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HOME MORTGAGE BANK

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ANNUAL REPORT 2022

HOME
MORTGAGE
BANK

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Mission Statement

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

The Purpose of the Bank is as follows:

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

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

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

To promote the growth of the capital market

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Chairman's REPORT

> *HMB experienced steady growth in 2022. Profit After Tax increased by 11.6%, Total Income and Retained Earnings increased by 3.4% and 3.9% respectively, when compared to 2021*

Douglas Camacho
Chairman

I am pleased to announce another successful year for Home Mortgage Bank (HMB). On behalf of the Board of Directors, it's my pleasure to present the Annual Report and Audited Financial Statements for the financial year ending December 31, 2022.

Performance as a Group

In 2022, HMB partnered with IDB Invest, a member of the IDB Group to issue the first Social Bond within Trinidad and Tobago and the Caribbean Region. The Bond was issued for TT$300 million with a tenor of five (5) years. This represents the second local currency transaction completed between HMB and IDB Invest with a cumulative value of TT$550 million.

The Social Bond is aligned with the Social Bond Principles (SBP) published by the secretariat of the International Capital Market Association (ICMA). HMB received an "Aligned" rating for its methodical framework from Standard and Poor's, an external consultant specializing in Thematic Bond issuances. This milestone achievement represents a team effort and a growing relationship with the IDB Invest.

HMB experienced steady growth in 2022. Profit After Tax increased by 11.6%, Total Income and Retained Earnings increased by 3.4% and 3.9% respectively, when compared to 2021.

Our financial position remains poised for growth in 2023. As we continue to uphold our mandate outlined in the HMB Act, we strive to ensure financial sustainability, increase shareholder value, stakeholder confidence and growth.

As the economy continues to recover post-pandemic, the team navigated challenges with prudent and innovative strategies. The 2022 financial result is a testament to their diligent efforts.

International and Regional Economies

The ongoing war between Ukraine and Russia that began in February 2022 continues to affect the world economies as the prices of grains and fuel increased significantly. This, by extension, has created an economic ripple effect as the price of commodities associated with these items also increased sharply. In addition to the economic fallout, the war has contributed to the food shortage within the Horn of Africa and the Middle East.

The World Health Organization (WHO) declared Covid-19 a pandemic over three (3) years ago. The virus impacted lives and livelihood globally and it's effect is still being felt in many economies today. According to the WHO, Covid - 19 continues to be a "global health emergency," and will be so until the foreseeable future. Countries have removed restrictions, opened their borders and increased production. Despite the headway by WHO, there has been a re-emergence of the virus in China, which has resulted in the re-imposition of mobility restrictions and social protocols within some jurisdictions.

The International Monetary Fund's (IMF) April 2023 World Economic Outlook (WEO) forecast global growth to fall from 3.4% in 2022 to 2.8% in 2023 and rise to 3.0% in 2024. According to the report, China is rebounding strongly following the reopening of its economy. Supply-chain disruptions are unwinding, while the dislocations to energy and food markets caused by the war are receding. Simultaneously, the tightening of monetary policy by most central banks should start to bear fruit, with inflation moving back toward its targets. Emerging Market and Developing Economies are already powering ahead in many cases, with growth rates (fourth quarter over fourth quarter) jumping from 2.8 percent in 2022 to 4.5 percent in 2023. The slowdown is concentrated in advanced economies, especially the Euro area and the United Kingdom, where growth (also fourth quarter over fourth quarter) is expected to fall to 0.7 percent and – 0.4 percent, respectively, this year before rebounding to 1.8 and 2.0 percent in 2024.

Domestic Economy

In 2022, the Trinidad and Tobago Government removed several Covid-19 restrictions and prepared the population for the new normal. On July 1, 2022, travel requirements for entry into the country were lifted, which allowed travellers to enter without Covid-19 test results. The Government, however, maintained the "mask mandate" within health institutions (private and public).

In a media release issued on March 16, 2023, the Ministry of Finance (Trinidad and Tobago) in an IMF report cited a projected economic growth of 3.2% for 2023, an increase from 2.5% (2022). According to the release, the IMF welcomed Government's prudent management of public finances, and buffers within the Heritage and Stabilisation Fund.

Capital Markets

Bond Market

The primary bond market saw $3.1 billion originated in 2022, according to the Central Bank of Trinidad and Tobago. The Government of Trinidad and Tobago continued to be the major player in the local market.

Stock Market

Overall, the Trinidad and Tobago Stock Market declined by 11% for 2022. Both the Cross-Listed Index and the All T&T Index decreased by 29.9% and 3.69% respectively.

2023 and Beyond

HMB and the Trinidad and Tobago Mortgage Finance Company Limited (TTMF) continue to work together as we progress towards the pending merger. The merger is aimed at harnessing the synergies of both companies, becoming a greater competitive force within the market. The Board of Directors remains committed to ensuring the successful transition to the new company, as we aim to increase shareholder value, improve customer service and create an enhanced working environment for employees.

In conclusion, I thank the management and staff of HMB for their commitment and valuable contribution to organizational growth and development. Special thanks to my fellow Directors for their support, guidance and invaluable input. To our valued customers and other stakeholders: your commitment and loyalty are truly appreciated.

Douglas Camacho
Chairman

BOARD OF DIRECTORS

DOUGLAS CAMACHO *Chairman*	**INEZ B. SINANAN** *Director*	**SURESH DAN** *Director*

Douglas Camacho - Chairman

Mr. Douglas Camacho is an Accountant by profession with over 35 years of leadership experience with 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 of Home Mortgage Bank. In addition to this position he also serves on several other boards which include: Trinidad and Tobago Unit Trust Corporation (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 former 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).

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 National Insurance Board of Trinidad and Tobago, its subsidiaries National Insurance Property Development Company Limited, Home Mortgage Bank and Trinidad and Tobago Mortgage Finance Company Limited; 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 Committee in most of these companies. She is currently a Director on the Board of TTIFC and Insurance Brokers West Indies Limited (IBWIL). 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.

Suresh Dan - Director

Mr. Suresh Dan is a Senior Business Analyst (Ag) 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

FEYAAD KHAN
Director

RICHARD ROPER
Director

MARILYN GORDON
Deputy Chairman

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 Home Mortgage Bank.

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 possess 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.

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 in 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. Mrs. Gordon has led the team which conceptualized and implemented several property development projects in Western Trinidad. Currently, Mrs. Gordon is a Director at the National Insurance Board of Trinidad and Tobago (NIBTT) and SPORTT.

BOARD OF DIRECTORS

NIALA PERSAD-POLIAH
Director

SYLVAN N. WILSON
Director

CALVIN BIJOU
Director

Niala Persad-Poliah - Director

Niala Persad-Poliah holds the position of Executive Director of the National Insurance Board of Trinidad and Tobago (NIBTT). As Executive Director, she has the responsibility for strategically leading the organization through transformational growth and development. Under Persad-Poliah's stewardship, the NIBTT's total funds stand at $29.94 Bn as at June 30, 2022. An advocate for strategic reform of the NIS, her leadership is one dedicated to sustainability of the NIS and to providing excellence in social insurance customer service.

With two decades of senior executive leadership experience at the NIBTT, Persad-Poliah heads a 600 plus member staff complement with diplomacy and compassion. She is a firm believer that an outward mindset of collaboration, active listening and personal accountability are important building-blocks to motivating and mentoring team members.

A graduate of the University of the West Indies in 1996, Persad-Poliah holds a Bachelor of Laws (L.L.B.) and acquired her Legal Education Certificate (L.E.C.) from the Hugh Wooding Law School in 1998. She obtained her Masters in Corporate and Commercial Law from UWI's Faculty of Law in 2014.

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.

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 The Human Side of 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 has been trained in Executive Coaching. He is the Chairman of Creative TT and a Director at Home Mortgage Bank, Trinidad and Tobago Mortgage Finance Company Limited, the National Insurance Board of Trinidad and Tobago as well as the National Insurance Property Development Company.

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DIRECTORS' REPORT

The Directors have pleasure in submitting their Report and the Audited Consolidated Financial Statements for the year ended December 31, 2022.

FINANCIAL RESULTS

	$ 000's
Net Profit before taxation	89,141
Taxation	(21,822)
Net Profit for the year	67,319
Retained earnings at the beginning of the year	1,110,788
	1,178,107
Add :	
Transfer to mortgage risk reserve	374
Less :	
Dividends paid	(24,134)
Retained earnings at the end of the year	1,154,347

LIQUIDITY

HMB continues to maintain a positive liquidity position to meet its current and future business needs, with a Cash & Cash equivalent figure of $24.2 million at the end of financial year.

DIVIDENDS

Dividends of $1.51 per share was paid during the year (2021 – $1.37).

DIRECTORS' INTEREST

None of the Directors hold shares in the HMB.

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

AUDITORS

Ernst & Young (EY) was re-appointed as auditors for 2022.

BY ORDER OF THE BOARD

Danielle Campbell
Corporate Secretary

Corporate Governance

CHANGES ON THE BOARD OF DIRECTORS
There were no changes to the Board in 2022.

CHANGES IN MANAGEMENT
There were no changes to Management in 2022.

MANAGEMENT
The Bank's Management structure comprises:

- Mr. Brent Mc Fee – Chief Executive Officer (Ag.)
- Mrs. Shamela Bal-Maharaj – Chief Financial Officer
- Mr. Andre Falby – Chief Risk Officer
- Mr. Osmond Prevatt - Manager, Fund Management and Capital Markets
- Mr. Sham Bassant - Manager, Commercial & Corporate Credit
- Mrs. Josanne Belfon–Mc Leod – Manager, Operational Risk and Compliance
- Ms. Cheryl-Ann Neptune – Manager, Human Resources
- Ms. Danielle Campbell - Corporate Secretary

Home Mortgage Bank is committed to its continued growth and profitability and to the strengthening and enhancement of its corporate governance programme. HMB 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 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
- HMB'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 generally
- 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

Corporate Governance

HUMAN RESOURCES AND REMUNERATION COMMITTEE

The Committee meets as required, to review human resource matters affecting management and staff, including remuneration of senior management and other key personnel, and to ensure consistency with the culture, objectives, strategy and control environment of the Bank. Members of the Committee are:

- Sylvan Wilson - Chairman
- 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

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$1M 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 HMB, and chaired by the Chief Risk Officer. The Committee meets monthly 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, Risk and Compliance Committee through the Manager, Operational Risk and Compliance.

