning of the year	1,039,092
	1,093,793
Less :	
Transfer to mortgage risk reserve	(503)
Less :	
Dividends paid	(22,338)
Retained earnings at the end of the year	1,070,952

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 $8.9 million at the end of financial year.

DIVIDENDS

Dividends of $1.40 per share was paid during the year (2019 – $2.22).

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

Ernst & Young was re-appointed as auditors for 2020.

BY ORDER OF THE BOARD

Danielle Campbell
Corporate Secretary

Management DISCUSSION AND ANALYSIS

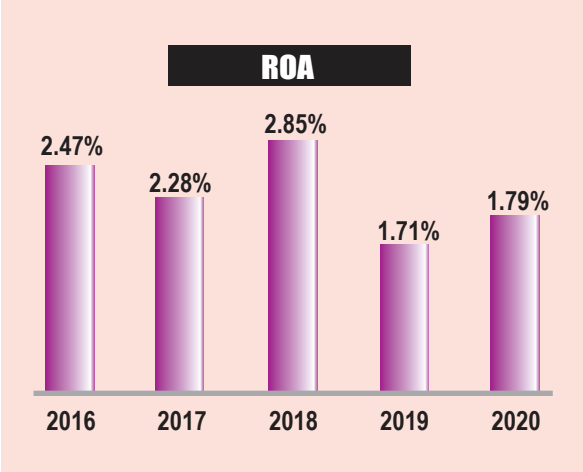
"HMB continued to increase its share of the local capital market and benefited from the securitisation of quality mortgage portfolios offered to investors."

Brent Mc Fee
CEO (Ag.)

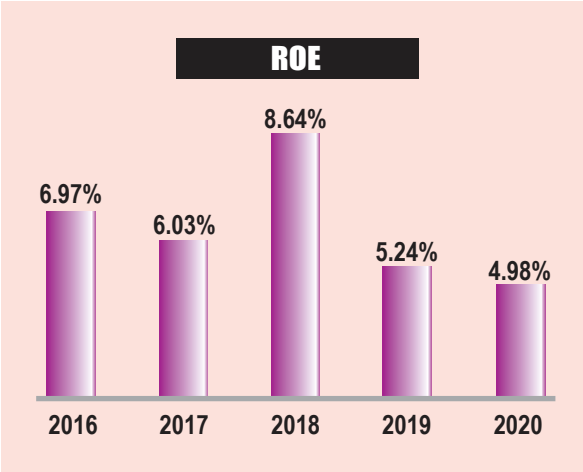
Financial Performance

In March 2020, the World Health Organisation (WHO) declared a pandemic known as COVID-19. This declaration severely affected the well-being of the global population. It negatively impacted on economies (local, regional and international) and created the backdrop for HMB's performance during the year.

HMB had a creditable 2020 performance as we navigated through the financial headwinds and uncertainty directly attributed to COVID-19. HMB reduced its debt obligations by $270 million (16.10%) year on year. This strengthened HMB's financial position and contributed positively on its gearing which reduced to 1.75, down from 2.03 recorded in the prior year. HMB ended 2020 in a strong liquidity position and recorded an increase in its Return on Assets moving from 1.71% to 1.79%.

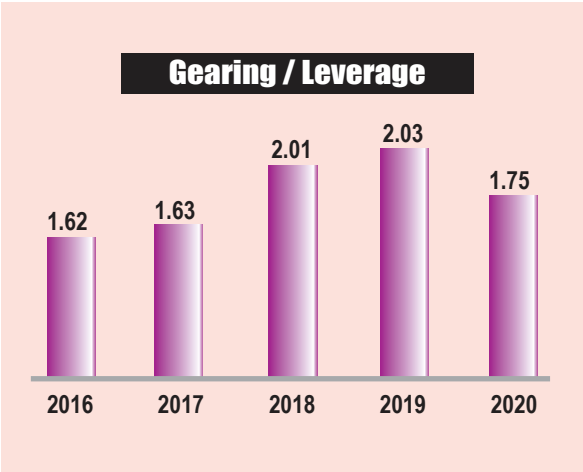


An increase in net interest income by 3.06% was recorded year on year, moving from $163 million to $168 million, notwithstanding the mortgage deferrals which were made available to assist customers who required relief from the negative impact of COVID-19. Total income also increased year-on-year from $171 million to $173 million. A reduction in General and administrative expenses by 9.54% was recorded decreasing to $25 million from $28 million in the previous year.



Net income from operations ended the year at $76 million, a marginal decline of 1.35% compared to the prior year of $77 million. This was principally driven by a reduction in the values ascribed to HMB's Investment properties and a further adjustment in the Investment securities portfolio for the Expected Credit Loss (ECL) provision. This reduction was necessary because of the downward pressure on the real estate market due to weak economic conditions driven by the decline in the energy sector, sluggish growth, further exacerbated by the Covid-19 pandemic.

In spite of these unfavourable prevailing conditions, Total comprehensive income increased year-on-year by 20.82% to end the year at $56 million compared to $46 million for the prior year.



Investments and Funding Activities

The local fixed income market showed resilience in the face of negative economic conditions raising $14.3 billion via twenty-one (21) issues according to the Central Bank Economic Bulletin (July 2020 and January 2021). The market was dominated by the Government of Trinidad and Tobago access to the capital market to fund its budgetary requirements.

HMB successfully issued its 86th TT$125 million Bond in June 2020 with an over-subscription of 22%. This demonstrated continued investor confidence in the quality of HMB's strong financial position.

HMB also partnered with the Inter-American Investment Corporation (IDB Invest) on a unique financing opportunity geared towards increased affordable housing for low to middle income families in Trinidad and Tobago. IDB Invest issued its first facility in Trinidad and Tobago currency (TT$250 million). This further reflected IDB's high level of confidence both in HMB and the local economy.

Asset-Backed Securities

HMB continued the issuance of its mortgage-backed securities during the year, with the TT$300 Million CMO 2020-01 and launched its newest mutual fund, the Samaan Tree Fund (STF) in February 2020. HMB continued to increase its share of the local capital market and benefited from the securitisation of quality mortgage portfolios offered to investors.

Samaan Tree Fund

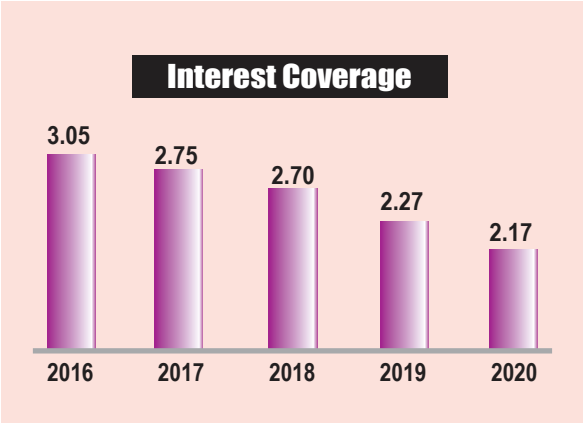
The Samaan Tree Fund is the newest addition to HMB's portfolio of products with a primary asset of residential mortgages. It is an open-ended fund with a floating net asset value per unit and investors have the option to purchase or redeem units at any time. Income earned by the Fund would be distributed to investors quarterly. In the first year of performance, investors in the STF received an annualised return of 2.88% as at February 2021 and is projected to continue to provide high returns to investors.

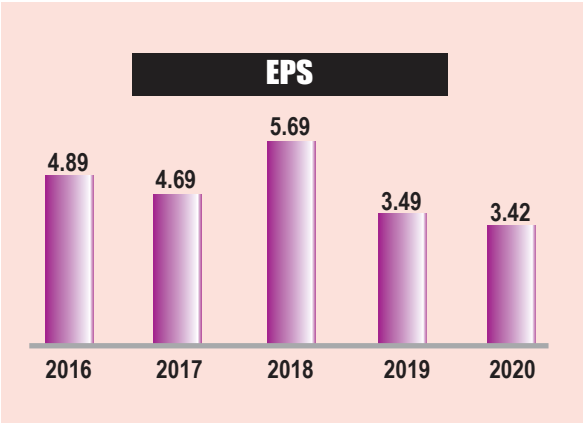
HMB CMO 2020-01

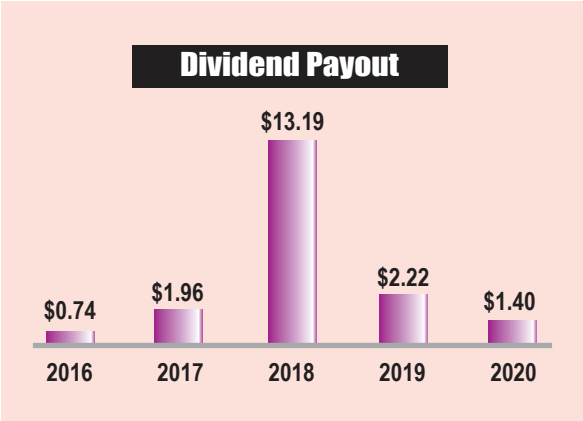
This security represents the pooling of nine hundred and thirty-seven (937) prime residential mortgages. The cash flows generated from the underlying mortgages are directed to investors via an order of priority. Yields to investors are attractively priced at spreads over the risk-free rate dependent on the term of the investment.

Mortgage Participation Fund

In addition to the newly launched Samaan Tree Fund, HMB continues to offer its Mortgage Participation Fund (MPF). The MPF is an open-ended fund with a fixed net asset value per unit. Unitholders benefit from a guarantee on their investment and declared returns from HMB. This Fund is also invested in a portfolio of prime residential mortgages. For the year 2020 assets under management increased by $15 million to $499 million. The Fund generated an annualised return of 1.50% and distributions were paid monthly.







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 with a competent team of professionals who provide personalised service to developers. As at December 31, 2020, HMB disbursed $221 million for commercial mortgages compared to $53 million in 2019, an increase of 416.29%. The portfolio comprised commercial land and property facilities, and project financing for the construction of multi and single-family homes. In addition, to our primary commercial mortgage portfolio, HMB continued its secondary mortgage purchases of $105 million from TTMF.