HMB executed a historic transaction being the first entity in Trinidad and Tobago and the Caribbean to issue an internationally certified Social Bond in December 2022.

Brent Mc Fee
CEO (Ag.)

MANAGEMENT DISCUSSION AND ANALYSIS

2022 was another extraordinary year for business operations considering the global uncertainty and the Russia-Ukraine war which contributed significantly to the levels of macro-economic turbulence despite the widespread removal of pandemic-induced restrictions.

For the year ended December 31, 2022, HMB recorded an increase in Profit after Tax (PAT) $7.0 million or 11.6% ending the year at $67.3 million compared the prior year of $60.3 million. The growth in PAT was principally due to higher Total Income of $184.5 million compared to $178.4 million in 2021 coupled with a marginal change in Total Expenses of $95.3 million versus $95.0 million for the comparable period as HMB continued to improve operational efficiency. Total Comprehensive Income also increased by 3.3% ending the year at $64.0 million versus $62.0 million in 2021.

Net Interest Income recorded a growth rate of 2.6% adding an additional $4.5 million in interest income to end the year at $181.0 million compared to $176.4 million for the prior year. The increase was achieved as HMB continued the successful expansion of its Corporate Commercial Lending Portfolio.

Year-on-year performance showed a reduction in operational expenses by 7.5% or $2.0 million, moving from $26.3 million to $24.3 million. Finance costs decreased by 4% or $2.4 million to end the year at $57.8 million versus $60.2 million in 2021 as the Bank continued to source cheaper funding instruments via the expansion of its mutual fund and CMO offerings.

During 2022, HMB reviewed its Expected Credit Loss (ECL) methodology of its lending portfolios which resulted in the revision of assumptions for the ECL model specific to the Corporate Commercial Lending Portfolio. This change resulted in an increase on ECL provision of $7.8M for 2022. Total Assets remained stable year-on-year holding steady at $3.2 billion. Borrowings reduced by 43% ending the year at $287 million versus $506 million in the prior year. This positive trend led to a reduction in the gearing ratio moving from 1.8% to 1.7%. Return on Assets increased from 1.9% in 2021 to 2.1% in 2022. Similarly, Return on Equity increased to 5.7% from 5.3% in the prior year signalling the continued maintenance of a strong financial position. Interest Cover also increased to 2.54 times versus 2.39 times in 2021. Earnings per share recorded stood at $4.21

Investments and Funding Activities

Fixed-Income Market

For the year 2022, the Government of Trinidad and Tobago and HMB were the only issuers in the primary fixed-income market collectively raising $3.1 billion in bonds.

On delivering on its mandate to expand the local capital market, HMB is intent on being a forerunner in the local sustainable finance market. In this regard, HMB executed a historic transaction being the first entity in Trinidad and Tobago and the Caribbean to issue an internationally certified Social Bond in December 2022. The bond seeks to expand funding specifically for the low and middle-income segments of the local mortgage market.

Thematic issues are gaining traction internationally as stakeholders expand their issuance of green and sustainable financial instruments to fund initiatives for climate change adaptation and mitigation, and other objectives aligned to the United Nations Sustainable Development Goals.

Asset-Backed Securities

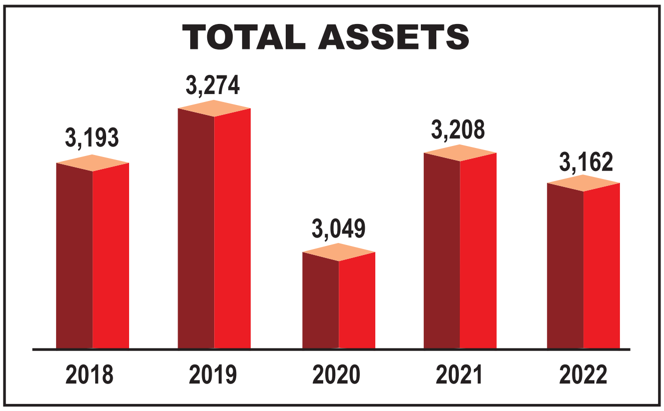
HMB continued its strategy of diversifying its funding sources via the distribution of mortgage-backed securities namely Collateralized Mortgage Obligations (CMOs) and mutual funds. These instruments provide a consistent source of funding and flexibility in managing its cost of funds.

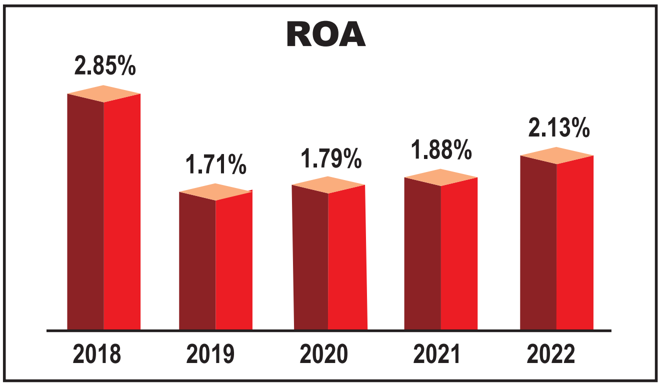
On May 2, 2022, HMB issued its third (3rd) CMO within the last four (4) years. The CMO was valued at $100M and consisted of four (4) tranches catering to both individual and institutional investors.

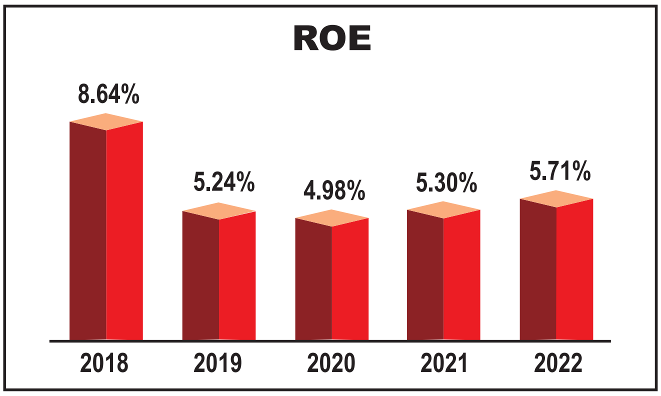
Collateralized Mortgage Obligations

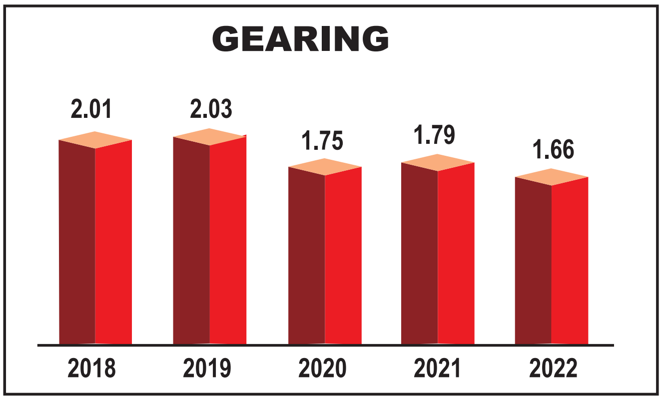
As at December 31, 2022, HMB had $379.3 million CMO Certificates in issue secured by $420.4 million in residential mortgages. For the period February 2019 to December 2022, HMB's CMO mortgage portfolios generated $302.8 million in principal and interest payments.

Investors have since benefitted from $82.1 million in interest payments and $220.7 million in principal repayments. The CMOs continued to perform based on the quality of the underlying mortgage portfolios and risk mitigants built into the securities.









Samaan Tree Fund

The Samaan Tree Fund continued its consistent growth from its launch in February 2020. As at December 2022, the Fund had $78.6 million in assets under management. This represents a year-on-year increase of 26%. The Fund generated $4.2 million in interest income and distributed $2.0 million to unitholders. Annually the Fund returned 3.08% to investors.

Mortgage Participation Fund

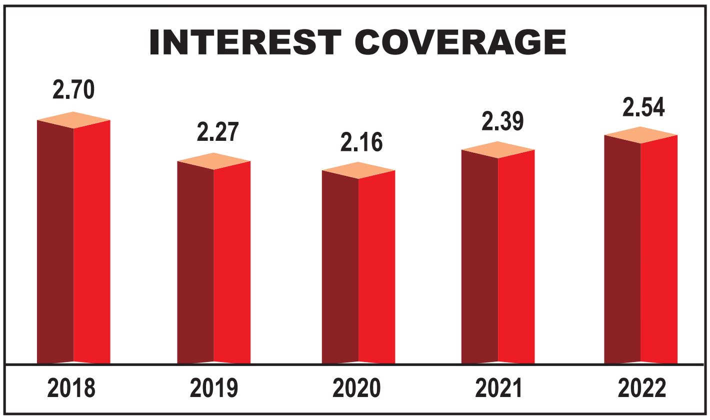
The Mortgage Participation Fund (MPF) continues to be the larger of the two (2) Funds offered by HMB. As at December 31, 2022, the MPF had $437.4 million in assets under management. The major asset held by the Fund is prime residential mortgages. For the year ended December 31, 2022, the MPF generated $25.5 million in interest income and distributed $6.8 million to investors. The Fund generated an annual return of 1.50%. Unitholders in the MPF benefit from a fixed net asset value per unit and a guarantee on their investment and declared returns from HMB.