Risk Management

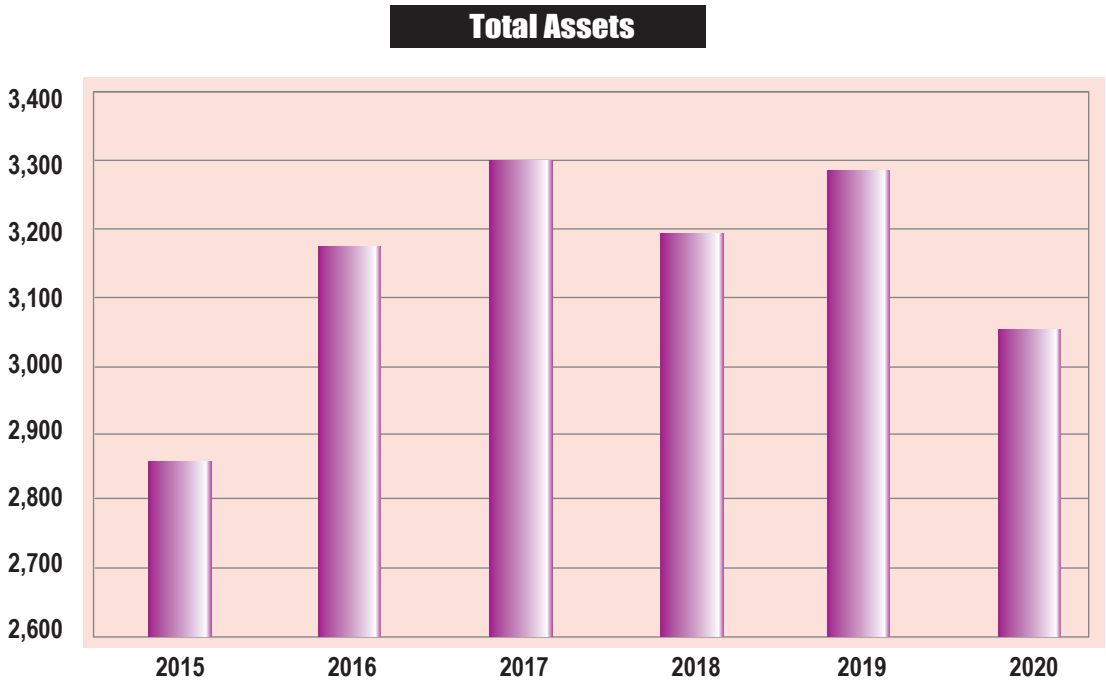
HMB's Risk Management department encompasses all the activities related to controlling the various risks that may prevent HMB, either directly or indirectly, from achieving its objectives. The responsibility for Risk Management lies with the Audit, Risk and Compliance Committee and at the Management level, with the Management Risk Committee (MRC). The Board receives quarterly reports on all identified risks with the relevant status updates on risk mitigants.

In 2020, HMB continued to enhance and strengthen its Risk Management Framework with the development of a Fraud Risk Policy and Procedure, while the Business Continuity Plan was also expanded to include an action plan to address the Covid-19 pandemic. In keeping with the need to maintain ongoing regulatory oversight, HMB completed a self-assessment of its Anti-Money Laundering/Counter Financing of Terrorism risks for review by the Central Bank of Trinidad and Tobago.

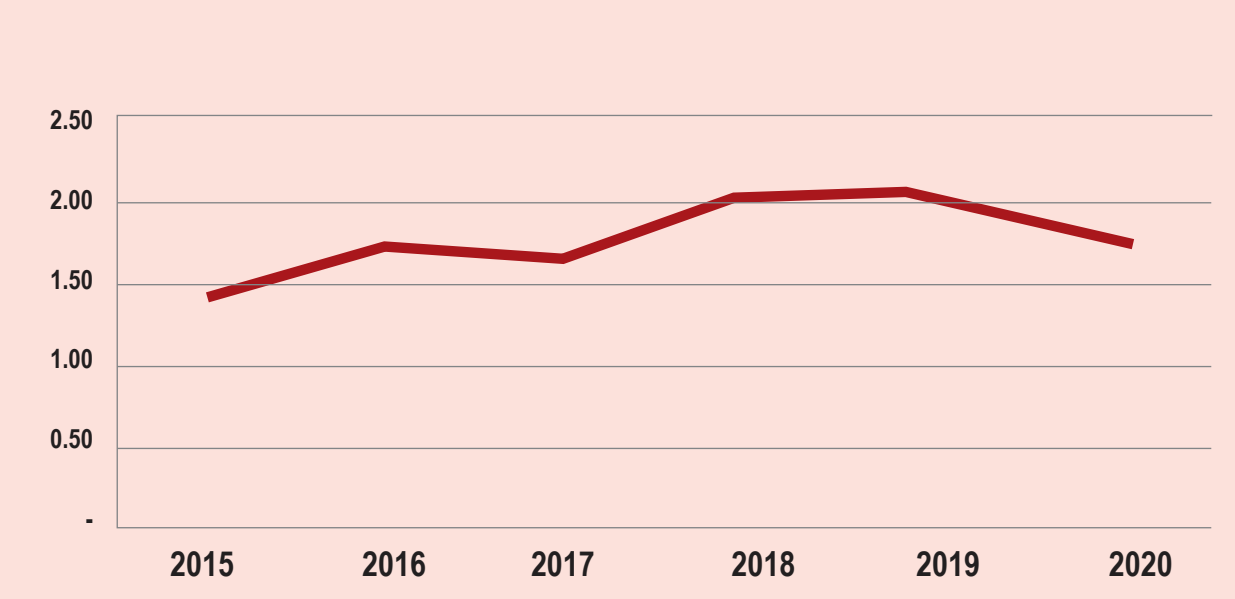
In addition to the review, HMB's compliance framework was completed by the Trinidad and Tobago Securities and Exchange Commission to ensure adherence to legislative and regulatory requirements.

Management Risk Committee

This HMB Risk Management Committee meets at least quarterly or more frequently as required and is responsible for the identification, assessment and management of enterprise-wide risks. 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 matters of financial or regulatory significance. This Management Committee reports to the Audit, Risk and Compliance Committee through the Manager, Risk Management.



Gearing



Human Resources

HMB's Human Resources (HR) strategy was enhanced to mitigate the effects of the COVID-19 pandemic and safeguard the physical, mental, social, and financial well-being of our employees. We expanded measures to assist employees in coping with the sudden disruptions in their personal and professional lives. These measures included employee support and financial planning programmes.

One hundred percent (100%) of our employees participated in our annual Employee Satisfaction Survey and confirmed their increased satisfaction levels while providing meaningful insight into what matters to them in the workplace. Our COVID-19 response and management initiatives introduced to address their safety during the year were well appreciated with an overall satisfaction rating of eighty-eight percent (88%) in this area.

As HR continues to implement transformational initiatives to achieve the business strategy and improve the employee experience, HMB's core values and behavioural framework were introduced. We further acknowledge our employees' resilience, commitment, and teamwork in the achievement of organisational goals in 2020.

Outlook

HMB's outlook for 2021 remains cautiously optimistic, as the country continues to manage the economic fallout from depressed energy prices further exacerbated by the Covid-19 pandemic. As the roll-out of the Covid-19 vaccination continues, we anticipate steady economic recovery and growth. The financial services sector continues to be resilient but would continue to be tested by the economic climate.

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.

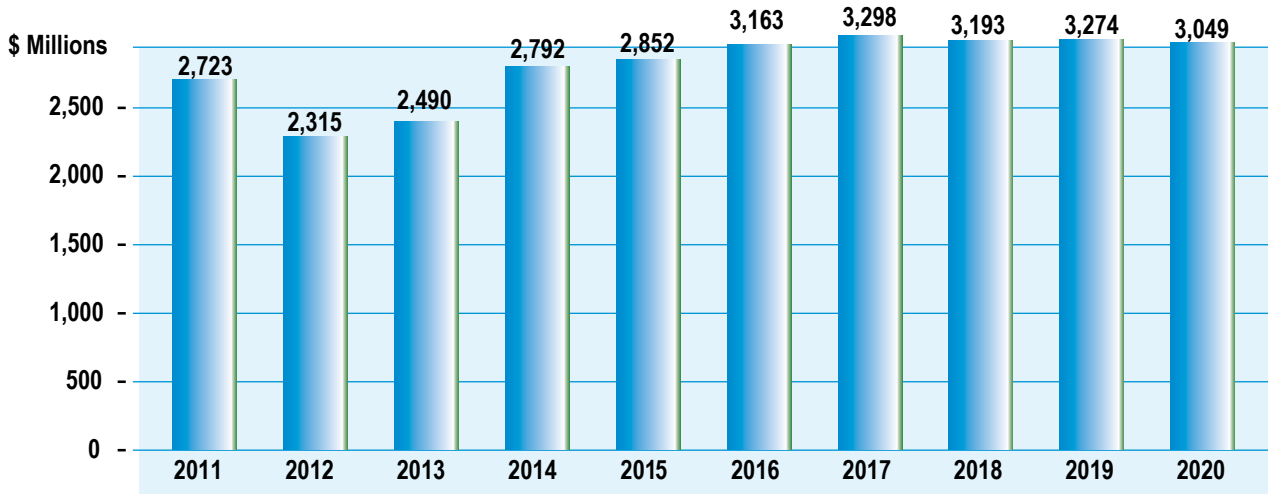
Brent Mc Fee
CEO (Ag.)