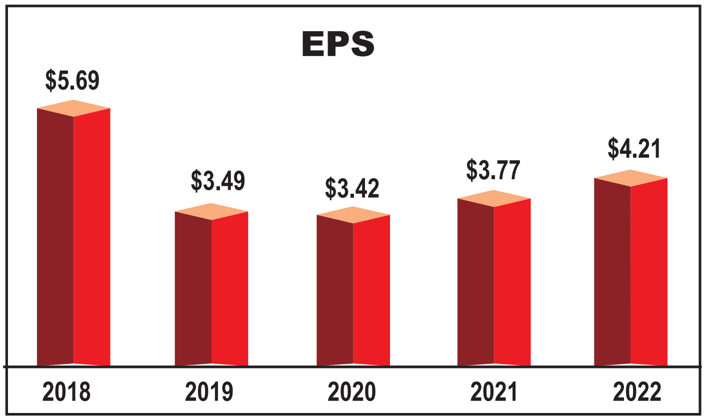
Commercial and Corporate Credit

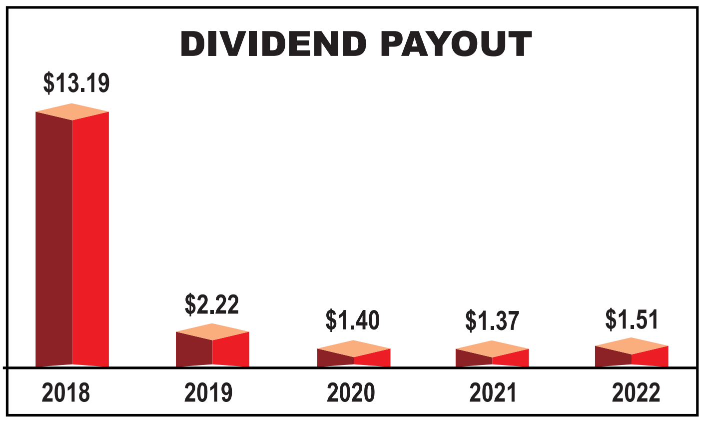
HMB's Corporate Commercial Lending Portfolio reflected growth of 33.8% year over year, which was driven by loan disbursements of $216.6 million. The loan pipeline remains buoyant, and we continue to capitalize on the active housing market. The portfolio comprised of commercial land and property facilities as well as project financing for residential properties. In addition to our primary portfolio, HMB continued its secondary mortgage purchases of $75 million from TTMF.

Risk Management

The Risk Management Department oversees all risk control activities aligned towards supporting the achievement of HMB's strategic objectives. The Audit, Risk and Compliance Committee is responsible for Risk Management at the Board level and continued to receive quarterly reports on existing and emerging risks with appropriate status updates on mitigation plans.







2018 includes a Special Dividend Payout

At the management level, the Management Risk Committee (MRC) monitors all risk management operational activities. In 2022, the development of a targeted management committee, the High-Risk Review Committee, to monitor and assess activities related to higher-risk lending facilities, also saw greater oversight in this regard. This served to further reinforce HMB's Enterprise Risk Management Framework, through enhanced credit risk management activities and was validated by an independent analysis of the Corporate Commercial Lending Portfolio, which resulted in a rating of Satisfactory.

In 2022, a comprehensive review of HMB's Risk Appetite Statement was also completed, in alignment with international best practice. This captured detailed limits for strategic, financial, operational, reputational and regulatory risks and saw the introduction of performance monitoring metrics. Adherence to these limits and appropriate mitigating actions now form a part of the quarterly reporting to the Board.

Human Resources

One of our core values is fostering an employee centric environment; designing positive employee experiences and ensuring a rewarding journey for each member of staff at HMB. We celebrated our employees with engaging activities each week during our Employee Appreciation Month in March, culminating in a sponsored self-care day for each employee which strengthened our employee engagement. We also continued the hybrid work model with employees being able to split their time between working in office or remotely once the nature of their work could facilitate this.

Quarterly staff meetings provided regular feedback on topics such as strategy, targets, merger updates, health and safety and personal and professional information security. Our ability to meet in person for the first time in two (2) years was invaluable and allowed for more interactive and direct dialogue on any issue in the open forum segments.

There is no doubt that our talented and committed employees played a special role in the growth in profitability of HMB in 2022 and we look forward to continued delivery of positive experiences for all employees.

Outlook

Looking ahead HMB predicts consistent growth as the economy continues to recover from the Covid -19 pandemic. The pending merger between HMB and TTMF has progressed significantly as both institutions are working towards developing closer ties and synergic strategies. HMB will continue to monitor economic and market trends; adopting innovative strategies and practical solutions to ensure our growth and development.

FIVE YEAR REVIEW

BALANCE SHEET

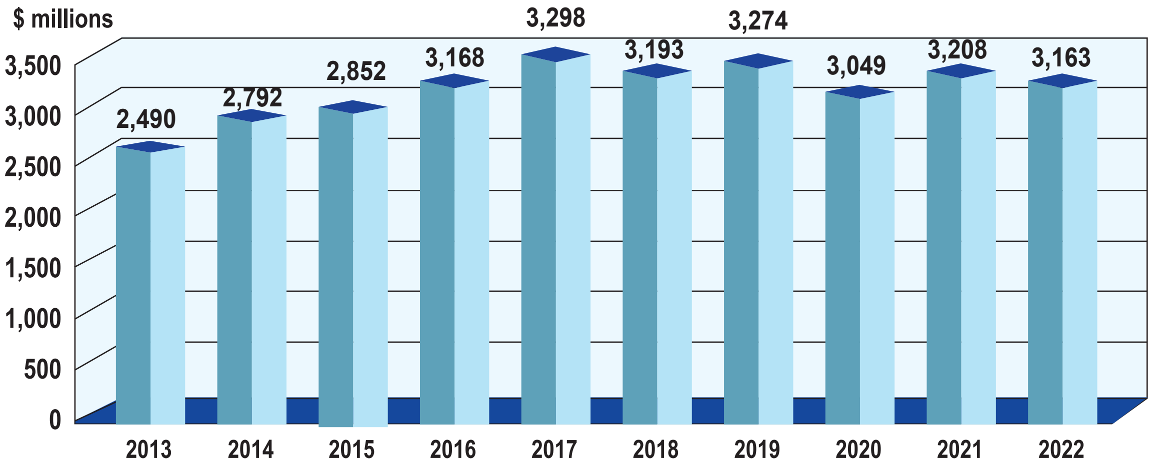
December 31	2022 $'000	2021 $'000	2020 $'000	2019 $'000	Restated 2018 $'000	Restated 2017 $'000	Restated 2016 $'000	Restated 2015 $'000
Loans & Advances	2,152,134	2,144,207	2,060,435	2,361,282	2,278,700	1,528,050	1,250,769	1,058,027
Investment Securities	919,285	973,430	901,070	805,240	791,340	1,680,611	1,822,138	1,700,059
Total Assets	3,162,536	3,207,686	3,048,924	3,274,161	3,192,623	3,298,311	3,167,853	2,852,408
Funding Liabilities	1,957,986	2,041,414	1,925,805	2,166,379	2,113,678	2,032,445	1,815,876	1,575,598
Total Liabilities	1,983,805	2,068,860	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	16,000	16,000
Retained Earnings	1,154,347	1,110,788	1,070,952	1,039,092	979,489	634,811	592,476	527,142

INCOME STATEMENT

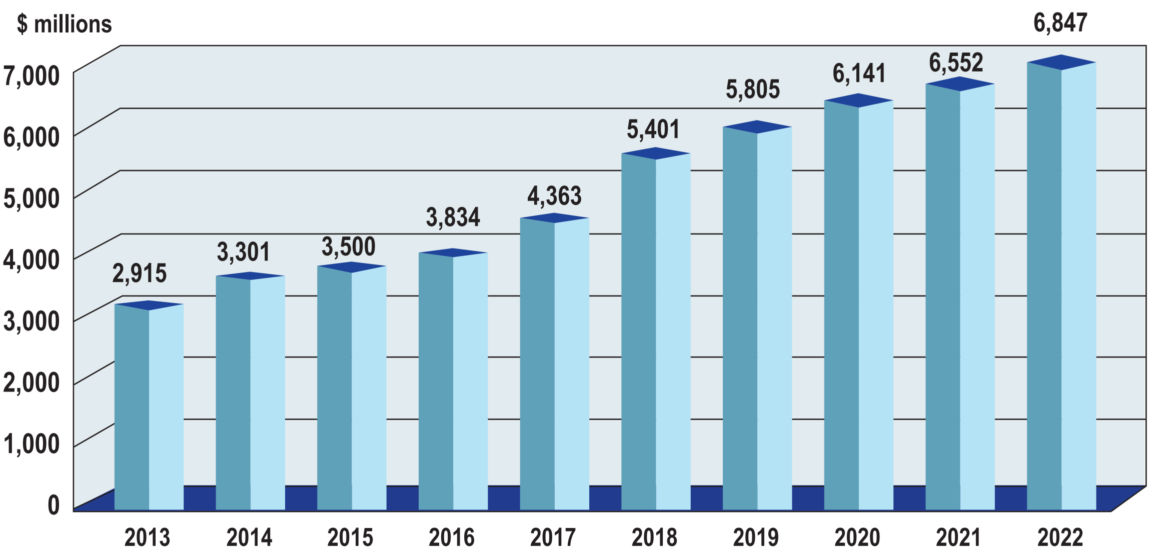
Income	184,497	178,432	173,065	170,511	178,883	160,106	140,145	132,477
Profit before Taxation	89,141	83,465	75,614	77,181	105,553	85,845	83,579	86,119
Net Income	**67,319**	**60,336**	**54,701**	**55,844**	**91,092**	**75,056**	**78,202**	**80,020**
Operating Expenses	24,345	26,328	25,715	27,849	28,094	23,661	21,325	19,034
Earnings per share	$4.21	$3.77	$3.42	$3.49	$5.69	$4.69	$4.89	$5.00

TEN YEAR OVERVIEW

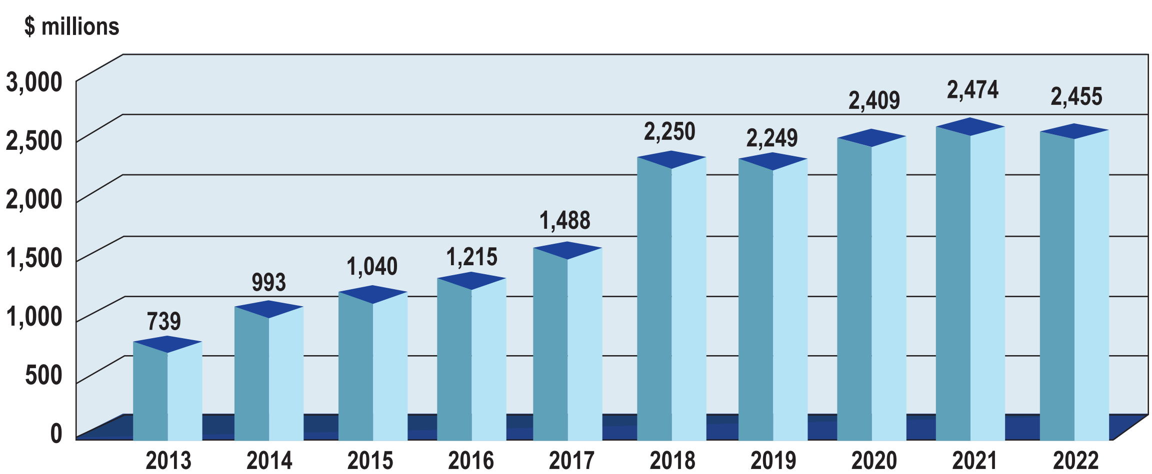
TOTAL ASSETS



ACCUMULATED VALUE OF MORTGAGES

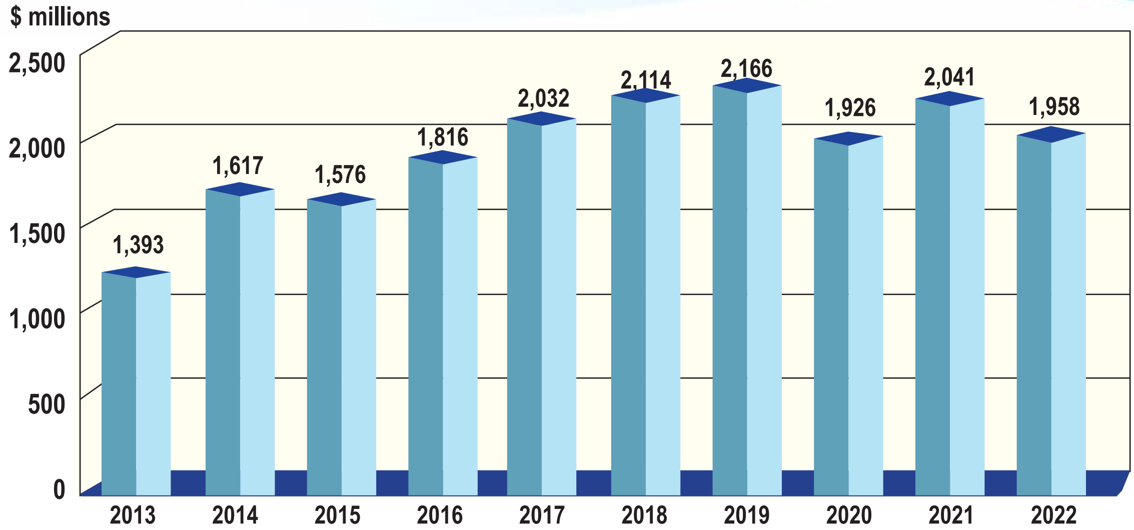


MORTGAGE PORTFOLIO SERVICED

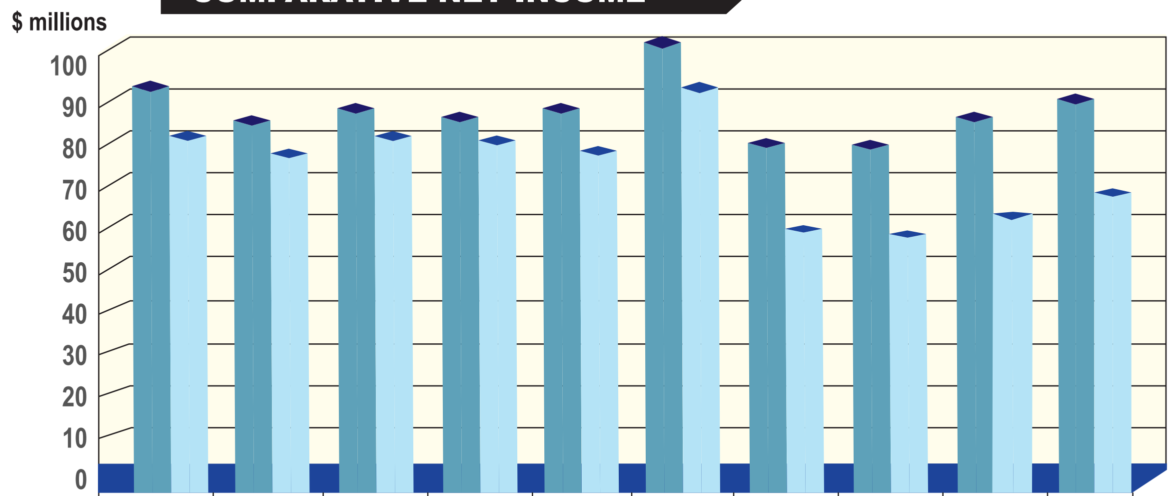


TEN YEAR OVERVIEW

FUNDING LIABILITIES

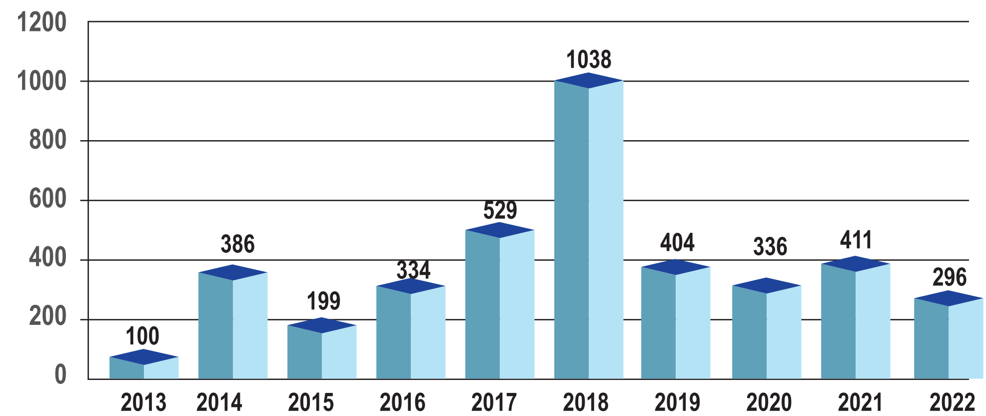


COMPARATIVE NET INCOME



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Profit before Taxation	91	83	86	84	86	106	77	76	83	89
Profit after Taxation	80	76	80	78	75	91	56	55	60	67

NEW MORTGAGES



Environmental, Social, and Governance

In 2022, Home Mortgage Bank partnered with IDB Invest, a member of the IDB Group, to issue the first Social Bond in Trinidad and Tobago and the Caribbean region. The Bond was issued for TT$300 million with a tenor of five (5) years and is aligned with the Social Bond Principles (SBP) published by the International Capital Market Association (ICMA). Home Mortgage Bank also received an 'Aligned' rating for its methodical framework from Standard and Poor's, an external consultant specializing in Thematic Bond issuances.

As a part of this agreement, the Social Bond will be used exclusively to purchase mortgages from the Trinidad and Tobago Mortgage Finance Company (TTMF) subsidized mortgage portfolio which is expected to be substantially advanced in 2023. These are mortgages originated under the Government of Trinidad and Tobago's 2% and 5% programmes and supports TTMF's financing of homes to persons with low-and middle-income. As a part of this initiative, Home Mortgage Bank will also receive technical assistance from IDB Invest to develop a Sustainable Finance Strategy and an Environmental and Social Management System.

At Home Mortgage Bank, 2022 saw a disposition of management, staff and directors that continued to represent a wide cross-section of ages as well as ethnic diversity across both genders, with a wealth of experience. This allows for a multiplicity of perspectives and thoughts towards holistic decision-making. Our inclusivity in this respect also extends to our panel of suppliers, where the focus is on local companies, including the use of recycling services to reduce HMB's waste contribution levels.

In 2022, the independent validation of our operations was and continues to be achieved through the engagement of two internationally recognized auditing firms – EY and Deloitte, another testimony of our ability to demonstrate transparency via documented policies and procedures and also adherence to best practice.

On yet another progressive note, in 2022 the management and staff of Home Mortgage Bank continued to embrace the lessons taught by the Covid-19 pandemic in terms of leveraging technological capabilities. Continued hybrid and remote work/meeting arrangements have allowed management, staff and directors to, on a more personal level, reduce their carbon footprint, fostering a greater sense of environmental awareness through reduced daily commuting. This approach has also seen a reduction in in-office energy costs, contributing favorably to operating expenses since 2020.

Also, as a part of our ongoing drive to support the community, donations have and continue to be focused on schools and non-profit organizations, which create mutually beneficial opportunities.

In the year under review, HMB contributed to a number of initiatives hosted by included:

- St. Vincent De Paul Society
- Fatima Class of '75 and Friends
- Rotary Club of Central Port of Spain
- The Optimum Primary School
- Learning Is For Everyone (L.I.F.E.) Centre

Our commitment is centered on assisting persons and institutions in alignment with the objectives of the United Nations Sustainable Development Goals and other Sustainability-linked principles.

EXECUTIVE MANAGERS

BRENT MC FEE
Chief Executive Officer (Ag.)

SHAMELA BAL-MAHARAJ
Chief Financial Officer

ANDRE FALBY
Chief Risk Officer

MANAGERS

SHAM BASSANT
Commercial and Corporate Credit

JOSANNE BELFON-MC LEOD
Operational Risk and Compliance

MANAGERS

OSMOND PREVATT
Fund Management and Capital Markets

DANIELLE CAMPBELL
Corporate Secretary

CHERYL-ANN NEPTUNE
Human Resources

EMPLOYEE OF THE YEAR

Vicki Bruce

STAFF MEMBERS

ARIEL ALLERT

BEVAN PERRYMAN

VICKI BRUCE

MARC TRESTRAIL

KERON LEACH

KAI DES VIGNES

ESLA JONES

VISHWADAI MOONSAMMY

AMICHAI DRAYTON

USHA GAJADHAR

DINSLEY O'BRIEN

KERILYNN PHILLIP

JAYDA WILSON

STAFF MEMBERS

NIGEL GIBSON

AALYSSA MITCHELL

AVION ALVES-ROLLOCK

ISRAEL KHAN

PRIYA ABLACK

CHINEDU EMESIANI

GILLIAN TORRIES-THOMAS

NYLA NURSE-BRAVO

KEISHELLE STRACHAN

KEVAUGHN SUCRE

TEEMOI CHAITAN

ANDEL RAMNATH

HMB'S PRODUCTS

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

SAMAAN TREE FUND

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

Why Invest in the STF?