FIVE YEAR REVIEW

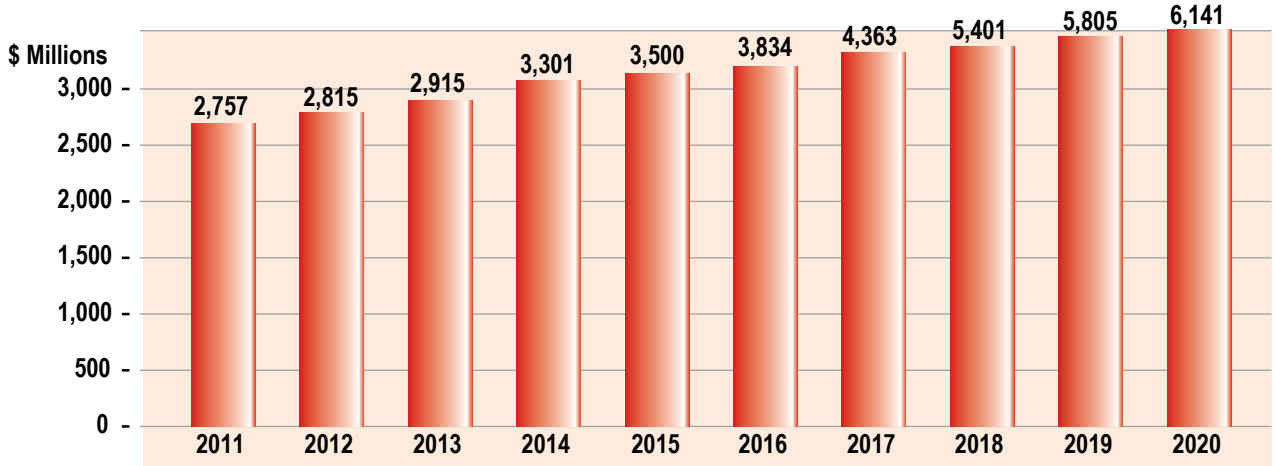
December 31st,	2020 $'000	2019 $'000	Restated 2018 $'000	Restated 2017 $'000	Restated 2016 $'000	Restated 2015 $'000
Balance Sheet						
Loans & Advances	2,060,435	2,361,282	2,278,700	1,528,050	1,250,769	1,058,027
Investment Securities	901,070	805,240	791,340	1,680,611	1,822,138	1,700,059
Total Assets	3,048,924	3,274,161	3,192,623	3,298,311	3,167,853	2,852,408
Funding Liabilities	1,925,805	2,166,379	2,113,678	2,032,445	1,815,876	1,575,598
Total Liabilities	1,950,212	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	16,000
Retained Earnings	1,070,952	1,039,092	979,489	634,811	592,476	527,142
Income Statement						
Income	173,065	170,511	178,883	160,106	140,145	132,477
Profit before Taxation	76,136	77,181	105,553	85,845	83,579	86,119
Net Income	54,701	55,844	91,092	75,056	78,202	80,020
Operating Expenses	25,193	27,849	28,094	23,661	21,325	19,034
Earnings per share	$3.42	$3.49	$5.69	$4.69	$4.89	$5.00

TEN YEAR REVIEW

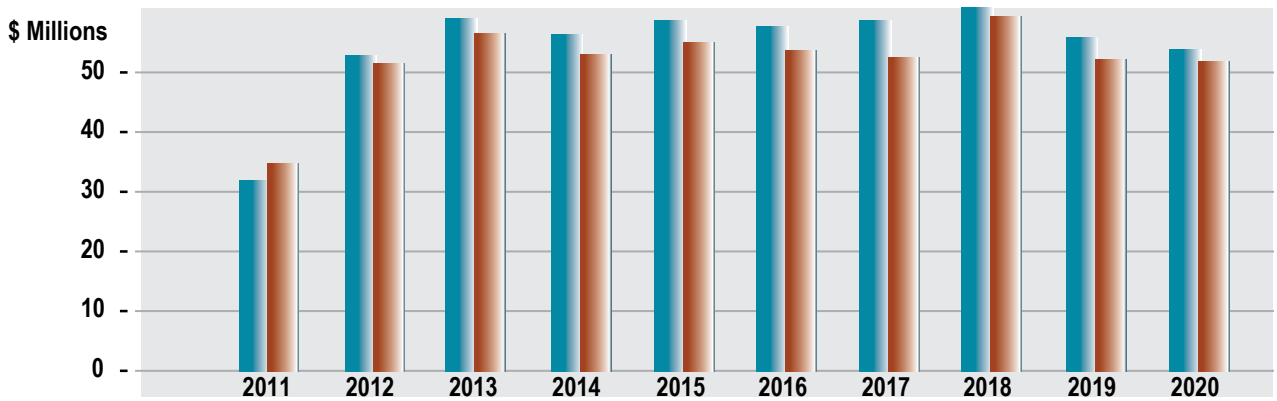
TOTAL ASSETS



ACCUMULATED VALUE OF MORTGAGES PURCHASED



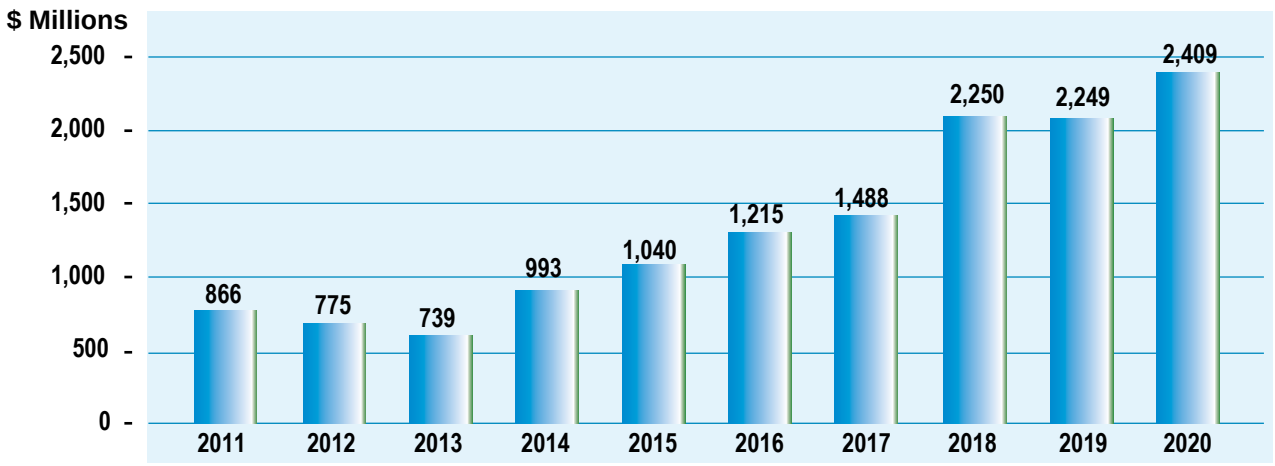
COMPARATIVE NET INCOME



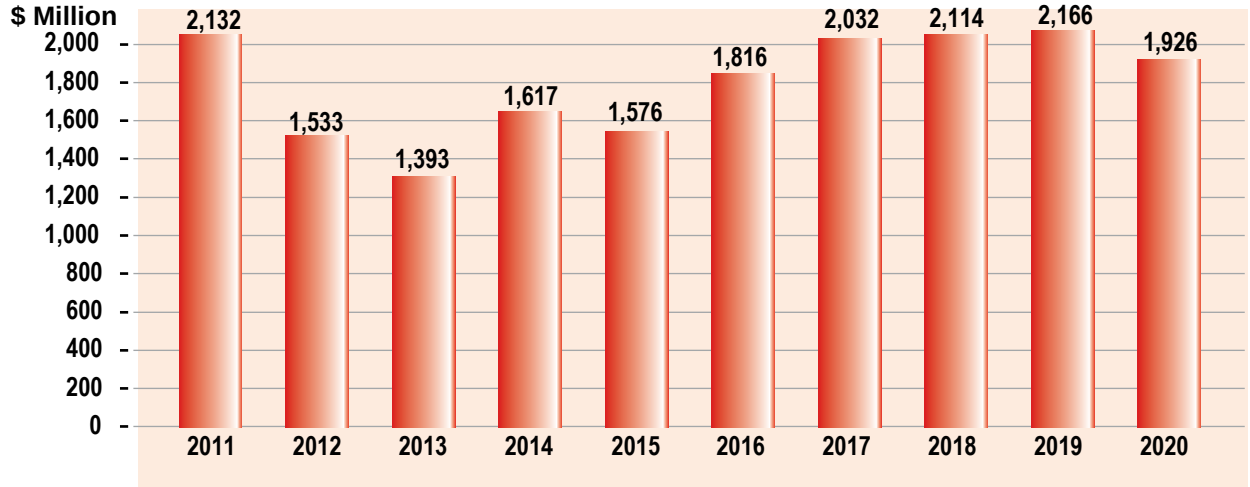
Profit before Taxation	33	53	91	83	88	84	88	106	77	76
Profit after Taxation	37	52	80	76	80	78	75	91	56	55

TEN YEAR REVIEW

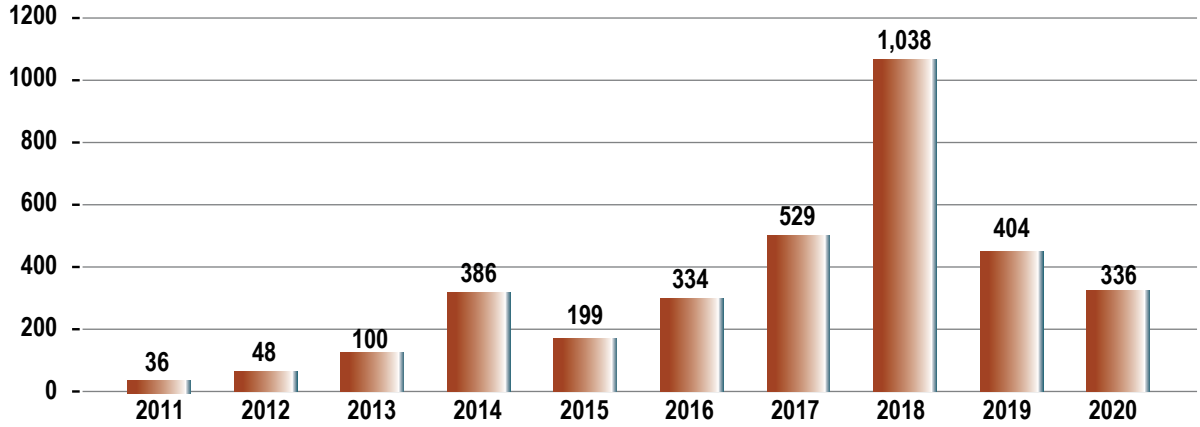
MORTGAGE PORTFOLIO SERVICED



FUNDING LIABILITIES



NEW MORTGAGES



CORPORATE GOVERNANCE

CHANGES ON THE BOARD OF DIRECTORS

There were changes in the Board of Directors:

- Mr. Douglas Camacho was appointed Chairman effective March 31, 2020 in lieu of Mr. Ansel Howell, who resigned as Chairman effective March 23, 2020.
- Mr. Calvin Bijou was appointed Director effective March 31, 2020 in lieu of Mrs. Ermine De Bique-Meade who submitted her resignation from the Board effective December 31, 2019.