- Short and medium-term i nvestment 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.

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.

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

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

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2022

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

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 December 31, 2022, 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 December 31, 2022 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 for 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 2022 Annual Report

Other information consists of the information included in the Group's 2022 Annual Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2022 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 SUBSIDARIES

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.
- 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.

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

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

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

- 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.

EY

Port of Spain
TRINIDAD:
March 24, 2023

Consolidated Statement of Financial Position

For the Year ended December 31, 2022

(Expressed in thousands of Trinidad and Tobago Dollars)

ASSETS	Notes	2022 $'000	2021 $'000
Cash and cash equivalents	4	24,163	16,235
Investment securities	5, 6	919,285	973,430
Loans and advances to customers	7	2,152,134	2,144,207
Other assets	8	39,147	46,838
Capitalised bond issue costs	9	4,266	2,849
Investment property	10	15,855	15,870
Property and equipment	11	1,723	2,271
Intangible asset	12	1,129	1,043
Right of use asset	13	–	130
Taxation recoverable		1,020	1,020
Deferred tax asset	14	3,814	3,793
Total assets		3,162,536	3,207,686
EQUITY AND LIABILITIES			
EQUITY			
Stated capital	15	16,000	16,000
Retained earnings		1,154,347	1,110,788
Revaluation reserve	16	(1,655)	1,625
Mortgage risk reserve	17	10,039	10,413
Total equity		1,178,731	1,138,826
LIABILITIES			
Lease liability	13	–	137
Other liabilities	18	24,540	26,455
Liability to fund holders	21	495,551	499,897
Borrowings	19	287,000	506,000
Debt securities	20	1,175,435	1,035,517
Deferred tax liability	14	1,279	854
Total liabilities		1,983,805	2,068,860
Total equity and liabilities		3,162,536	3,207,686

These consolidated financial statements have been approved for issue by the Board of Directors on March 21, 2023 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 December 31, 2022

(Expressed in thousands of Trinidad and Tobago Dollars)

	Notes	2022 $'000	2021 $'000
Income			
Interest income calculated using the effective interest method	22	187,402	184,267
Interest expense	22	(6,438)	(7,826)
Net interest income	22	180,964	176,441
Fee income		3,533	1,991
		184,497	178,432
Expenditure			
General and administrative expenses	23	(24,345)	(26,328)
Finance costs		(57,816)	(60,204)
Provision on investment property	10	(15)	(3,040)
ECL on loans and advances to customers	7	(13,180)	(5,395)
		(95,356)	(94,967)
Profit before taxation		89,141	83,465
Taxation	24	(21,822)	(23,129)
Profit for the year		67,319	60,336

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

Consolidated Statement of Comprehensive Income

For the Year ended December 31, 2022

(Expressed in thousands of Trinidad and Tobago Dollars)

	Notes	2022 $'000	2021 $'000
Profit for the year		67,319	60,336
Other comprehensive (loss)/income for the year			
Items that will not be reclassified to profit or loss			
Investment securities at FVOCI – net change in fair value	16	(3,280)	1,658
Total other comprehensive (loss)/income for the year		(3,280)	1,658
Total comprehensive income for the year		64,039	61,994
Basic and diluted earnings per share ($)		4.21	3.77
Number of shares ('000)	15	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 December 31, 2022

(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 December 31, 2022						
Balance at January 1, 2022		16,000	1,110,788	1,625	10,413	1,138,826
Transfer from mortgage risk reserve	17	–	374	–	(374)	–
Total comprehensive income for the year		–	67,319	(3,280)	–	64,039
		16,000	1,178,481	(1,655)	10,039	1,202,865
Dividends	29	–	(24,134)	–	–	(24,134)
Balance at December 31, 2022		16,000	1,154,347	(1,655)	10,039	1,178,731
Balance at December 31, 2021						
Balance at January 1, 2021		16,000	1,070,952	(33)	11,793	1,098,712
Transfer from mortgage risk reserve	17	–	1,380	–	(1,380)	–
Total comprehensive income for the year		–	60,336	1,658	–	61,994
		16,000	1,132,668	1,625	10,413	1,160,706
Dividends	29	–	(21,880)	–	–	(21,880)
Balance at December 31, 2021		16,000	1,110,788	1,625	10,413	1,138,826

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

Consolidated Statement of Cash Flows

For the Year ended December 31, 2022

(Expressed in thousands of Trinidad and Tobago Dollars)

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
Profit before taxation		89,141	83,465
Adjustments for:			
Charge to provision for impairment of loans and advances		13,180	5,395
Impairment loss on lands for development		15	3,040
Gain on property and equipment		2	3
Depreciation	11,13	1,103	3,796
Amortisation of intangible assets	12	287	52
Reclassification of property and equipment		–	225
Capitalised interest on managed funds	21	7,933	7,330
Net premium recognized on investments		(10,761)	(9,928)
Finance charge		–	34
Bond issue costs amortised	9	793	1,152
Operating profit before working capital changes		101,693	94,564
Changes in:			
Decrease/(increase) in other assets		10,124	(6,934)
Increase in other liabilities		3,429	841
Corporation taxes paid		(26,901)	(20,404)
Net cash flows generated from operating activities		88,345	68,067
Cash flows generated from investment activities			
Issuance of new mortgages and loans		(399,596)	(399,190)
Proceeds from repayment on mortgages and loans		376,056	310,022
Purchase of property and equipment	11	(428)	(543)
Purchase of intangible assets	12	(373)	(614)
Proceeds from sale of property and equipment		1	–
Proceeds from maturity of investment securities		121,626	57,736
Purchase of investment securities		(154,309)	(196,236)
Sale of investment securities		94,311	77,725
Proceeds from sale of investment property		–	3,950
Proceeds from managed funds	21	101,922	150,628
Repayment of managed funds	21	(114,201)	(172,687)
Net cash flows generated from/(used in) investing activities		25,009	(169,209)

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

Consolidated Statement of Cash Flows

For the Year ended December 31, 2022

(Expressed in thousands of Trinidad and Tobago Dollars)

	Notes	2022 $'000	2021 $'000
Cash flows from financing activities			
Proceeds from borrowings	19	703,000	675,000
Repayment of borrowings	19	(922,000)	(442,829)
Proceeds from bonds issued	20	469,309	56,301
Redemption of bonds	20	(329,391)	(158,134)
Dividends paid		(24,134)	(21,880)
Bond issue costs incurred	9	(2,210)	–
Net cash flows (used in)/generated from financing activities		(105,426)	108,458
Net increase in cash and cash equivalents		7,928	7,316
Cash and cash equivalents at beginning of year		16,235	8,919
Cash and cash equivalents at end of year		24,163	16,235
Represented by:			
Cash at bank and on hand		23,819	16,235
Short-term deposits		344	–
		24,163	16,235
Supplemental information:			
Income received during the year		165,843	158,874
Interest paid during the year		(48,026)	(52,085)
Dividend paid		(24,134)	(21,880)

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

Notes to the Consolidated Financial Statements

For the Year ended December 31, 2022

(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 one subsidiary company which are listed below and collectively are referred to as the "Group":

Subsidiary company	Country of incorporation	Percentage owned
Tobago Plantation House Limited	Trinidad and Tobago	100%

The principal activity of this subsidiary 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 March 21, 2023.

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 subsidiary 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.

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 December 31, 2021, except for the adoption of new standards, amendments and interpretations outlined below.

New standards and amendments/revisions to published standards and interpretations effective on January 1, 2022

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

- Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts: Cost of Fulfilling a Contract

2. Significant accounting policies (continued)

(c) Changes in accounting policies (continued)

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter
- Amendments to IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

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 January 1, 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
- Amendment to IAS 8 – Definition of Accounting Estimates
- Amendment to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendment to IAS 12 – Deferred tax related to Assets and Liabilities arising from a Single Transaction

Effective January 1, 2024:

- Amendments to IFRS 16 – Lease Liability in Sale and Leaseback

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 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.

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.

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.

Notes to the Consolidated Financial Statements
For the Year ended December 31, 2022
(Expressed in thousands of Trinidad and Tobago Dollars)

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.

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 January 1, 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.

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.

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.

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.

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.

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.

2. **Significant accounting policies** (continued)

(e) **Financial instruments** (continued)

Forward looking information for ECL

Management uses a scorecard approach to apply the impact of macro-economic factors on the ECL values. 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.

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.

(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.

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.

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.

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.

The Group computes depreciation using the straight-line method. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if required.

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) Intangible assets

Acquired software and computer software licenses are the only intangible assets recognized by the Group in these financial statements. Computer software and licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software into operation. The costs are recognized as an intangible asset if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably.

The cost of intangible assets are amortised on a straight line basis over the estimated useful life of the asset or the life of the license whichever is shorter.

Costs associated with maintaining computer software are expenses when incurred.

2. Significant accounting policies (continued)

(k) 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.

(l) 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.

2. Significant accounting policies (continued)

(m) 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.

(n) 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.

(o) 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.

(p) 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 $611,961 (2021: $537,615).

2. Significant accounting policies (continued)

(q) 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 comprehensive income.

(r) Revenue from contracts with customers

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

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

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

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

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

2. Significant accounting policies (continued)

(s) 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.

2. Significant accounting policies (continued)

(t) 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.

2. **Significant accounting policies** (continued)

(t) **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.

(u) **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.

(v) **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.

(w) **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.

2. **Significant accounting policies** (continued)

(x) 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.

3. **Significant accounting judgements, estimates and judgements**

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

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

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

Estimates and assumptions

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

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

Estimates and assumptions (continued)

Impairment of financial assets

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

The Group's ECL 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.

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.

Notes to the Consolidated Financial Statements
For the Year ended December 31, 2022
(Expressed in thousands of Trinidad and Tobago Dollars)

		2022	2021
4.	**Cash and cash equivalents**	**$'000**	**$'000**
	Cash and cash equivalents comprise:		
	Cash at bank and on hand	24,163	16,235

The average effective interest rate on cash and short-term deposits is 0.02% (2021: 0.02%).

		2022	2021
5.	**Investment securities**	**$'000**	**$'000**
	Investment securities measured at FVOCI – debt instruments	919,285	973,430
	Debt investment securities measured at FVOCI		
	State-owned company securities	384,999	469,449
	Government securities	458,114	447,808
	Investment in 2019 CMO	9,378	9,178
	Investment in 2020 CMO	29,410	49,100
	Investment in 2022 CMO	39,489	–
	Expected credit loss on debt securities	(2,105)	(2,105)
		919,285	973,430

The average effective interest rate on investment securities for the year is 3.89% (2021: 4.24%).

	2022	2021
Reconciliation of expected credit losses on investments	**$'000**	**$'000**
Balance at January 1	2,105	2,105
Charge for the year	–	–
Balance at December 31	2,105	2,105

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.

(Expressed in thousands of Trinidad and Tobago Dollars)

6. Fair value of financial instruments (continued)

(b) Financial instruments measured at fair value

	2022			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
State-owned and government securities	–	841,008	–	841,008
Investment in 2019 CMO	–	–	9,378	9,378
Investment in 2020 CMO	–	–	29,410	29,410
Investment in 2022 CMO	–	–	39,489	39,489
Total	–	841,008	78,277	919,285

	2021			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
State-owned and government securities	–	915,152	–	915,152
Investment in 2019 CMO	–	–	9,178	9,178
Investment in 2020 CMO	–	–	49,100	49,100
Total	–	915,152	58,278	973,430

Transfers between and movements in Levels

For the year ended December 31, 2022, there were no transfers of assets between and movements in levels.

(Expressed in thousands of Trinidad and Tobago Dollars)

6. Fair value of financial instruments (continued)

(c) Financial instruments not measured at fair value

The table below shows the financial assets and liabilities not measured at fair value and seeks to 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 December 31, 2022					
Assets					
Loans and advances to customers	–	–	2,152,134	2,152,134	2,152,134
Liabilities					
Borrowings	–	287,000	–	287,000	287,000
Debt securities	–	1,175,435	–	1,175,435	1,175,435
Mortgage Participation Fund	–	–	436,826	436,826	436,826
Samaan Tree Fund	–	–	58,725	58,725	58,725
	–	1,462,435	495,551	1,957,986	1,957,986

(Expressed in thousands of Trinidad and Tobago Dollars)

6. Fair value of financial instruments (continued)

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value $'000	Total carrying amount $'000
As at December 31, 2021					
Assets					
Loans and advances to customers	–	–	2,144,207	2,144,207	2,144,207
Liabilities					
Borrowings	–	506,000	–	506,000	506,000
Debt securities	–	1,035,517	–	1,035,517	1,035,517
Mortgage Participation Fund	–	–	454,025	454,025	454,025
Samaan Tree Fund	–	–	45,872	45,872	45,872
	–	1,541,517	499,897	2,041,414	2,041,414

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		2022 $'000	2021 $'000
Loans retained		1,510,083	1,573,799
Mortgages held in trust (Note 21)		506,265	513,190
Other loans		135,786	57,218
Total loans administered		2,152,134	2,144,207
The composition of loans retained is as follows:			
Retained mortgage loans	7(a)	1,501,522	1,560,890
Construction loan advances	7(b)	8,561	12,909
		1,510,083	1,573,799

Notes to the Consolidated Financial Statements

For the Year ended December 31, 2022

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7. Loans and advances to customers (continued)

(a) Retained mortgage loans

	2022 $'000	2021 $'000
Principal balances and unamortised discounts:		
Total loans administered at January 1	2,473,643	2,360,408
New mortgages/transfers from construction loan advances	315,416	480,804
Principal repayments	(333,903)	(367,569)
	2,455,156	2,473,643
Expected credit losses on loans	(26,938)	(13,758)
Mortgages sold to CMO 2019	(109,461)	(134,067)
Mortgages sold to CMO 2020	(211,543)	(251,738)
Mortgages sold to CMO 2022	(99,427)	–
Total loans administered at December 31	2,007,787	2,074,080
Mortgages held in trust (Note 21)		
- Mortgage Participation Fund	(428,928)	(452,784)
- Samaan Tree Fund	(77,337)	(60,406)
	(506,265)	(513,190)
Retained mortgage loans	1,501,522	1,560,890
Represented by:		
Mortgages with recourse	21,678	30,892
Mortgages without recourse	1,479,844	1,529,998
Balance at December 31	1,501,522	1,560,890

(Expressed in thousands of Trinidad and Tobago Dollars)

7. **Loans and advances to customers** (continued)	**2022 $'000**	**2021 $'000**
(a) **Retained mortgage loans** (continued)		
Reconciliation of mortgages sold to CMOs:		
CMO 2019		
Mortgages sold at issuance date	208,662	208,662
Principal repayments	(99,201)	(74,595)
Balance at December 31	109,461	134,067
CMO 2020		
Mortgages sold at issuance date	321,001	321,001
Principal repayments	(109,458)	(69,263)
Balance at December 31	211,543	251,738
CMO 2022		
Mortgages sold at issuance date	111,419	–
Principal repayments	(11,992)	–
Balance at December 31	99,427	–
Reconciliation of expected credit losses on loans:		
Balance at January 1	13,758	8,363
Charge for the year	13,180	5,395
Balance at December 31	26,938	13,758

The average effective interest rate on the retained mortgage portfolio is 7.52% (2021: 6.51%).

Notes to the Consolidated Financial Statements

For the Year ended December 31, 2022

(Expressed in thousands of Trinidad and Tobago Dollars)

7. Loans and advances to customers (continued)

	2022 $'000	2021 $'000
(b) Construction loan advances		
Balance at January 1	12,909	15,349
Repayments	(2,080)	(1,280)
Advances converted to mortgages	(2,268)	(1,160)
Balance at December 31	8,561	12,909

The average effective interest rate on construction loan advances is 6.35% (2021: 6.51%).

8. Other assets

	2022 $'000	2021 $'000
Interest receivable on investment securities	5,937	6,886
Interest receivable on loans and advances	4,890	5,135
Advance receipt on bond issued	152	283
Prepaid expenses	1,314	766
Sundry debtors	1,410	5,388
Mortgage remittance receivable	25,444	28,380
	39,147	46,838

9. Capitalised bond issue costs

Balance at January 1	2,849	4,001
Costs incurred during the year	2,210	–
	5,059	4,001
Costs amortised during the year	(793)	(1,152)
Balance at December 31	4,266	2,849

(Expressed in thousands of Trinidad and Tobago Dollars)

10. Investment property	2022 $'000	2021 $'000
Tobago Villas		
Balance at January 1	–	9,424
Cost of units sold	–	(9,424)
	–	–
Provision for impairment	–	–
Balance at December 31	–	–
Tobago Land		
Balance at January 1	1,870	7,976
Provision for impairment	–	(6,106)
Balance at December 31	1,870	1,870
Other real estate holding		
Balance at January 1	14,000	18,876
Provision for impairment	(15)	(4,876)
Balance at December 31	13,985	14,000
	15,855	15,870
Provision for impairment:		
Balance at January 1	10,982	13,418
Charge for the year	15	3,040
Provisions released during the year	–	(5,476)
Balance at December 31	10,997	10,982

Tobago Villas

The sale for the remaining two (2) villas was finalised in January 2021 (Note 31).

Land and Other real estate holding

The carrying value of the land held has been adjusted to reflect the market value as per valuation report and actual sale price.

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 January 2023.

(Expressed in thousands of Trinidad and Tobago Dollars)

10. Investment property (continued)

Land and Other real estate holding (continued)

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 either the earlier of every 5 years or in years where there are indicators of significant changes in market conditions.

11. Property and equipment

	Furniture, fixtures, office machinery and equipment $'000	Motor vehicles $'000	Total $'000
Cost			
Balance at January 1, 2022	9,996	763	10,759
Additions	69	359	428
Disposals	(17)	–	(17)
Balance at December 31, 2022	10,048	1,122	11,170
Depreciation			
Balance at January 1, 2022	7,914	574	8,488
Charge for the year	833	140	973
Disposals	(14)	–	(14)
Balance at December 31, 2022	8,733	714	9,447
Net book value	1,315	408	1,723

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11. Property and equipment (continued)

	Furniture, fixtures, office machinery and equipment $'000	Motor vehicles $'000	Total $'000
Cost			
Balance at January 1, 2021	12,343	763	13,106
Additions	543	–	543
Disposals	(2,184)	–	(2,184)
Reclassification to intangible assets	(481)	–	(481)
Reclassification to profit or loss statement	(225)	–	(225)
Balance at December 31, 2021	9,996	763	10,759
Depreciation			
Balance at January 1, 2021	8,041	393	8,434
Charge for the year	2,055	181	2,236
Disposals	(2,182)	–	(2,182)
Balance at December 31, 2021	7,914	574	8,488
Net book value	2,082	189	2,271

12. Intangible asset

	Computer Software $'000	Software license $'000	Total $'000
Cost			
Balance at January 1, 2022	694	401	1,095
Additions	–	373	373
Balance at December 31, 2022	694	774	1,468
Depreciation			
Balance at January 1, 2022	35	17	52
Charge for the year	139	148	287
Balance at December 31, 2022	174	165	339
Net book value	520	609	1,129

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For the Year ended December 31, 2022

(Expressed in thousands of Trinidad and Tobago Dollars)

12. Intangible asset (continued)	**Computer Software $'000**	**Software license $'000**	**Total $'000**
Cost			
Balance at January 1, 2021	–	–	–
Additions	213	401	614
Reclassification	481	–	481
Balance at December 31, 2021	694	401	1,095
Depreciation			
Balance at January 1, 2021	–	–	–
Charge for the year	35	17	52
Balance at December 31, 2021	35	17	52
Net book value	659	384	1,043

(Expressed in thousands of Trinidad and Tobago Dollars)

13. 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 had a lease term of three (3) years ended January 2022 with a fixed payment amount. Lease payments for February to December 2022 have been accounted for as a short-term lease. 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.