Corporate Secretary

Ms. Danielle Campbell was appointed Corporate Secretary effective October 1, 2020 following the expiration of Ms. Patricia Ilkhtchoui's contract of employment on September 30, 2020.

CHANGES IN MANAGEMENT

Ms. Indira Geeban - Manager, Risk Management - resigned effective October 1, 2020 and Mrs. Josanne Belfon-Mc Leod was appointed as Manager, Risk Management effective August 24, 2020 in lieu of Ms. Geeban.

MANAGEMENT

The Bank's Management structure comprises:

- Mr. Brent Mc Fee – Acting Chief Executive Officer
- Mrs. Shamela Bal Maharaj – Chief Financial Officer (formerly Manager, Finance & Treasury)
- Mr. Osmond Prevatt - Manager, Fund Management and Capital Markets
- Mrs. Rolda Rush - Manager, Commercial & Corporate Credit
- Mrs. Josanne Belfon – Mc Leod - Manager, Risk Management
- Ms. Cheryl-Ann Neptune – Manager, Human Resources

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

BOARD-APPOINTED COMMITTEES

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

Audit, Risk and Compliance Committee

This Committee meets as often as may be deemed necessary, but not less that once every quarter. The Committee is appointed by the Board of Directors of the Home Mortgage Bank (HMB) to assist in fulfilling its oversight responsibilities for:

- the financial reporting process and other financial information provided by the company to any government body, regulatory authority or the public
- the company's system of internal control over financial reporting, accounting, legal, compliance, ethics and code of business conduct of its directors, management and staff, that the Board of Directors has approved
- HMB's auditing, accounting and financial reporting processes generall
- HMB's Enterprise Risk Management Policy and reporting
- the process for monitoring compliance with laws and regulations
- the oversight of the financial and operating risk profile (with the exception of treasury, liquidity, interest rate, investment and lending) of the company
- all applicable regulatory requirements and compliance thereof.

Members of the Committee are:
- Inez Sinanan – Chairman
- Marilyn Gordon
- Suresh Dan
- Niala Persad-Poliah

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
- Calvin Bijou
- Richard Roper

Asset/Liability Committee

The Committee meets monthly to and is tasked with overseeing the management or assets and liabilities with a goal of earning adequate returns. The Committee assists the Board of Directors by assessing the adequacy and monitoring of the implementation of the company's policies relating to capital, liquidity and investment activities, within the framework established by the Board. It also approves loans in keeping with the delegated authority levels established in the Delegated Authority Policy. The Committee reviews financial statements and disclosure matters, risk management, compliance, credit and treasury.

Members of the Committee are:
- Feyaad Khan - Chairman
- Douglas Camacho
- Sylvan Wilson
- Brent Mc Fee (Acting Chief Executive Officer – 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$1 Million or as may be determined from time to time which must be recommended to the Board.

Members of the Committee are:
- Richard Roper – Chairman
- Calvin Bijou
- 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.

HOME MORTGAGE BANK

INVESTMENTS | MORTGAGES

Managers

1. Osmond Prevatt
2. Shamela Bal-Maharaj
3. Josanne Belfon - Mc Leod

HOME MORTGAGE BANK

INVESTMENTS | MORTGAGES

Managers

Cheryl - Ann Neptune

Rolda Rush

Corporate Secretary

Danielle Campbell

Ms. Danielle Campbell is the Corporate Secretary of Home Mortgage Bank. She is a graduate of the University of the West Indies, having obtained her Bachelors in English Literature in 2004, and subsequently obtained her Bachelor of Laws at the University of West Indies, Cave Hill Campus. Following a Post-graduate Certificate in Hugh Wooding Law School, St. Augustine, she then obtained a Master of Science in Marketing at the Arthur Lok Jack Graduate School of Business. Ms. Campbell has experience working in State Enterprises, in a privately-owned Marketing Company as in-house legal counsel, and for the past three years, worked in Corporate Governance since 2017

SAMAAN TREE FUND

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.

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

HOME MORTGAGE BANK
INVESTMENTS | MORTGAGES

Team Members

Andel Ramnath

Esla Jones

Keishelle Strachan

Nyla Nurse-Bravo

Bevan Perryman

Corie Benjamin

Marc Trestrail

Gillian Torries-Thomas

Brent Bhagaloo

Vicki Bruce

Nigel Gibson

Keron Leach

HOME MORTGAGE BANK
INVESTMENTS | MORTGAGES

Team Members

Chinedu Emesiani

Kerilynn Phillip

Kai Des Vignes

Amichai Drayton

Usha Gajadhar

Israel Khan

Adwin Cox

Avion Alves-Rollock

Kevaughn Sucre

Teemoi Chaitan

Vishwadai Moonsammy

Parbatie Chin Cheong

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 our 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

HOME MORTGAGE BANK

INVESTMENTS | MORTGAGES

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

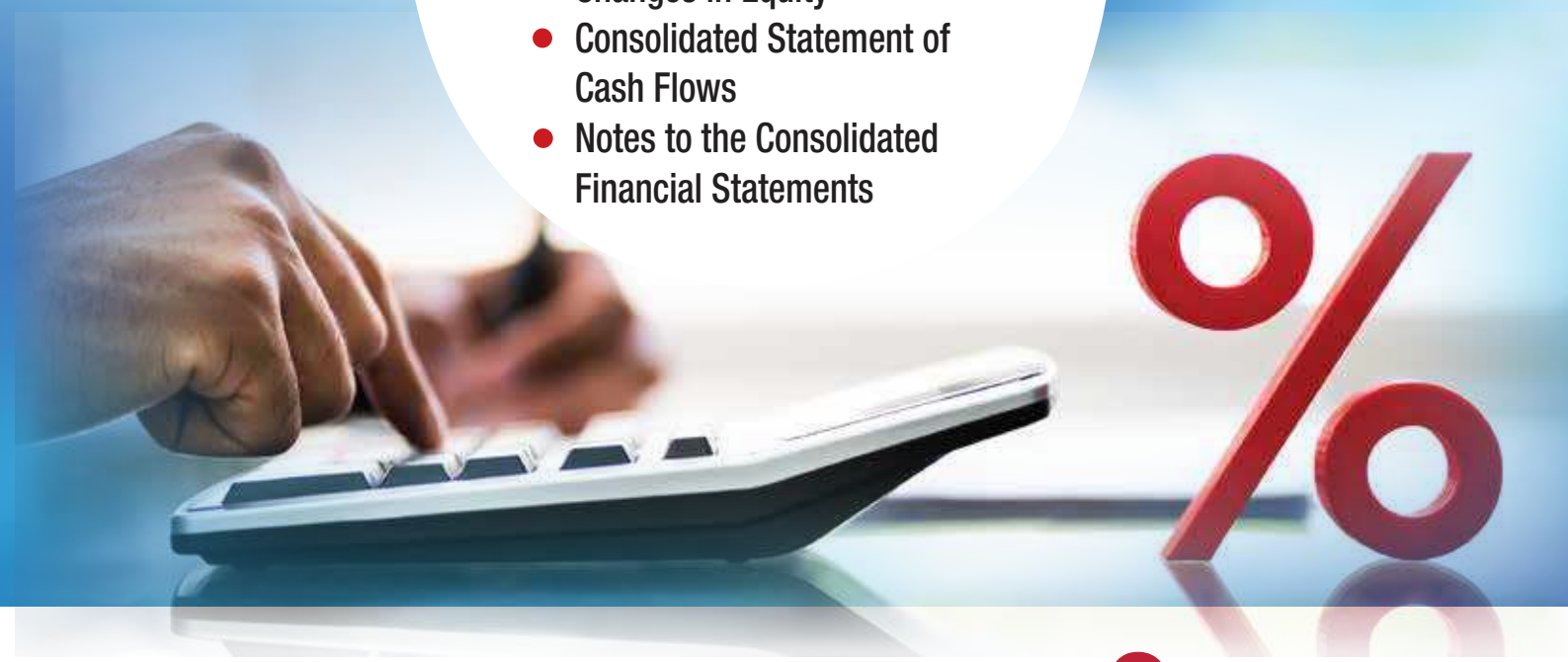
To provide working capital for construction projects

HOME MORTGAGE BANK

INVESTMENTS | MORTGAGES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

- Independent Auditor's Report
- Consolidated Statement of Financial Position
- Consolidated Statement of Comprehensive Income
- Consolidated Statement of Changes in Equity
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Financial Statements



INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF HOME MORTGAGE BANK AND ITS SUBSIDIARIES

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Home Mortgage Bank and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the 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 of Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) ("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.

Other information included in the Group's 2020 Annual Report

Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2020 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.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDER OF HOME MORTGAGE BANK AND ITS SUBSIDIARIES

Report on the Audit of the Consolidated Financial Statements (Continued)

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
TO THE SHAREHOLDER OF HOME MORTGAGE BANK AND ITS SUBSIDIARIES

Auditor's Responsibility for the Audit of the Consolidated Financial Statements (Continued)

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

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

Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

EJ

Port of Spain
TRINIDAD
19 March 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(Expressed in thousands of Trinidad and Tobago dollars)

ASSETS	Notes	2020 $'000	2019 $'000
Cash and cash equivalents	4	8,919	27,622
Investment securities	5, 6	901,070	805,240
Loans and advances to customers	7	2,060,435	2,361,282
Other assets	8	39,905	36,010
Capitalised bond issue costs	9	4,001	308
Investment property	10	22,858	28,128
Property and equipment	11	4,672	5,547
Right of use asset	12	1,690	3,250
Taxation recoverable		1,049	2,494
Deferred tax asset	13	4,325	4,280
Total assets		3,048,924	3,274,161
EQUITY AND LIABILITIES			
EQUITY			
Stated capital	14	16,000	16,000
Retained earnings		1,070,952	1,039,092
Revaluation reserve	15	(33)	(1,378)
Mortgage risk reserve	16	11,793	11,290
Total equity		1,098,712	1,065,004
LIABILITIES			
Lease liability	12	1,752	3,307
Other liabilities	17	21,453	39,377
Liability to fund holders	20	514,626	484,471
Borrowings	18	273,829	287,000
Debt securities	19	1,137,350	1,394,908
Deferred tax liability	13	1,202	94
Total liabilities		1,950,212	2,209,157
Total equity and liabilities		3,048,924	3,274,161

These consolidated financial statements have been approved for issue by the Board of Directors on 19 March 2021 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
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2020 $'000	2019 $'000
Income			
Interest income calculated using the effective interest method	21	176,346	177,140
Interest expense	21	(8,669)	(13,687)
Net interest income	21	167,677	163,453
Dividend income		14	7
Fee income		5,014	3,422
Reversal of provision for impairment of investment property	10	–	3,629
ECL on loans and advances to customers	7	360	–
		173,065	170,511
Expenditure			
General and administrative expenses	22	25,193	27,849
Loss on sale of investment property	23	–	4,477
Finance costs		64,908	61,004
Provision on investment property	10	5,270	–
ECL on investment securities	5	1,558	–
		96,929	93,330
Profit before taxation		76,136	77,181
Taxation	24	(21,435)	(21,337)
Profit for the year		54,701	55,844

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in thousands of Trinidad and Tobago dollars)

	Note	2020 $'000	2019 $'000
Profit for the year		54,701	55,844
Other comprehensive income/(loss) for the year			
Items that will not be reclassified to profit or loss			
Investment securities at FVOCI – net change in fair value		1,345	(402)
Net loss on sale of equity		–	(9,053)
Total other comprehensive income/(loss) for the year		1,345	(9,455)
Total comprehensive income for the year		56,046	46,389
Basic and diluted earnings per share ($)		3.42	3.49
Number of shares ('000)	14	16,000	16,000

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in thousands of 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 2020						
Balance at 1 January 2020		16,000	1,039,092	(1,378)	11,290	1,065,004
Transfer to mortgage risk reserve	16	–	(503)	–	503	–
Total comprehensive income for the year		–	54,701	1,345	–	56,046
Reclassification of cumulative gains		–	–	–	–	–
		16,000	1,093,290	(33)	11,793	1,121,050
Dividends	30	–	(22,338)	–	–	(22,338)
Balance at 31 December 2020		16,000	1,070,952	(33)	11,793	1,098,712
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	30	–	(35,520)	–	–	(35,520)
Balance at 31 December 2019		16,000	1,039,092	(1,378)	11,290	1,065,004

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Profit before taxation		76,136	77,181
Adjustments for:			
Charge to provision for impairment of loans and advances		(360)	–
Impairment loss on lands for development		5,270	–
Impairment loss on investment securities		1,558	–
Gain on property and equipment		(45)	(33)
Depreciation		3,733	3,621
Capitalised interest on managed funds	20	7,277	6,920
Net premium recognized on investments		(8,473)	(8,424)
Finance charge		94	138
Bond issue costs amortised	9	355	265
Operating profit before working capital changes		85,545	79,668
Changes in:			
(Increase)/decrease in other assets		(3,895)	6,754
(Decrease)/increase in other liabilities		(11,546)	8,839
Corporation taxes paid		(26,953)	(16,233)
Net cash flows generated from operating activities		43,151	79,028
Cash flows generated from investment activities			
Issuance of new mortgages and loans		(448,600)	(634,886)
Proceeds from repayment on mortgages and loans		428,807	347,201
Purchase of property and equipment	11	(1,306)	(4,372)
Proceeds from sale of property and equipment		54	60
Proceeds from maturity of investment securities		15,726	15,269
Purchase of investment securities		(568)	(50,185)
Sale of investment securities		218,271	178,501
Sale of instruments		–	50,145
Proceeds from sale of property		–	7,049
Proceeds from managed funds	20	130,050	193,398
Repayment of managed funds	20	(107,172)	(247,778)
Net cash flows generated from/(used in) investing activities		235,262	(145,598)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in thousands of Trinidad and Tobago dollars)

	Notes	2020 $'000	2019 $'000
Cash flows from financing activities			
Proceeds from borrowings		787,846	631,000
Repayment of borrowings	18	(801,017)	(487,000)
Proceeds from bonds issued	19	208,575	21,105
Redemption of bonds	19	(466,134)	(64,944)
Dividends paid		(22,338)	(35,520)
Bond issue costs incurred	9	(4,048)	(60)
Net cash flows (used in)/generated from financing activities		(297,116)	64,581
Net decrease in cash and cash equivalents		(18,703)	(1,989)
Cash and cash equivalents at beginning of year		27,622	29,611
Cash and cash equivalents at end of year		8,919	27,622
Represented by:			
Cash at bank and on hand		8,919	27,622
Short-term deposits		–	–
		8,919	27,622
Supplemental information:			
Income received during the year		156,873	119,546
Interest paid during the year		(62,255)	(54,060)
Dividend received		14	7
Dividend paid		(22,338)	(35,520)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in thousands of 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 and Samaan Tree Fund (collectively referred to as the "Funds"). The Bank pledges assets via trust for both Funds. The Bank also provides a guarantee to the investors for the principal amounts invested for the Mortgage Participation Fund 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 19 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(Expressed in thousands of 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 consolidated financial statements of the Group have been 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.

(b) Basis of consolidation

The consolidated financial statements incorporate the separate financial statements of Home Mortgage Bank, the Mortgage Participation Fund, the Samaan Tree 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 using consistent accounting policies.

Management concluded that for purposes of IFRS 10, its relationship with the Mortgage Participation Fund and the Samaan Tree Fund was that of principal rather than that of an agent. The Mortgage Participation Fund was established by the original Trustee, the Home Mortgage Bank under a trust deed dated September 24, 2001. The Samaan Tree Fund was established by Home Mortgage Bank under the declaration of trust dated December 4, 2019 and commenced operation on February 20, 2020.

The Bank acts as fund manager to the Funds. Determining whether the Bank controls the Funds, focuses on the assessment of the aggregate economic interest of the Bank in the Funds (comprising any carried interests and expected management fees) and the participants' rights to remove the Bank as fund manager. For the Funds, 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
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2. Significant accounting policies (continued)

(b) Basis of consolidation (continued)

A subsidiary of the Bank 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:

- it has power over the entity;
- it is exposed, or has rights, to variable returns from its involvement with the entity; and
- 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

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards, amendments and interpretations outlined below.

New standards and amendments/revisions to published standards and interpretations effective in 2020

The standards which became effective for the current year but had no impact on the Group consolidated financial statements are listed below:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 and IAS 8 – Definition of Material
- Amendments to IFRS 3 – Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

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.

Effective 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform – Phase 2

Effective 1 January 2022:

- Amendments to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract
- Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use
- AIP (2018-2020 cycle): IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter
- AIP (2018-2020 cycle): IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
- AIP (2018-2020 cycle): IAS 41 Agriculture – Taxation in Fair Value Measurements
- Amendments to IFRS 3 – Reference to the Conceptual Framework

Effective 1 January 2023:

- IFRS 17 Insurance Contracts (including Amendments to IFRS 17 issued in June 2020)
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current (including Amendment to IAS 1 – Classification of Liabilities as Current or Non-current – Deferral of Effective Date issued in July 2020)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Significant accounting policies (continued)

(d) Foreign currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The Group's consolidated financial statements are presented in Trinidad and Tobago dollars (expressed in thousands), which is also the Parent's functional.

Transactions denominated in foreign currencies are translated into the functional currency 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 in Trinidad and Tobago dollars at the rate of exchange ruling on the reporting date as obtained from the Central Bank of Trinidad & Tobago. All exchange differences arising are taken to the consolidated statement of comprehensive income.

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, borrowings and debt securities.

(i) Recognition and initial measurement

The Group initially recognises loans and advances, debt securities issued and other 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.

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2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Classification

The Group classifies its financial instruments in the following measurement categories:

- 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 'solely payments of principal and interest' (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 through other comprehensive income. 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 FVOCI or FVTPL, if in doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Classification (continued)

Business model assessment

The Group assesses 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 realizing 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.

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2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(ii) Classification (continued)

Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

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.

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2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, 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 does not retain control of the financial asset.

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 or 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. This 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.

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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 eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in the consolidated statement of comprehensive 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 consolidated statement of comprehensive 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.

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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 will 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 comprehensive 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 comprehensive 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 recomputing the effective interest rate on the instrument.

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2. Significant accounting policies (continued)

(e) Financial instruments (continued)

(v) Impairment

The Group recognises allowance for expected credit losses (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 the ECL allowance

The ECL allowance is 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.

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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 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.

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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 'ECL on loans and advances to customers' and 'ECL on investment securities' in the consolidated statement of comprehensive income.

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

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2. Significant accounting policies (continued)

(e) Financial instruments (continued)

Applying the Impact of COVID-19 to Forward Looking Information for ECL

Due to the level of uncertainty at the end of December 2020, management evaluated the ECL model and determined the need for a management overlay to factor in the impact of COVID-19. Management has used a scorecard approach to apply a management overlay. The Bank's forward-looking adjustment calculation analyses the environment as at the measurement date, analyzing factors and data specific to the Bank to determine a range of probable losses inherent in the loans and advances to customers and investment securities as at the evaluation date. The probability weighted scenarios are incorporated in the scorecard approach for the forward-looking adjustment. The three main macro factors applied within the scorecard approach were unemployment rate, GDP growth and inflation rate. Management has assumed that these factors will still impact the portfolio through COVID-19.

Three scenarios were weighted based on the range of macroeconomic scenarios. The score and probability of impact of each scenario were multiplied, and the results were summed for all three scenarios. These weightings and multipliers resulted in a weighted adjustment factor of 1.21.

(f) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market 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.

The Group measures the fair value of an instrument using the quoted price in an active market for that instrument, if available. 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 the factors that market participants would take into account in pricing a transaction.

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2. Significant accounting policies (continued)

(f) Fair value measurement (continued)

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price. That is, 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 or 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 consolidated statement of 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 at a bid price and liabilities at an ask price.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is 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.

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2. Significant accounting policies (continued)

(g) Guaranteed Mortgage Investment Certificates (Gareemics) and Managed Funds

Gareemics and managed funds represent beneficial interests in pools of mortgages held in trust by the Group. The pools of mortgages are included in loans and advances to customers, 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.

For the managed funds, 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.

(h) Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand and short-term highly liquid investments with maturity period of three months or less. 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, 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.