	2022 $'000	2021 $'000
Right of use asset		
Balance as at January 1	130	1,690
Depreciation charge	(130)	(1,560)
Balance as at December 31	–	130
Lease liability		
Balance as at January 1	137	1,752
Finance charge	–	34
Lease payments	(137)	(1,649)
Balance as at December 31	–	137
Current (due within 12 months)	–	137
Non-current (due beyond 12 months)	–	–
The following are the amounts recognised in the consolidated statement of comprehensive income:		
Depreciation expense for right of use assets	130	1,560
Interest expense on lease liabilities	–	34
Expense relating to low value leases	52	51
Total amount recognised in statement of comprehensive income	182	1,645

(Expressed in thousands of Trinidad and Tobago Dollars)

13. Leases (continued)

The Group had total cash outflows of $137,393 in 2022 (2021: $1.6 million) relating to its lease agreements.

14. 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:

	2021	Credit/(charge) to profit or loss	OCI	2022
Deferred tax assets	**$'000**	**$'000**	**$'000**	**$'000**
Impairment provision on investment property	3,276	–	–	3,276
Property and equipment	517	21	–	538
	3,793	21	–	3,814
Deferred tax liabilities				
Bond issue costs	(854)	(425)	–	(1,279)
	(854)	(425)	–	(1,279)
Net deferred tax asset	2,939	(404)	–	2,535

(Expressed in thousands of Trinidad and Tobago Dollars)

14. Deferred tax asset (liability) (continued)

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

	2020	Credit/(charge) to profit or loss	OCI	2021
Deferred tax assets	**$'000**	**$'000**	**$'000**	**$'000**
Impairment provision on investment property	4,026	(750)	–	3,276
Property and equipment	299	218	–	517
	4,325	(532)	–	3,793
Deferred tax liabilities				
Bond issue costs	(1,202)	348	–	(854)
	(1,202)	348	–	(854)
Net deferred tax asset	3,123	(184)	–	2,939

ii. The movement on the deferred tax account is as follows:	2022 $'000	2021 $'000
Balance at January 1	2,939	3,123
Charge to profit or loss (Note 24)	(404)	(184)
Balance at December 31	2,535	2,939

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15. Stated capital

	2022 $'000	2021 $'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

16. Revaluation reserve

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

	2022 $'000	2021 $'000
Balance as January 1	1,625	(33)
Fair value adjustment – investment securities at FVOCI	(3,280)	1,658
Balance at December 31	(1,655)	1,625

17. Mortgage risk reserve

Balance at January 1	10,413	11,793
Transfer to retained earnings	(374)	(1,380)
Balance at December 31	10,039	10,413

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18. Other liabilities	**2022 $'000**	**2021 $'000**
Interest payable on bonds	7,333	6,390
Sundry creditors and accruals	10,632	9,496
CMO holders payable	8,251	7,376
	26,216	23,262
Taxation (receivable)/payable	(1,676)	3,193
	24,540	26,455

19. Borrowings

	2022	2021
Balance at January 1	306,000	23,829
Proceeds from revolving credit	703,000	675,000
Repayments on revolving credit	(872,000)	(392,829)
	137,000	306,000
IDB Invest loan facility	150,000	200,000
Balance at December 31	287,000	506,000

The Bank has a one-year revolving credit facility with RBC Royal Bank (Trinidad & Tobago) Limited which was renewed on December 31, 2022. 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 December 31, 2023. This facility is secured by investment securities valued at $614 million (2021: $615 million).

On November 24, 2020, the Bank entered a $250 million loan facility with Inter-American Investment Bank (IDB Invest) maturing on December 3, 2025. The Bank shall repay the loan in TT dollars in equal annual installments of principal on each principal payment date commencing on December 15, 2021 and ending on December 3, 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 $267 million (2021: $297 million) as at December 31, 2022.

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20. **Debt securities**	**2022 $'000**	**2021 $'000**
Balance at January 1	1,035,517	1,137,350
Issues	469,309	56,301
Redemptions	(329,391)	(158,134)
Balance at December 31	1,175,435	1,035,517

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) On November 18, 2022, a Bond subscription agreement valued at $300 million was signed with Inter-American Investment Bank (IDB Invest). The Bank shall repay the Bond in TT dollars in equal annual installments of principal on each principal payment date commencing on December 6, 2023 and ending on December 6, 2027 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 $384.5 million as at December 31, 2022.

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

	2022 $'000	**2021 $'000**
Within 1 year	485,627	397,977
1 to 2 years	287,326	283,740
2 to 3 years	222,646	209,240
3 to 4 years	119,836	144,560
4 to 5 years	60,000	–
	1,175,435	1,035,517

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	2022	2021
20. Debt securities (continued)	**$'000**	**$'000**
(c) Tax free bonds	474,710	523,266
Other bonds	700,725	512,251
	1,175,435	1,035,517

Under the Home Mortgage Bank Act 1985, the Bank is authorised to issue tax-free bonds up to $600 million of which $475 million has been issued for 2022 (2021: $523 million).

	2022	2021
21. Liability to fund holders	**$'000**	**$'000**
Managed funds comprises:		
Mortgage Participation Fund	436,826	454,025
Samaan Tree Fund	58,725	45,872
	495,551	499,897
Carrying value of loans backing the managed fund (Note 7)	506,265	513,190

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.

(Expressed in thousands of Trinidad and Tobago Dollars)

21. Liability to fund holders (continued)

	2022 $'000	2021 $'000
The movement in the managed fund liabilities is as follows:		
Balance at January 1	499,897	514,626
Additions	101,922	150,628
Capitalised interest	7,933	7,330
Repayments	(114,201)	(172,687)
Balance at December 31	495,551	499,897
Accrued interest		
Balance at January 1	418	–
Interest paid	(8,723)	(8,319)
Interest expense	8,847	8,737
Balance at December 31	542	418

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 $436.826 million (2021: $454.025 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 $58.725 million (2021: $45.872 million).

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	2022 $'000	2021 $'000
22. Net interest income		
Loans and advances to customers	136,741	135,202
Investment securities	50,661	49,065
	187,402	184,267
Interest expense	(6,438)	(7,826)
Net interest income	180,964	176,441
23. General and administrative expenses		
Staff costs	12,633	12,546
Premises	2,697	1,332
Depreciation and amortisation (Note 11,12 and 13)	1,390	3,848
Directors' fees	1,737	1,766
Other operating expenses	5,888	6,836
	24,345	26,328

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24. Taxation

	2022 $'000	2021 $'000
(i) Current taxation:		
Corporation tax	21,418	22,945
Deferred tax (Note 14)	404	184
Taxation charge for the year	21,822	23,129

(ii) Tax reconciliation:

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

	2022 $'000	2021 $'000
Profit before taxation	89,141	83,465
Tax at the statutory rate of 30%	26,742	25,040
Expenses disallowed	1,018	576
Tax exempt income	(5,938)	(2,487)
	21,822	23,129

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.

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.

(Expressed in thousands of Trinidad and Tobago Dollars)

25. Risk management (continued)

Credit risk

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

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

Where the recovery of the outstanding asset may be doubtful or unduly delayed, such accounts are transferred from performing to non-performing status. Loan loss provisions are set aside to cover any potential loss and these provisions are reviewed 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	
	2022	**2021**
	$'000	**$'000**
Cash and cash equivalents	24,163	16,235
Investment securities	921,390	975,535
Gross mortgage portfolio	2,170,511	2,145,055
Construction advances	8,561	12,909
Other assets	39,147	46,838
Total gross financial assets	3,163,772	3,196,572
Mortgage commitments	187,715	208,170
Total credit risk exposure	3,351,487	3,404,742

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 categorized into the Retail Lending Portfolio and Corporate Commercial Lending Portfolio
- Investment securities

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

Loans and advances to customers – Retail Lending Portfolio 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.

25. Risk management (continued)

Loans and advances to customers– Retail Lending Portfolio 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.

(Expressed in thousands of Trinidad and Tobago Dollars)

25. Risk management (continued)

Loans and advances to customers– Retail Lending Portfolio 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– Retail Lending Portfolio 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.

25. Risk management (continued)

Loans and advances to customers– Retail Lending Portfolio 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.

25. Risk management (continued)

Loans and advances to customers– Retail Lending Portfolio 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.

25. Risk management (continued)

Loans and advances to customers– Corporate Commercial Lending Portfolio inputs, assumptions and techniques used

During 2022, the Group reviewed it ECL methodology for its lending portfolios which resulted in the adoption of a new ECL model for the Corporate Commercial Lending Portfolio. Considering the portfolio size and the homogeneous nature of the loans with minimal history of default, a simplified ECL approach was applied. The change in ECL model has been accounted for as a change in accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and have been applied prospectively.

Overview of measurement of the ECL

The expected credit loss is calculated using the same variables as the loans and advances retail lending portfolio model, that is, the PD, LGD and EAD. The model incorporates the use of forward-looking information and have been assessed based on the portfolio's sensitivity to these factors:

- ECL for exposures in Stage 1 is calculated by multiplying the 12-month ECL factor by the EAD or amount at risk net of collateral.
- ECL for exposures in Stage 2 is calculated by multiplying the ECL factor by the EAD or amount at risk net of collateral by the remaining term.
- ECL exposures in Stage 3 are calculated at 100% of the EAD or amount at risk net of collateral.
- For Stage 2 and 3 Lifetime ECL is calculated.

Significant increase in credit risk

The Group uses a similar criterion for assessing whether there has been a significant increase in credit risk as it does for its retail lending portfolio but extends the review to also include the amendments to the original contractual terms, inability to close off the project, cost over-runs and a shortfall in collateral coverage.