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2. Significant accounting policies (continued)

(i) Property and equipment (continued)

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 required. 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.*

The rates used are as follows:	% per annum
Fixtures and fittings	33⅓%
Office machinery	12 ½ %
Office furniture	12 ½ %
Computer equipment	25%
Motor vehicles	25%

(j) Investment property

Investment property is property held by the Group to earn rental income or for capital appreciation or both. Property held for undetermined future use is regarded as investment property, as such is held for capital appreciation.

Investment property comprises leasehold land and Tobago Villas. Investment property is initially measured at cost. After initial recognition, investment property is carried at fair value which is reviewed periodically. Gains and losses arising from the change in fair value are included in the consolidated statement of comprehensive income.

The periodic review of fair value is based on valuations conducted by independent professional valuators. The valuators have adopted standard valuation methods and assumed good title, vacant possession and no unduly restrictive covenants or onerous or unusual outgoings running with the land.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. Significant accounting policies (continued)

(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.

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) Loans and advances to customers

Loans and advances to customers are financial assets provided directly to a customer. These carry fixed or determinable payments and are not quoted in an active market. Loans and advances to customers are carried at amortised cost using the effective interest method, less expected credit losses.

(m) 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 comprehensive income.

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2. Significant accounting policies (continued)

(n) 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.

(o) 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 $562,576 (2019: $574,333).

(p) 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.

(q) 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.

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2. Significant accounting policies (continued)

(q) Revenue from contracts with customers (continued)

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.

(r) Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the consolidated statement of financial position date.

Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilized. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilized.

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2. Significant accounting policies (continued)

(s) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

(i) Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date, if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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2. Significant accounting policies (continued)

(s) Leases (continued)

The Group as a lessee (continued)

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases contracts (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 contracts that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(t) Stated capital

Ordinary stated capital is classified as equity and is recognised at the fair value of the consideration received by the Group. Incremental external costs directly attributable to the issue of new shares, other than in connection with business combinations, are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs incurred directly in connection with a business are included in the cost of acquisition.

(u) 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.

(v) 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.

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2. Significant accounting policies (continued)

(w) Mortgage risk 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.

(x) Comparative information

The consolidated financial statements include a reclassification of 2019 comparative information. The amount of $3.6m for the 2019 financial year was reclassified from the other assets line item to loans and advances to customers within the consolidated statement of financial position.

This reclassification was made to allow consistent presentation within the current year and had no impact on the previously reported net profit after taxation or total equity as at 31 December 2019 and for the year then ended.

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)

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

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.

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 amounts are the 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
- 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.

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

Judgements (continued)

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.

Investment property
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.

COVID-19 impact
On 30 January 2020, the World Health Organization declared the outbreak, of a novel strain of coronavirus ("COVID-19"), to constitute a "Public Health Emergency of International Concern." This global outbreak has disrupted supply chains across a range of industries.

The impact of COVID-19 resulted in the application of further judgement within those identified areas. Given the dynamic and evolving nature of COVID-19, recent experience of the economic and financial impacts of such a pandemic, and the duration between the declaration of the pandemic and the preparation of these consolidated financial statements, changes to the estimates and outcomes that have been applied in the measurement of the Group's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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4. Cash and cash equivalents	2020 $'000	2019 $'000
Cash and cash equivalents comprise:		
Cash at bank and on hand	8,919	27,622

The average effective interest rate on cash and short-term deposits is 0.05% (2019: 0.01%).

5. Investment securities	2020 $'000	2019 $'000
Investment securities measured at FVOCI – debt instruments	901,070	805,240
Debt investment securities measured at FVOCI		
State-owned company securities	519,703	529,364
Government securities	250,013	245,958
Investment in 2019 CMO	11,829	30,465
Investment in 2020 CMO	121,630	–
Expected credit loss on debt securities	(2,105)	(547)
	901,070	805,240

The average effective interest rate on investment securities for the year is 4.95% (2019: 4.18%).

Reconciliation of expected credit losses on investments	2020 $'000	2019 $'000
Balance at 1 January	547	547
Charge for the year	1,558	–
Balance at 31 December	2,105	547

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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:

Level 1: financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2: financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions and for which pricing is obtained via pricing services, but where fair values based on broker quotes and assets that are valued based using its own models whereby the majority of assumptions are market observable.

Level 3: 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.

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6. Fair value of financial instruments (continued)

(b) Financial instruments measured at fair value

	2020			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
State-owned and government securities	–	767,611	–	767,611
Investment in 2019 CMO	–	–	11,829	11,829
Investment in 2020 CMO	–	–	121,630	121,630
Total	–	767,611	133,459	901,070

	2019			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
State-owned and government securities	–	774,775	–	774,775
Investment in 2019 CMO	–	–	30,465	30,465
Total	–	774,775	30,465	805,240

Transfers between and movements in Levels

For the year ended 31 December 2020, there were no transfers of assets between and movements in levels.

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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 analyze 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 2020					
Assets					
Loans and advances to customers	–	–	2,060,435	2,060,435	2,060,435
Liabilities					
Debt securities	–	273,829	–	273,829	273,829
Borrowings	–	1,137,350	–	1,137,350	1,137,350
Mortgage Participation Fund	–	–	499,167	499,167	499,167
Samaan Tree Fund	–	–	14,711	14,711	14,711
Collateral mortgage obligation	–	–	748	748	748
	–	1,411,179	514,626	1,925,805	1,925,805

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6. Fair value of financial instruments (continued)

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

	Level 1	Level 2	Level 3	Fair value	Total carrying amount
	$'000	$'000	$'000	$'000	$'000
As at 31 December 2019					
Assets					
Loans and advances to customers	–	–	2,361,282	2,361,282	2,361,282
Liabilities					
Debt securities	–	1,381,388	–	1,381,388	1,394,908
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

Where available, the fair value of loans and advances to customers are 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 and maturities that are offered for the debt securities.

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7. Loans and advances to customers		2020 $'000	2019 $'000
Loans retained		1,390,962	1,602,175
Mortgages held in trust (Note 20)		522,969	483,430
Other loans		146,504	275,677
Total loans administered		2,060,435	2,361,282
The composition of loans retained is as follows:			
Retained mortgage loans	7(a)	1,375,613	1,575,725
Construction loan advances	7(b)	15,349	26,450
		1,390,962	1,602,175

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7. **Loans and advances to customers** (continued)	**2020**	**2019**
	$'000	**$'000**
(a) Retained mortgage loans		
Principal balances and unamortised discounts:		
Total loans administered at 1 January	2,249,060	2,199,880
New mortgages/transfers from construction loan advances	349,424	414,795
Principal repayments	(189,356)	(365,615)
	2,409,128	2,249,060
Expected credit losses on loans	(8,363)	(8,723)
Sold to CMO 2019	(181,182)	(181,182)
Sold to CMO 2020	(321,001)	–
Total loans administered at 31 December	1,898,582	2,059,155
Mortgages held in trust (Note 20)		
- Guaranteed Mortgage Investment Certificates	(1,370)	(1,943)
- Mortgage Participation Fund	(496,540)	(481,487)
- Samaan Tree Fund	(25,059)	–
	(522,969)	(483,430)
Retained mortgage loans	1,375,613	1,575,725
Represented by:		
Mortgages with recourse	905	1,503
Mortgages without recourse	1,374,708	1,574,222
Balance at 31 December	1,375,613	1,575,725
Reconciliation of expected credit losses on loans:		
Balance at 1 January	8,723	8,723
(Credit)/charge for the year	(360)	–
Balance at 31 December	8,363	8,723

The average effective interest rate on the retained mortgage portfolio is 6.57% (2019: 6.13%).

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7. **Loans and advances to customers** (continued)	**2020 $'000**	**2019 $'000**
(b) Construction loan advances		
Balance at 1 January	26,451	37,035
New advances	200	2,274
Repayments	–	(675)
Advances converted to mortgages	(11,302)	(12,183)
Balance at 31 December	15,349	26,451

The average effective interest rate on construction loan advances is 6.43% (2019: 6.49%).

8. **Other assets**	**2020 $'000**	**2019 $'000**
Interest receivable on investment securities	5,810	5,894
Interest receivable on loans and advances	3,141	–
Advance receipt on bond issued	415	546
Prepaid expenses	1,051	1,286
Sundry debtors	1,702	2,074
Mortgage remittance receivable	27,786	26,210
	39,905	36,010

9. **Capitalised bond issue costs**	**2020 $'000**	**2019 $'000**
Balance at 1 January	308	513
Costs incurred during the year	4,048	60
	4,356	573
Costs amortised during the year	(355)	(265)
Balance at 31 December	4,001	308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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10. Investment property	2020 $'000	2019 $'000
Tobago Villas		
Balance at 1 January	17,400	28,077
Cost of units sold (Note 23)	–	(10,677)
	17,400	17,400
Provision for impairment	(11,042)	(8,148)
Balance at 31 December	6,358	9,252
Other real estate holding		
Balance at 1 January	18,876	18,876
Provision for impairment	(2,376)	–
Balance at 31 December	16,500	18,876
	22,858	28,128
Provision for impairment:		
Balance at 1 January	8,148	11,777
Charge for the year	5,270	–
Provisions released during the year	–	(3,629)
Balance at 31 December	13,418	8,148

Tobago Villas

During the year no villa units were sold. The sale for the remaining two (2) villas was finalized in January 2021. The carrying value of the properties have been adjusted to reflect the market value as per valuation reports and actual sales price.

Other real estate holding

Other real estate holding comprise of 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 based on the valuation completed in December 2020. The method of valuation was the direct comparison method, conducted by an accredited independent valuator, specializing in the valuation of commercial properties. The valuation performed by the valuator is based on current prices being paid for comparable properties in the open market, adjusted for any difference in the nature, location or condition of the property. The Group revalues this investment property every 5 years.

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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 2020	11,304	976	12,280
Additions	1,053	253	1,306
Disposals	(14)	(466)	(480)
Balance at 31 December 2020	12,343	763	13,106
Depreciation			
Balance at 1 January 2020	6,053	680	6,733
Charge for the year	1,994	179	2,173
Disposals	(6)	(466)	(472)
Balance at 31 December 2020	8,041	393	8,434
Net book value	4,302	370	4,672
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	11,304	976	12,280
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	6,053	680	6,733
Net book value	5,251	296	5,547

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.

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12. Leases

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

The Bank also leases office equipment with a lease term of 12 months or less for use in its operations. The Bank 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.

	2020 $'000	2019 $'000
Right of use asset		
Balance as at 1 January	3,250	4,680
Depreciation charge	(1,560)	(1,430)
Balance as at 31 December	1,690	3,250
Lease liability		
Balance as at 1 January	3,307	4,542
Finance charge	94	140
Lease payments	(1,649)	(1,375)
Balance as at 31 December	1,752	3,307
Current (due within 12 months)	1,614	1,554
Non-current (due beyond 12 months)	138	1,753
The following are the amounts recognised in the consolidated statement of comprehensive income:		
Depreciation expense for right of use assets	1,560	1,430
Interest expense on lease liabilities	94	140
Expense relating to low value leases	26	26
Expense relating to short-term leases	–	395
Total amount recognised in statement of comprehensive income	1,680	1,991

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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 $1.6 million in 2020 (2019: $1.4 million) relating to its lease agreements.

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:

	2019	Credit/(charge) to profit or loss	OCI	2020
Deferred tax assets	**$'000**	**$'000**	**$'000**	**$'000**
Impairment provision on investment property	4,051	(25)	–	4,026
Property and equipment	229	70	–	299
	4,280	45	–	4,325
Deferred tax liabilities				
Bond issue costs	(94)	(1,108)	–	(1,202)
Property and equipment	–	–	–	–
	(94)	(1,108)	–	(1,202)
Net deferred tax asset	4,186	(1,063)	–	3,123

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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 2018	Credit/(charge) to profit or loss	OCI	2019
Deferred tax assets	**$'000**	**$'000**	**$'000**	**$'000**
Impairment provision on investment property	5,073	(1,022)	–	4,051
Property and equipment	–	229	–	229
	5,073	(793)	–	4,280
Deferred tax liabilities				
Bond issue costs	(169)	75	–	(94)
Property and equipment	(46)	46	–	–
	(215)	121	–	(94)
Net deferred tax asset	4,858	(672)	–	4,186

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

	2020 $'000	2019 $'000
Balance at 1 January	4,186	4,858
Charge to profit or loss (Note 24)	(1,063)	(672)
Balance at 31 December	3,123	4,186

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14. Stated capital

	2020 $'000	2019 $'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	16,000	16,000

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:

	2020 $'000	2019 $'000
CMO 2019	–	304
Other assets	(33)	(1,682)
	(33)	(1,378)

16. Mortgage risk reserve

Balance at 1 January	11,290	11,113
Transfer from retained earnings	503	177
Balance at 31 December	11,793	11,290

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17. Other liabilities	2020 $'000	2019 $'000
Interest payable on bonds	7,008	12,102
Sundry creditors and accruals	7,290	14,892
Gareemic holders payable	6,472	3,674
	20,770	30,668
Taxation payable	683	8,709
	21,453	39,377

18. Borrowings

Balance at 1 January	287,000	143,000
Proceeds from revolving credit	537,846	631,000
Repayments on revolving credit	(801,017)	(487,000)
	23,829	287,000
IDB Invest loan facility	250,000	–
Balance at 31 December	273,829	287,000

The Bank has a one-year revolving credit facility with RBC Royal Bank (Trinidad & Tobago) Limited which was renewed on 17 November 2020. The aggregate amount available to the Bank through this facility is $490 million at a variable interest rate. This facility shall be repaid by a single bullet payment on 30 September 2021. This facility is secured by investment securities valued at $542 million (2019: $380 million).

On 24 November 2020 the Bank entered a $250 million loan facility with Inter-American Investment Bank (IDB Invest) maturing on 3 December 2025. The Bank shall repay the loan in TT dollars in equal annual installments of principal on each principal payment date commencing on 15 December 2021 and ending on 3 December 2025, on which date the entire remaining outstanding principal amount of the loan shall be due and payable in full. This facility is secured by a pool of mortgages valued at $327 million as at 31 December 2020.

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19. Debt securities	2020 $'000	2019 $'000
Balance at 1 January	1,394,908	1,438,747
Issues	208,575	21,105
Redemptions	(466,133)	(64,944)
Balance at 31 December	1,137,350	1,394,908

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:

	2020 $'000	2019 $'000
Within 1 year	83,575	466,134
1 to 2 years	347,255	66,134
2 to 3 years	325,000	299,600
3 to 4 years	200,000	209,240
4 to 5 years	181,520	209,240
Over 5 years	–	144,560
	1,137,350	1,394,908
(c) Tax free bonds	538,096	562,927
Other bonds	599,254	831,981
	1,137,350	1,394,908

Under the Home Mortgage Bank Act 1985, the Bank is authorised to issue tax-free bonds up to $600 million of which $538 million has been issued for 2020 (2019: $563 million).

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20. Liability to fund holders

	2020 $'000	2019 $'000
Managed funds comprises:		
Guaranteed Mortgage Investment Certificates	748	1,225
Mortgage Participation Fund	499,167	483,246
Samaan Tree Fund	14,711	–
	514,626	484,471
Carrying value of loans backing the managed fund (Note 7)	522,969	483,430

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.

The movement in the managed fund liabilities is as follows:	2020 $'000	2019 $'000
Balance at 1 January	484,471	531,931
Additions	130,050	193,398
Capitalised interest	7,277	6,920
Repayments	(107,172)	(247,778)
Balance at 31 December	514,626	484,471
Accrued interest		
Balance at 1 January	–	–
Interest paid	(7,443)	(7,424)
Interest expense	7,443	7,424
Balance at 31 December	–	–

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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 2020, the outstanding balances of securitised mortgages and the related Gareemics issued amounted to $0.748 million (2019: $1.2 million).

The Bank's credit risk is mitigated to the extent that sellers of the mortgage pools elect to remain at risk for the loans sold to the Bank or other credit enhancement 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 (MPF)

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 $499.167 million (2019: $483.246 million).

Samaan Tree Fund (STF)

The STF was launched in February 2020 and is backed by mortgages. No guarantee on investment in STF is given. At the reporting date, the outstanding balance under the STF investment product was $14.711 million.

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		2020 $'000	2019 $'000
21.	**Net interest income**		
	Loans and advances to customers	119,066	135,919
	Investment securities	57,280	41,221
		176,346	177,140
	Interest expense	(8,669)	(13,687)
	Net interest income	167,677	163,453
22.	**General and administrative expenses**		
	Staff costs	11,018	9,102
	Premises	1,113	1,792
	Depreciation	3,733	3,621
	Directors' fees	1,877	1,873
	Other operating expenses	7,452	11,461
		25,193	27,849
23.	**Loss on sale of investment property**		
	Income from sale of units	–	6,200
	Income from sale of furniture	–	–
	Cost of units sold	–	(10,677)
	Loss on sale of property units	–	(4,477)

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24. Taxation	**2020 $'000**	**2019 $'000**
(i) Current taxation:		
Corporation tax	19,850	19,110
Green fund levy	522	546
Business levy	–	1,009
Deferred tax	1,063	672
Taxation charge for the year	21,435	21,337

(ii) Tax reconciliation:

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

	2020 $'000	**2019 $'000**
Profit before taxation	76,136	77,181
Tax at the statutory rate of 30%	22,841	23,154
Expenses disallowed	2,162	2,224
Green fund levy	522	546
Business levy	–	1,009
Tax exempt income	(4,090)	(5,596)
	21,435	21,337

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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 with the Chief Executive Officer 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, 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.

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25. Risk management (continued)

Board of Directors (continued)

- Reviewing management reports detailing the adequacy and overall effectiveness of risk management, its implementation by management, reports on internal control and any recommendations and confirm that appropriate action has been taken.
- Providing an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risk.

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.

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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	
	2020	**2019**
	$'000	**$'000**
Cash and cash equivalents	8,919	27,622
Investment securities	903,175	805,786
Gross mortgage portfolio	2,053,448	2,343,554
Construction advances	15,349	26,451
Other assets	39,905	36,010
Total gross financial assets	3,020,796	3,239,423
Mortgage commitments	285,666	268,671
Total credit risk exposure	3,306,462	3,508,094

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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 consolidated 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 to customers – 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.

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25. Risk management (continued)

Loans and advances to customers– 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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25. Risk management (continued)

Loans and advances to customers– 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%

25. Risk management (continued)

Loans and advances to customers– 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.

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.

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25. Risk management (continued)

Loans and advances to customers– 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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25. Risk management (continued)

Loans and advances to customers– 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.

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.

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 2020			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Gross loans	1,770,142	166,044	132,612	2,068,798
ECL	(2,066)	(278)	(6,019)	(8,363)
Carrying amount	1,768,076	165,766	126,593	2,060,435
ECL as a % of Gross loans	0.12	0.17	4.54	0.40

	Loans and advances to customers 2019			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Gross loans	2,076,854	232,564	60,487	2,369,905
ECL	(1,670)	(596)	(6,457)	(8,723)
Carrying amount	2,075,184	231,968	54,030	2,361,182
ECL as a % of Gross loans	0.08	0.26	10.68	0.37

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25. Risk management (continued)

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

Exposure at default (EAD) (continued)

	Investment securities 2020			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Gross balance	475,857	427,318	–	903,175
ECL	(317)	(1,788)	–	(2,105)
Carrying amount	475,540	425,530	–	901,070
ECL as a % of Gross balances	0.07	0.42	–	0.23

	Investment securities 2019			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Gross balance	361,501	444,286	–	805,787
ECL	(156)	(391)	–	(547)
Carrying amount	361,345	443,895	–	805,240
ECL as a % of Gross balances	0.04	0.09		0.07

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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.

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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 honor 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 liabilities based on contractual undiscounted repayment obligations, over the remaining life of those liabilities.

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25. Risk management (continued)

Liquidity risk and funding management (continued)

	2020			
	Within 1 year $'000	**2-5 years $'000**	**Over 5 years $'000**	**Total $'000**
Financial liabilities				
Mortgage participation fund	499,167	–	–	499,167
Samaan Tree Fund	14,711	–	–	14,711
Gareemics	748	–	–	748
Borrowings	23,829	250,000	–	273,829
Debt securities	83,575	1,053,775	–	1,137,350
Total undiscounted financial liabilities	622,030	1,303,775	–	1,925,805

	2019			
	Within 1 year $'000	**2-5 years $'000**	**Over 5 years $'000**	**Total $'000**
Financial liabilities				
Mortgage participation fund	483,246	–	–	483,246
Gareemics	1,225	–	–	1,225
Short-term borrowings	287,000	–	–	287,000
Debt securities	512,608	877,358	151,292	1,541,258
Total undiscounted financial liabilities	1,284,079	877,358	151,292	2,312,729

	On demand $'000	**Less than 3 months $'000**	**3-12 months $'000**	**1-5 years $'000**	**Over 5 years $'000**	**Total $'000**
2020						
Commitments	–	71,325	134,960	79,381	–	285,666
2019						
Commitments	–	80,395	107,187	81,089	–	268,671

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

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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.