25. Risk management (continued)

Loans and advances to customers– Corporate Commercial Lending Portfolio inputs, assumptions and techniques used (continued)

The portfolio is staged based on the associated credit risk and are as follows:

- Stage 1 – loans and advances where there is no significant increase in credit risk since initial recognition.
- Stage 2 – loans and advances where there is significant increase in credit risk since initial recognition but no objective evidence of default.
- Stage 3 – loans and advances where there is objective evidence of default at the reporting date.

Probability of default (PD) and Loss given default (LGD)

A combined ECL factor is used versus a separate estimate for PD and LGD. The ECL factor is the percentage of loss expected, should there be a default.

Exposure at default (EAD)

EAD represents the expected exposure or amount at risk net of collateral in the event of default. The Group derives the EAD from the current exposure to the counterparty in addition to undrawn commitments, additional cost to complete where applicable and the collateral coverage assigned to the facility. The collateral coverage is further adjusted using a percentage haircut and compared to the Net Realisable Value to determine the amount at risk.

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.

(Expressed in thousands of Trinidad and Tobago Dollars)

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 2022			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Gross loans	1,636,455	343,527	199,090	2,179,072
ECL	(1,504)	(710)	(24,724)	(26,938)
Carrying amount	1,634,951	342,817	174,366	2,152,134
ECL as a % of Gross loans	0.09	0.21	12.42	1.24

	Loans and advances to customers 2021			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Gross loans	1,733,642	211,374	212,949	2,157,965
ECL	(2,801)	(527)	(10,430)	(13,758)
Carrying amount	1,730,841	210,847	202,519	2,144,207
ECL as a % of Gross loans	0.16	0.25	4.90	0.64

(Expressed in thousands of Trinidad and Tobago Dollars)

25. Risk management (continued)

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

Exposure at default (EAD) (continued)

	Investment securities 2022			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Gross balance	321,807	599,583	–	921,390
ECL	(850)	(1,255)	–	(2,105)
Carrying amount	320,957	598,328	–	919,285
ECL as a % of Gross balances	0.26	0.21	–	0.23

	Investment securities 2021			
	Stage 1 $'000	**Stage 2 $'000**	**Stage 3 $'000**	**Total $'000**
Gross balance	426,027	549,508	–	975,535
ECL	(464)	(1,641)	–	(2,105)
Carrying amount	425,563	547,867	–	973,430
ECL as a % of Gross balances	0.11	0.30	–	0.22

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.

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 summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted repayment obligations, over the remaining life of those liabilities.

(Expressed in thousands of Trinidad and Tobago Dollars)

25. Risk management (continued)

Liquidity risk and funding management (continued)

	2022			
Financial liabilities	**Within 1 year $'000**	**2-5 years $'000**	**Over 5 years $'000**	**Total $'000**
Mortgage participation fund	436,826	–	–	436,826
Samaan Tree Fund	58,725	–	–	58,725
Borrowings	137,000	150,000	–	287,000
Debt securities	125,000	1,050,435	–	1,175,435
Total undiscounted financial liabilities	757,551	1,200,435	–	1,957,986

	2021			
Financial liabilities	**Within 1 year $'000**	**2-5 years $'000**	**Over 5 years $'000**	**Total $'000**
Mortgage participation fund	454,025	–	–	454,025
Samaan Tree Fund	45,872	–	–	45,872
Borrowings	306,000	200,000	–	506,000
Debt securities	98,376	937,141	–	1,035,517
Total undiscounted financial liabilities	904,273	1,137,141	–	2,041,414

	On demand $'000	**Less than 3 months $'000**	**3-12 months $'000**	**1-5 years $'000**	**Over 5 years $'000**	**Total $'000**
2022						
Commitments	–	67,222	95,493	25,000	–	187,715
2021						
Commitments	–	54,326	91,221	62,623	–	208,170

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

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 does not hold an equity portfolio and is therefore not 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 74% of the total gross mortgage portfolio as at December 31, 2022 (2021: 81.4%).

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

(Expressed in thousands of Trinidad and Tobago Dollars)

25. Risk management (continued)

Interest rate risk (continued)

(b) Financial liabilities

Bonds in issue

The Group has the ability to reset rates on its variable rate bonds. The rate is calculated on a spread ranging between 0.78% to 2.00% over the current 1-year 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 2022 $'000	Fixed rate 2022 $'000	Total 2022 $'000	Variable rate 2021 $'000	Fixed rate 2021 $'000	Total 2021 $'000
Loans and advances to customers	1,414,572	644,867	2,059,439	1,660,624	466,236	2,126,860
Mortgages backing CMO Products	420,431	–	420,431	385,806	–	385,806
Total	1,835,003	644,867	2,479,870	2,046,430	466,236	2,512,666
Percentage of total loans and advances to customers	74.0%	26.0%	100.0%	81.4%	18.6%	100.0%
Bonds in issue	700,000	475,435	1,175,435	690,361	345,156	1,035,517
Percentage of total bonds in issue	59.6%	40.4%	100.0%	66.7%	33.3%	100.0%

(Expressed in thousands of Trinidad and Tobago Dollars)

25. Risk management (continued)

Interest rate risk (continued)

(b) Financial liabilities

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

2022	Within 1 Year $'000	1-3 Years $'000	3-5 Years $'000	5-7 Years $'000	7-10 Years $'000	Total $'000
Loans and advances to customers	549,407	68,748	483	2,395	23,834	644,867
Percentage of total Fixed loans and advances to customers	85.2%	10.7%	0.1%	0.4%	3.7%	100.0%
2021						
Loans and advances to customers	395,637	42,003	700	1,724	26,172	466,236
Percentage of total Fixed loans and advances to customers	84.9%	9.0%	0.2%	0.4%	5.6%	100.0%

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

However, it should be noted that the majority of the Group's financial assets are held in loans and advances to mortgagers. Variable rate mortgages account for 74% (2021: 81.4%) of the mortgage pool which gives the Group the ability to change interest rates if needed, within a short time frame.

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.

(Expressed in thousands of Trinidad and Tobago Dollars)

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	2022 $'000	2021 $'000
Loans, investments and other assets		
The National Insurance Board and its subsidiaries	150,500	175,500
Directors and key management personnel	2,775	2,680

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

	2022 $'000	2021 $'000
Bonds in issue and other liabilities		
The National Insurance Board and its subsidiaries	56,387	55,548
Directors and key management personnel	621	344

Notes to the Consolidated Financial Statements
For the Year ended December 31, 2022
(Expressed in thousands of Trinidad and Tobago Dollars)

27. Related party transactions and balances (continued)

	2022 $'000	2021 $'000
(c) Related party transactions		
Interest and other income		
The National Insurance Board and its subsidiaries	8,280	9,882
Directors and key management personnel	134	135
Bond interest and other expenses		
The National Insurance Board and its subsidiaries	839	757
Directors and key management personnel	22	14
Mortgages purchases		
Trinidad and Tobago Mortgage Finance	75,000	250,944
(d) Key management compensation		
Directors and management compensation		
Short term benefits	7,496	6,733
Post-retirement benefits	277	197

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.

28. Mortgage commitments

The Group has issued standby mortgage commitments of which undrawn balances amounted to $188 million (2021: $208 million).

29. Dividends paid

The Group made a dividend payout of one dollar, fifty-one cents ($1.51) per share (2021: $1.37) which was paid on June 28, 2022 in relation to 2021 profits.

This amounted to $24.13 million (2021: $21.88 million) as per the consolidated statement of changes in equity.

30. Contingent liabilities

As at December 31, 2022, there were no legal proceedings outstanding against the Group, as such no provisions were required (2021: Nil).

31. Discontinued Operations

Tobago Fairways Villa Limited

During January 2021, the Group finalised the sale of the remaining two villas thereby relinquishing the Group's control. The Company has been inactive, for all intents and purposes since January 2021. The Group's attorney has applied to the Company Registry to have the company struck-off of the records as approved by the Board of Directors on March 26, 2021.The dissolution of Tobago Fairways Villa Limited had no impact on the consolidated financial statements of the Group.

Tobago Fairways Management Limited

On October 18, 2021, the Group transferred ownership to the Homeowners Association relinquishing control of the company. All regulatory filings relating to the change in ownership were duly filed. The transfer of ownership had no impact on the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements
For the Year ended December 31, 2022
(Expressed in thousands of Trinidad and Tobago Dollars)

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.

33. Proposed Merger of the Group and the Trinidad and Tobago Mortgage Finance Company (TTMF)

On August 6, 2021, the Board of Directors of the National Insurance Board of Trinidad and Tobago (NIBTT), the sole shareholder of Home Mortgage Bank, as well as the Boards of Home Mortgage Bank (HMB) and the Trinidad and Tobago Mortgage Finance Company (TTMF) approved the merger of the operations of TTMF and HMB via a distribution in species whereby the assets and liabilities of HMB will be transferred to TTMF.

The merger is intended to achieve business synergies between HMB and TTMF resulting in increased returns to the shareholders of each entity, an improved service to customers and an enhanced entity for the benefit of employees and customers.

The merger is subject to regulatory approvals and the fulfilment of specific conditions with the timeframe of these approvals not known at this time.

SHAREHOLDERS

The stated capital is 16,000,000 ordinary shares to a value of $16,000,000 subscribed as follows as at December 31, 2022:

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

CORPORATE INFORMATION

MANAGEMENT

BRENT MC FEE
Chief Executive Officer (Ag.)

SHAMELA BAL-MAHARAJ
Chief Financial Officer

ANDRE FALBY
Chief Risk Officer

OSMOND PREVATT
Manager, Fund Management and Capital Markets

SHAM BASSANT
Manager, Commercial & Corporate Credit

JOSANNE BELFON-MC LEOD
Manager, Operational Risk and Compliance

CHERYL-ANN NEPTUNE
Manager, Human Resources

DANIELLE CAMPBELL
Corporate Secretary

EXTERNAL AUDITORS

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

INTERNAL AUDITORS

DELOITTE
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

Republic Bank Limited
Trust and Asset Management Division
Republic House
9-17 Park Street, Port of Spain

OFFICE LOCATION

Second Floor, NIBTT Building
14-19 Queen's Park East
Port of Spain

REGISTRAR AND PAYING AGENT

First Citizens Trustee Services Limited
45 Abercromby Street, Port of Spain

HOME MORTGAGE BANK

INVESTMENTS | MORTGAGES