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 86% of the total gross mortgage portfolio as at 31 December 2020 (2019: 94.2%).

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.

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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 2020	Fixed rate 2020	Total 2020	Variable rate 2019	Fixed rate 2019	Total 2019
	$'000	$'000	$'000	$'000	$'000	$'000
Loans and advances to customers	1,619,846	338,677	1,958,523	2,005,233	134,772	2,140,005
Mortgages backing CMO Products	453,464	–	453,464	181,182	–	181,182
Total	2,073,310	338,677	2,411,987	2,186,415	134,772	2,321,187
Percentage of total loans and advances to customers	86.0%	14.0%	100.0%	94.2%	5.8%	100%
Bonds in issue	747,255	390,095	1,137,350	1,144,908	250,000	1,394,908
Percentage of total bonds in issue	65.7%	34.3%	100.0%	82.1%	17.9%	100.0%

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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
2020	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Loans and advances to customers	179,657	106,874	925	708	50,513	338,677
Percentage of total Fixed loans and advances to customers	53.0%	31.6%	0.3%	0.2%	14.9%	100.0%
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%

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

However it should be noted that the majority of the Group's financial assets are held in loans and advances to mortgagers. Variable rate mortgages account for 86% (2019: 94.2%) of the mortgage pool which gives the Group the ability to change interest rates if needed, within a short time frame.

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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 a reserve 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.

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27. Related party transactions and balances

(a) Identity of related parties

A party is related to the Group if:

- The party is a subsidiary or an associate of the Group;
- 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;
- The party is a close family member of a person who is part of key management personnel or who controls the Group;
- The party is controlled or significantly influenced by a member of key management personnel or by a person who controls the Group;
- The party is a joint venture in which the Group is a venture partner;
- The party is a member of the Group's or its parent's key management personnel;
- The party is a post-employment benefit plan for the Group's employees;
- The party, or any member of a group of which it is a part, provides key management personnel services to the Group.

(b) Related party balances	2020 $'000	2019 $'000
Loans, investments and other assets		
The National Insurance Board and its subsidiaries	217,000	447,000
Directors and key management personnel	4,366	4,658

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	54,791	253,976
Directors and key management personnel	447	363

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27. Related party transactions and balances (continued)	**2020 $'000**	**2019 $'000**
(c) Related party transactions (continued)		
Interest and other income		
The National Insurance Board and its subsidiaries	16,030	11,873
Directors and key management personnel	219	243
Bond interest and other expenses		
The National Insurance Board and its subsidiaries	5,893	6,380
Directors and key management personnel	16	7
Mortgages purchases		
Trinidad and Tobago Mortgage Finance	105,050	336,338
(d) Key management compensation		
Directors and management compensation		
Short term benefits	6,442	5,441
Post-retirement benefits	98	258

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.

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28. Mortgage commitments

The Group has issued standby mortgage commitments of which undrawn balances amounted to $286 million (2019: $269 million).

29. Employees

At year-end, the Group had a staff complement of 30 employees (2019: 29).

30. Dividends paid

The Group made a dividend payout of one dollar, forty cents ($1.40) per share (2019: $2.22) which was paid on November 10, 2020 in relation to 2020 profits.

This amounted to $22 million (2019: $35 million) as per the statement of changes in equity.

31. Contingent liabilities

As at 31 December 2020, there were no legal proceedings outstanding against the Group, as such no provisions were required (2019: Nil).

32. 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.

The COVID-19 pandemic has created unprecedented uncertainty of the economic environment. Actual economic events and conditions in the future may be materially different from those estimated by the Group at the reporting date. In the event the COVID-19 pandemic impacts are more severe or prolonged than anticipated, we do not believe this would have any material adverse impact on the Group.

SHAREHOLDERS

The stated capital is 16,000,000 ordinary shares to a value of $16,000,000 subscribed as follows as at t December 31, 2020:

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

CORPORATE INFORMATION

MANAGEMENT
BRENT MC FEE
Acting Chief Executive Officer

SHAMELA BAL-MAHARAJ
Chief Financial Officer

OSMOND PREVATT
Manager, Fund Management and Capital Markets

ROLDA RUSH
Manager, Commercial & Corporate Credit

JOSANNE BELFON-MC LEOD
Manager, Risk Management

CHERYL-ANN NEPTUNE
Manager, Human Resources

DANIELLE CAMPBELL
Corporate Secretary

OFFICE LOCATION
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Nos. 14-19 Queen's Park East
Port of Spain

EXTERNAL AUDITORS
ERNST AND YOUNG
5-7 Sweet Briar Road, St. Clair

INTERNAL AUDITORS
DELOITTE & TOUCHE
54 Ariapita Avenue
Woodbrook
Port of Spain

ATTORNEYS-AT-LAW
POLLONAIS, BLANC, DE LA BASTIDE & JACELON
17-19 Pembroke Street
Port of Spain

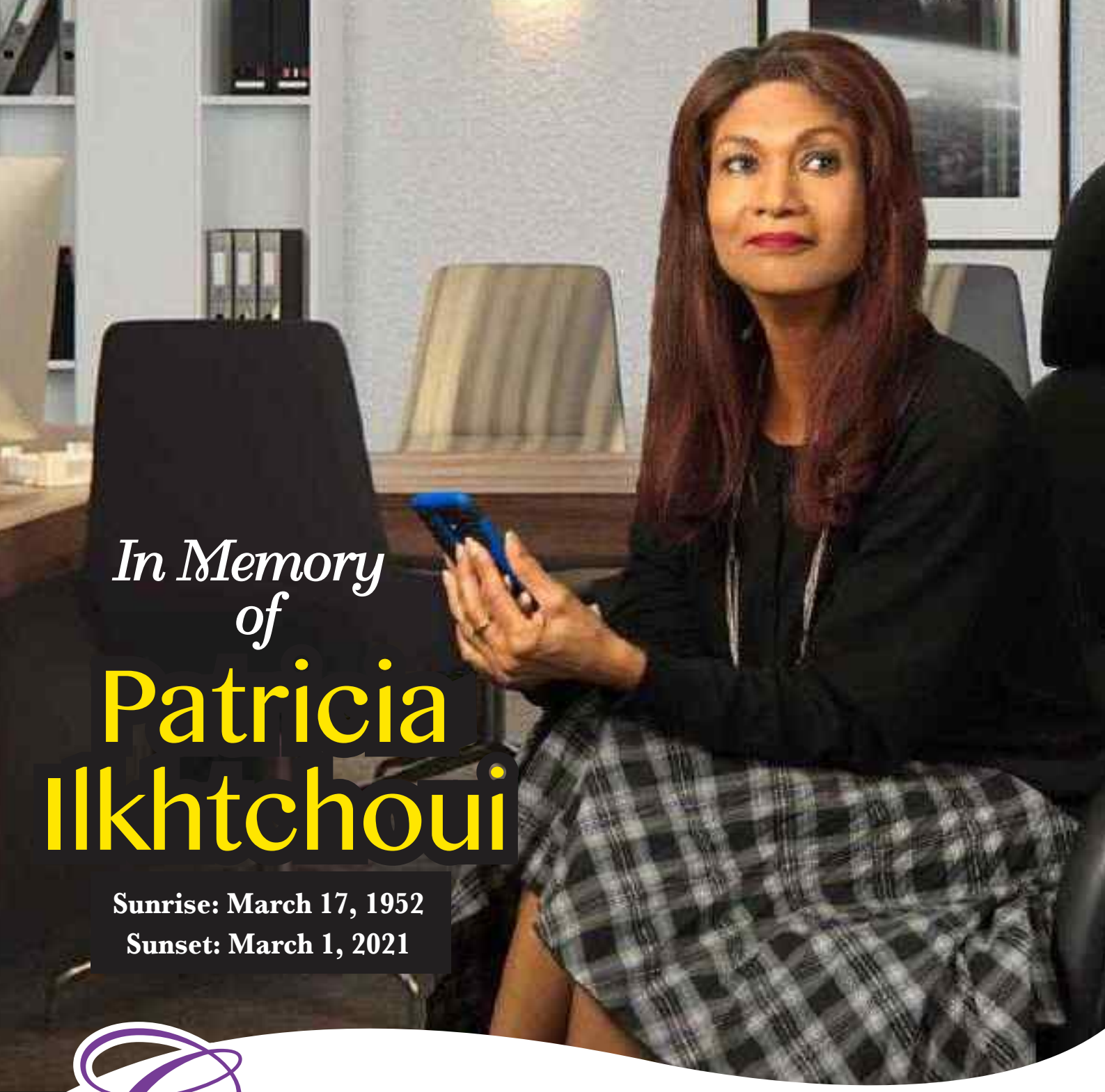
J.D. SELLIER & COMPANY
129-131 Abercromby Street
Port of Spain

M.G. DALY & PARTNERS
115A Abercromby Street
Port of Spain

BANKERS
Republic Bank Limited
Independence Square
Port of Spain

TRUSTEE & PAYING AGENTS FOR BOND ISSUES
Republic Bank Limited
Trust and Asset Management Division (Trustee)
Republic House
9-17 Park Street,
Port of Spain

First Citizens Trustee Services Limited
(Registrar and Paying Agents)
45 Abercromby Street
Port of Spain



In Memory of

Patricia Ilkhtchoui

Sunrise: March 17, 1952
Sunset: March 1, 2021

Celebrating the life of Patricia "Pat" Ilkhtchoui, our beloved colleague and friend. Pat, as she was fondly known, was the Corporate Secretary of Home Mortgage Bank (HMB) for 7 years until her retirement on September 30, 2020. Her invaluable contribution, dedication and commitment to HMB would not be forgotten. We are truly grateful to have known such a remarkable woman and an extraordinary person.

On behalf of the Board of Directors, Management and Staff, we offer sincere condolences to her loved ones during this time.